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HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE AND FORESTRY UNITED STATES SENATE

NINETY-FIRST CONGRESS

SECOND SESSION

ON

S. 2524, S. 3068, and a draft bill

BILLS EXTENDING AND MODIFYING THE AGRICULTURAL COMMODITY PROGRAMS AND LAND-USE ADJUSTMENT

FEBRUARY 18, 19, 20, 23, 24, 25, 26, AND MARCH 23, 1970

Printed for the use of the Committee on Agriculture and Forestry

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U.S. GOVERNMENT PRINTING OFFICE

41-649 O WASHINGTON : 1970

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AGRICULTURAL ACT OF 1970

WEDNESDAY, FEBRUARY 18, 1970

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to notice, at 10:10 a.m., in room 324, Old Senate Office Building, Hon. Allen J. Ellender (chairman) presiding.

Present: Senators Ellender, Holland, Jordan of North Carolina, McGovern, Aiken, Young of North Dakota, Miller, Curtis, Dole, and Bellmon.

The CHAIRMAN. The committee will come to order.

We might as well start.

About 3 weeks ago, the committee authorized me to fix a date certain to hold hearings on a new farm bill, and it is our purpose to study all of the bills that have been introduced in the House as well as the Senate. But we are going to use as a starter the present law to see whether or not we want to add or subtract from it.

The present law has been on the statute books now since 1965, and I have no doubt but that because of our experience in the last 5 years we have gathered, I mean we have had quite a lot of experience, and I am sure that we might be able to improve the situation.

Now, with the assistance of Dr. Wilcox, from the Library of Congress, I have a prepared short statement here which I will ask be placed in the record. It simply points up the necessity of legislation this year. And then it goes into facts of what has happened in the last 10 or 15 years in regard to prices paid the farmer in comparison to what the consumer pays and then what the charges are in between. They are very interesting figures, and I hope to place this statement in the Record—Congressional Record—some time today or maybe tomorrow, and it will be placed in the record at this point.

(The statement of the chairman follows):

Three weeks ago I addressed the Senate on the importance of farm programs to the economy. At that time I said, "I am fearful of what would happen to our economy if this Congress were to adjourn without reenacting the present farm program or putting another effective measure on the statute books. Legislative action this year is very, very important. No matter how much gold one owns, or diamonds, or what have you, the most important thing needed to maintain our national wealth and power is an abundance of food and fiber."

Before hearing the first witness today I would like to say a little more about the relation between farm prices, farm income and retail food prices—and about the current farm program's great contribution to improved farm income and reasonable food prices.

We are hearing a great deal about rising food prices. They were 5.2 percent higher in 1969 than in 1968. Farm prices in 1969 also were higher than at any time since 1952. They were 5.6 percent higher than in 1968.

But 1969 was one of only 3 times in the past 17 years when farm prices increased more than retail food prices as compared with the previous year. The other two times were in 1958 and 1966.

Retail food prices, on the other hand, except for 1959, have increased each year since 1955. Retail food prices are 34 percent higher today than in 1955 yet farm prices are up only 18 percent.

In the early post war years, 1947–49, the annual farm value of the food bought by civilians was $18.9 billion. The annual marketing charges for these farm foods was $24.5 billion. Last year the farm value of all foods bought by civilians was up to $32.2 billion, but the marketing charges were a whopping $63.7 billion.

The farm value of an identical market basket of farm foods increased from $441 in 1947–49 to $477 in 1969. The cost of processing these products and getting them on the retail food counters increased from $449 to $696.

The prices of the food products at the farm gate increased 8 percent. The processing and marketing charges increased 55 percent.

Many shoppers in supermarkets today were not shopping in 1947–49. If they had been, however, they could have purchased the same pound loaf of bread for 13.5 cents which costs 23 today. And farmers who were selling wheat in 1947–49 will remember that they received $2.05 a bushel then as compared with $1.30 now not including the direct payment.

In order that all of us can refresh our memory as to how retail and farm prices for particular products have changed in the past 21 years I asked the Economic Research Service to compile this information for us.

Farm prices after sagging as much as 10 to 15 percent below 1947–49 levels from 1953 to the early 1960's finally regained the 1947–49 levels in 1969. It is a surprising fact to many people that farm prices in 1969 were only 2 percent higher than in 1947–49 yet retail food prices were 50 percent higher. I find this frustrating and I am sure my farmer friends are even more frustrated at the failure of farm prices to rise at a rate comparable to the price increases they have had to pay for their purchased farm supplies.

Whereas farm prices in 1969 were only 2 percent higher than 21 years earlier the prices of goods purchased by farmers, interest, taxes and farm wage rates increased by 50 percent. It is no wonder that farm numbers have been declining rapidly and the central cities are ever more crowded by displaced farm people looking for an opportunity to make a better living.

I want to repeat a statement I have made many times before. American farmers are amazingly efficient. In the past 20 years they have increased agricultural productivity much faster than efficiency has improved in non-farm industries. They now have the capacity to produce about 10 percent more products than can be marketed at home and abroad at stable prices.

They produce such an abundance of high quality foods, priced so moderately, that only 5 percent of American consumers after tax income goes to farmers for the domestically produced food they eat. Largely because of the great efficiency of farmers, American consumers spend a smaller proportion of their incomes for food than consumers in any other country in the world, only 16.5 percent last year. But imported foods and the marketing and processing charges for farm produced foods take 11.5 of the 16.5 percent, with only 5 percent going to farmers. This is indeed a fantastically small percentage of consumers income going to farmers. When one adds the annual cost of the farm program to farm value of the food the total equals only 6 percent of American consumers after tax income.

These are some of the basic facts uppermost in my mind as I open hearings on a new farm bill.

FARM PROGRAM STABILIZES SUPPLIES AND PRICES

There is another line of thought which should be developed at the opening of these hearings. It is that the voluntary programs authorized under the Food and Agriculture Act of 1965 have made a great contribution in stabilizing supplies and prices for American consumers as well as in protecting farmers' incomes. In fact they may have done a better job for consumers than for farmers.

As compared with earlier farm legislation market price support loan levels have been lowered, permitting consumers to obtain livestock products at substantially lower prices than if the higher loan levels and mandatory marketing quotas had been in effect.

Farmers marketed $47 billion of farm products in 1969 and received $3.7 billion in farm program payments. To have obtained the same level of income with mandatory marketing quota programs, production would have been restricted even further. Market prices some 7 to 9 percent higher would have been required to provide as much income as the $3.7 billion in farm program payments received by farmers in 1969

Seven to 9 percent higher farm prices would soon be translated into 3 to 5 percent higher retail food prices with most livestock prices at least 5 percent higher. Under the current voluntary programs with loans at or near world price levels, government program payments to feed grain producers equal 22 percent of the value of feed grains produced.

We are indeed fortunate to have ample stocks in storage and reserve productive capacity in agriculture. In recent years we have carried over 45 to 50 million tons of feed grains, a third or more of a crop of wheat, and a substantial quantity of soybeans, and rice. In addition we have distributed $1 to $2 billion of food and fibers to people at home and abroad who could not afford to pay full market prices for all their needs. And we have held some 50 to 60 million acres of productive cropland in reserve ready to be used if and when needed.

It is my hope that following these hearings, it will be possible to develop legislation which improves on this Act which expires with the 1970 crop year. I hope we can provide improvement in terms of higher incomes for farmers, lower costs to the Government and continued assurance of abundant supplies of high quality foods to consumers at reasonable prices.

TABLE 1.—RETAIL AND FARM PRICES FOR SELECTED PRODUCTS 1947–49 AND 1969

[Prices in cents]

	1947–49	1969	Percent change
Retail price 1-pound loaf of bread	13.5	23.0	+70
Farm value of wheat in it	2.7	2.5	−7
Retail price 12-ounce package cornflakes	17.1	31.3	+83
Farm value of corn in it	3.2	2.6	−19
Retail price 1 pound of apples	11.9	23.9	+101
Farm price 1 pound of apples	5.4	8.2	+52
Retail price 1 head of lettuce	14.5	31.1	+114
Farm price 1 head of lettuce	6.3	11.5	+83
Retail price 10 pounds of potatoes	51.9	81.6	+57
Farm price 10 pounds of potatoes	25.6	24.0	−6
Retail price No. 303 can of corn	16.7	23.8	+43
Farm price of sweet corn in can	2.7	3.0	+11
Retail price No. 303 can of tomatoes	14.2	19.7	+39
Farm price of tomatoes in can	2.6	3.6	+38
Retail store price ½ gallon fluid milk	38.7	55.1	+42
Farm price ½ gallon fluid milk	21.7	27.6	+27
Retail price ½ pound processed cheese	[1]28.2	47.0	+67
Farm price ½ pound processed cheese	13.4	21.0	+57
Retail price 1 dozen eggs	66.7	62.1	−7
Farm price 1 dozen eggs	48.0	41.3	−14
Retail price 1 pound choice beef	[1]67.8	96.3	+42
Farm price 1 pound choice beef	49.1	62.2	+27
Retail price 1 pound pork	[1]54.5	74.3	+36
Farm price 1 pound pork	34.8	42.3	+22

[1]1949 only.

The CHAIRMAN. Now, all of the bills that are before us will be placed in the record at this point, unless there is objection, so that the committee will have an idea of what we are dealing with.

(S. 2524, S. 3068 and draft bill, and staff explanations are as follows:)

S. 2524

IN THE SENATE OF THE UNITED STATES

JULY 1, 1969

Mr. DIRKSEN (for himself, Mr. BENNETT, Mr. BOGGS, Mr. BROOKE, Mr. CASE, Mr. COTTON, Mr. DOMINICK, Mr. FANNIN, Mr. GRIFFIN, Mr. HANSEN, Mr. JORDAN of Idaho, Mr. MATHIAS, Mr. MILLER, Mr. MURPHY, Mr. PERCY, Mr. RIBICOFF, Mr. SAXBE, Mr. SCOTT, and Mr. WILLIAMS of Delaware) introduced the following bill; which was read twice and referred to the Committee on Agriculture and Forestry

A BILL

To adjust agricultural production, to provide a transitional program for farmers, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Adjustment Act of 1969".

DECLARATION OF POLICY

SEC. 2. It is hereby declared to be the policy of the Congress and the purpose of this Act to increase per family farm net income; bring the supplies of cotton, wheat, feed

grains, and soybeans into line with current demand; and decrease the public costs of maintaining farm programs. To effectuate this policy, programs are herein established to assist farmers in (1) obtaining a commodity price in the marketplace higher than levels at which commodity loans are made available by the Commodity Credit Corporation and fair in relation to prices farmers have to pay; (2) carrying out a voluntary program of soil, water, forest, and wildlife conservation; and (3) achieving, with minimum difficulty, the transition and adjustment where necessary to more gainful employment.

TITLE I—EXTENDING AND MODIFYING THE FOOD AND AGRICULTURE ACT OF 1965, PROVIDING PRICE SUPPORT FOR SOYBEANS

SEC. 101. Titles III, IV, and V of the Food and Agriculture Act of 1965 (79 Stat. 1187) are amended by striking out "through 1970" wherever it appears in such titles and inserting in lieu thereof "through 1974".

SEC. 102. Notwithstanding any other provision of law—

(a) That portion of price support which is made available through loans for the 1971 through 1974 crops of cotton, wheat, corn, oats, rye, barley, and grain sorghum under programs enacted or extended by the Food and Agriculture Act of 1965 shall not exceed a loan level of 85 per centum of the average price received by farmers for the commodity

concerned, excluding payments made by the Secretary for such commodity, during the three complete marketing years immediately preceding the calendar year in which the marketing year for the crop of the commodity concerned begins.

(b) Total price support and diversion payments (not including payments made under section 602 of the Food and Agriculture Act of 1965) , including payments in kind, made to farmers by the Secretary of Agriculture under the authority of (1) section 16 (i) of the Soil Conservation and Domestic Allotment Act, as amended, (2) sections 101 (f) , 103 (d) , and 107 of the Agricultural Act of 1949, as amended, and (3) sections 339 and 379 c, d, and e of the Agricultural Adjustment Act of 1938, as amended, shall not—

(A) in 1971, exceed 80 per centum of the total of such payments made in 1969;

(B) in 1972, exceed 60 per centum of the total of such payments made in 1969;

(C) in 1973, exceed 40 per centum of the total of such payments made in 1969; and

(D) in 1974, exceed 20 per centum of the total of such payments made in 1969.

(c) The Commodity Credit Corporation shall sell wheat marketing certificates, provided for under section 379c of the Agricultural Adjustment Act of 1938, as amended, for the marketing years for the 1971 through the 1974 wheat crops

to persons engaged in the processing of food products in an amount equivalent to the following—

(1) for the 1971 crop, 80 per centum of the amount for which certificates were sold for the 1969 crop;

(2) for the 1972 crop, 60 per centum of the amount for which certificates were sold for the 1969 crop;

(3) for the 1973 crop, 40 per centum of the amount for which certificates were sold for the 1969 crop; and

(4) for the 1974 crop, 20 per centum of the amount for which certificates were sold for the 1969 crop.

(d) Effective only with respect to the 1971 through 1974 crops of soybeans, price support shall be made available to producers for each crop of soybeans at a level not to exceed 85 per centum of the average price received by farmers during the three complete marketing years immediately preceding the calendar year in which the marketing year for such crop begins.

SEC. 103. Effective with the 1971 crop of cotton, subsection (e) of section 346 of the Agricultural Adjustment Act of 1938, as amended, is amended by changing the second paragraph to read as follows:

"For the 1971 and 1972 crops of cotton, the annual national export market acreage reserve shall be an amount of acreage determined by the Secretary necessary to produce

the amount of cotton which he estimates will be exported in the year the cotton is to be marketed."

SEC. 104. Effective with the 1973 crop of cotton, the Agricultural Adjustment Act of 1938, as amended, is amended by (1) repealing section 346, and (2) changing the colon to a period in subsection (c) of section 347 and deleting the proviso.

TITLE II—TERMINATION OF EXISTING COTTON, WHEAT, AND FEED GRAIN PROGRAMS; ESTABLISHMENT OF PRICE-SUPPORT PROGRAM FOR COTTON, WHEAT, FEED GRAINS, AND SOYBEANS FOR THE 1975 AND SUBSEQUENT CROPS

SEC. 201. Notwithstanding any other provision of law, effective with the 1975 crops of cotton, wheat, corn, oats, rye, barley, and grain sorghum—

(1) sections 321 through 350 of parts II, III, and IV of subtitle B and section 379a through 379j of subtitle D of title III of the Agricultural Adjustment Act of 1938, as amended, are repealed, parts V and VI of subtitle B are redesignated as parts II and III, respectively, and subtitle F is redesignated as subtitle D; and

(2) subsection (i) of section 16 of the Soil Con-

servation and Domestic Allotment Act (16 U.S.C. 590p), as amended, is repealed.

SEC. 202. Effective with the 1975 crop of wheat, the Act of May 26, 1941, as amended (Public Law 74, Seventy-seventh Congress, 55 Stat. 203), is repealed.

SEC. 203. Effective with the 1975 crops of wheat, corn, oats, rye, barley, and grain sorghum, section 327 of the Food and Agriculture Act of 1962 (Public Law 87-703) is repealed.

SEC. 204. Effective with the 1975 crops of cotton, wheat, corn, oats, rye, barley, grain sorghum, and soybeans, the Agricultural Act of 1949, as amended (7 U.S.C. 1441 et seq.), is amended by—

(1) amending section 103 (7 U.S.C. 1441 (d)) to read as follows:

"SEC. 103. Notwithstanding the provisions of section 101 of this Act, price support shall be made available to producers for each crop of cotton, wheat, corn, oats, rye, barley, grain sorghum, and soybeans at a level not to exceed 85 per centum of the average price received by farmers for the commodity, excluding payments made by the Secretary for such commodity, during the three complete marketing years immediately preceding the calendar year in which

the marketing year for the crop of the commodity concerned begins."; and

(2) repealing subsection (f) of section 101 (7 U.S.C. 1441(f)), and sections 105 (7 U.S.C. 1441 note), 107 (7 U.S.C. 1445a), and 402 (7 U.S.C. 1422).

TITLE III—RESTRICTIONS ON SALES BY THE COMMODITY CREDIT CORPORATION

SEC. 301. Effective August 1, 1971, section 407 of the Agricultural Act of 1949, as amended (7 U.S.C. 1427), is amended by striking out the seventh sentence thereof, and by striking out the last four sentences of such section and inserting in lieu thereof the following: "Notwithstanding any other provision of law the Commodity Credit Corporation shall not make any sales (except sales offset by equivalent purchases, but including sales made in redemption of payment-in-kind obligations of the Commodity Credit Corporation under its programs) of its stocks of cotton, wheat, corn, oats, rye, barley, grain sorghum, or soybeans at less than (1) 150 per centum of the then current loan rate for such commodity, plus reasonable carrying charges, or (2) the market price for such commodity at the time of sale, whichever is higher."

TITLE IV—AN EXPANDED CROPLAND ADJUSTMENT PROGRAM

SEC. 401. Section 602 of the Food and Agriculture Act of 1965 (7 U.S.C. 1838) is amended—

(1) by striking out "1970" and inserting in lieu thereof "1975" in the first sentence of subsection (a);

(2) by striking out ", unless he determines that such action will be inconsistent with the effective administration of the programs," in the first sentence of subsection (d);

(3) by striking out the period at the end of the first sentence of subsection (d) and inserting in lieu thereof the following: "and shall encourage the inclusion of whole farms in such agreements where this will not unduly limit the employment opportunities of farm tenants. The Secretary shall announce in advance the maximum acreage of land to be contracted for each year; and if accepted bids do not achieve this maximum, the Secretary may offer higher bidders the opportunity to negotiate agreements equivalent to the accepted bid level. In determining annual maximum acreages, the Secretary shall formulate a program to obtain the long-term retirement of not less than ten million acres per year for the years 1971 through 1975. The amount of acreage retirement in a community area shall be calcu-

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lated to not cause such a reduction in crop production as to jeopardize the economic future of the community"; and

(4) by striking out subsection (k).

TITLE V—FARMER ADJUSTMENT AND RETRAINING PROGRAM

SEC. 501. (a) For the purpose of providing a transitional program to assist low-income farmers in making the necessary adjustments to nonagricultural pursuits and to provide opportunities for gainful employment, the Secretary of Agriculture is authorized to formulate and carry out a program during the calendar years 1971 through 1975 under which the Secretary may enter into an agreement with any farmer who, during the three-year period immediately preceding the year in which the agreement is entered into—

(1) had average gross annual sales of farm products of not more than $5,000; and

(2) had average annual off-farm income of not more than $2,000 (including income of both husband and wife in the case of a married farmer).

(b) Agreements entered into under this section may include: (1) the surrender to the Secretary for permanent cancellation of acreage allotments and base acreages then under the control of the farmer in return for cash consideration in an amount determined to be appropriate by the Sec-

retary; (2) adjustment assistance not to exceed $2,500 per year for a period not to exceed two years; (3) retraining grants for the purpose of covering tuition and other costs incident to training programs designed to provide skills found by the Secretary to be consistent with employment opportunities.

(c) The Secretary shall, in achieving the objectives of this section, arrange for utilization to the maximum extent possible of existing Federal and State programs designed to provide grants, loans, and other assistance which will further facilitate this adjustment program.

(d) The Secretary shall prescribe such regulations as he deems necessary to carry out the provisions of this title.

TITLE VI—AUTHORITY OF THE COMMODITY CREDIT CORPORATION

SEC. 601. The Commodity Credit Corporation shall not make any expenditures for carrying out the purposes of this Act unless the Corporation has received funds to cover such expenditures from appropriations made to carry out the purposes of this Act. There are hereby authorized to be appropriated such sums as may be necessary to carry out the overall program provided for in this Act, including such amounts as may be required to make payments to the Corporation for its actual costs incurred or to be incurred in carrying out such program.

Staff Explanation of S. 2524

The Dirksen-Farm Bureau bill, S. 2524, would phase out the current feed grain, cotton and wheat programs over a five year period, while expanding the Cropland Adjustment Program, locking up CCC stocks, and assisting low-income farmers to adjust to non-agricultural pursuits. By 1975, supports for these crops would be at not more than 85 percent of the previous 3 year market price, without allotments, quotas, or price support or diversion payments (other than Cropland Adjustment Program payments).

The bill would—

(1) extend the current feed grain, cotton, and wheat programs, except that—

(i) the support loan could not exceed 85 percent of the previous 3 year market price;

(ii) the combined total price support and diversion payments for those crops and long staple cotton could not exceed 80 percent in 1971, 60 percent in 1972, 40 percent in 1973, and 20 percent in 1974 of the combined total of such combined payments in 1969;

(iii) CCC would sell wheat marketing certificates to processors in an amount equal to 80 percent in 1971, 60 percent in 1972, 40 percent in 1973, and 20 percent in 1974, of the amount for which certificates were sold in 1969;

(iv) the cotton export market acreage would be fixed at the amount required to cover cotton exports (instead of 0 to 250,000 acres, depending on carryover) for 1971 and 1972, and the provision for cotton export acreage is repealed effective with the 1973 crop;

(2) provide soybean price support for 1971 and subsequent crops at not more than 85 percent of the previous 3 year market price;

(3) effective with the 1975 crops, repeal the marketing quota, diversion, and marketing certificate programs applicable to feed grains, cotton, and wheat, and provide price support for those commodities (apparently including extra-long staple cotton) at not more than 85 percent of the previous 3 year market price;

(4) effective August 1, 1971, prohibit CCC sales of feed grains, cotton, or wheat, at less than market or 150 percent of the current loan rate, whichever is higher;

(5) amend the Cropland Adjustment Program by—

(i) extending the authority to enter into new contracts for 5 years (through 1975);

(ii) require use of an advertising and bid procedure;

(iii) require long term retirement of not less than 10 million acres annually, 1971 through 1975; and

(iv) remove the $225 million plus carryover annual limit on new contracts;

(6) during 1971 through 1975 authorize contracts with low income farmers (less than $5000 farm and $2000 off-farm income) to help them adjust to non-agricultural pursuits, providing (i) payments for cancellation of allotments, (ii) adjustment assistance of up to $2,500 per year for not to exceed 2 years; and (iii) retraining grants;

(7) prohibit use of CCC funds to carry out the bill, unless such funds have been appropriated in advance of expenditure.

COMMENTS

1. There might be considerable difficulty in fixing price support and diversion payments for individual producers and individual crops within the over-all combined limits for the three crops.

2. Likewise, the reduction in the total amount of wheat marketing certificates sold to processors might involve numerous problems, since processors are required to have certificates for all wheat processed.

3. The Library of Congress estimates that retirement of 50 million acres would probably cost $1.25 billion annually (at $25 per acre).

91ST CONGRESS
1ST SESSION

S. 3068

IN THE SENATE OF THE UNITED STATES

OCTOBER 23, 1969

Mr. MCGOVERN (for himself, Mr. YARBOROUGH, Mr. BURDICK, Mr. EAGLETON, Mr. HARRIS, Mr. HUGHES, Mr. JACKSON, Mr. MCGEE, Mr. MANSFIELD, Mr. METCALF, Mr. MONDALE, Mr. MOSS, and Mr. NELSON) introduced the following bill; which was read twice and referred to the Committee on Agriculture and Forestry

A BILL

To improve farm income and insure adequate supplies of agricultural commodities by extending and improving certain commodity programs.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Stabilization Act of 1969".

TITLE I—DAIRY: CLASS I BASE PLAN

SEC. 101. (a) The Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, is further amended by striking in subparagraph (B) of subsection 8c(5) all that part of said subparagraph (B) which follows the

comma at the end of clause (c) and inserting in lieu thereof the following: "(d) a further adjustment, equitably to apportion the total value of the milk purchased by any handler, or by all handlers, among producers and associations of producers, on the basis of their marketing of milk during a representative period of time, which need not be limited to one year, and further adjustments to provide for the accumulation and disbursement of a fund to encourage seasonal adjustments in the production of milk, and (e) a further adjustment, equitably to apportion the total value of the milk purchased by any handler, or by all handlers, among producers and associations of producers, on the basis of their marketings of milk during a representative period of time, which need not be limited to one year and which may be either a fixed period of one or more years, or a moving average of one or more years, as provided in the order, and which may be adjusted, and readjusted from time to time, to reflect the utilization of producer milk by any handler or by all handlers in any use classification or classifications. In the event a producer holding a base allocated under this clause (e) shall reduce his marketings, such reduction shall not adversely affect his history of production and marketing for the determination of future bases, or future adjustments of bases, except that an order may provide that, if a producer reduces his marketings below his base allocation in any one

or more use classifications designated in the order, the amount of any such reduction shall be taken into account in determining future bases or future adjustments of bases. Bases allocated to producers under this clause (e) may be transferable under an order on such terms and conditions as may be prescribed in the order if the Secretary of Agriculture determines, in connection with such order, that transferability will be in the best interest of the public, existing producers, and prospective new producers. Provision shall be made in the order for the allocation of bases under this clause (e) to new producers and for the alleviation of hardship and inequity among producers, and prescribing terms and conditions under which new producers may obtain bases on an equitable basis with old producers. Producers holding bases so allocated or obtained shall thereafter participate pro rata in the market in the same manner as other producers. In the case of any producer who during any accounting period delivers a portion of his milk to persons not fully regulated by the order, provision may be made for reducing the allocation of, or payments to be received by, any such producer under this clause (e) to compensate for any marketings of milk to such other persons for such period or periods as necessary to insure equitable participation in marketings among all producers. Notwithstanding the provisions of sections 8c(12) and the last sentence of section

8c(19) of this Act, order provisions under this clause (e) shall not be effective in any marketing order unless separately approved by producers in a referendum in which each individual producer shall have one vote and may be terminated separately whenever the Secretary makes a determination with respect to such provisions as is provided for the termination of an order in subparagraph 8c(16)(B). Disapproval or termination of such order provisions shall not be considered disapproval of the order or other terms of the order."

(b) Such Act is further amended (1) by adding to subsection 8c(5) the following new paragraph:

"(H) Marketing orders applicable to milk and its products may be limited in application to milk used for manufacturing."; and (2) by amending subsection 8c(18) by adding after the words "marketing area" wherever they occur the words "or, in the case of orders applying only to manufacturing milk, the production area".

(c) The legal status of producer handlers of milk under the provisions of the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, shall be the same subsequent to the adoption of the amendments made by this Act as it was prior thereto.

(d) The Agricultural Adjustment Act, as reenacted and

amended by the Agricultural Marketing Agreement Act of 1937, as amended, is further amended by adding at the end of subsection 8c(5) the following new subparagraph (I):

"(I) Establishing or providing for the establishment of research and development projects, and advertising (excluding brand advertising), sales promotion, educational, and other programs, designed to improve or promote the domestic marketing and consumption of milk and its products, to be financed by producers in a manner and at a rate specified in the order, on all producer milk under the order. Producer contributions under this subparagraph may be deducted from funds due producers in computing total pool value or otherwise computing total funds due producers and such deductions shall be in addition to the adjustments authorized by subparagraph (B) of subsection 8c(5). Provision may be made in the order to exempt, or allow suitable adjustments or credits in connection with, milk on which a mandatory checkoff for advertising or marketing research as required under the authority of any State law. Such funds shall be paid to an agency organized by milk producers and producers' cooperative associations in such form and with such methods of operation as shall be specified in the order. Such agency may expend such funds for any of the purposes authorized by this subparagraph and my designate, employ, and allocate funds

to persons and organizations engaged in such programs which meet the standards and qualifications specified in the order. All funds collected under this subparagraph shall be separately accounted for and shall be used only for the purposes for which they were collected. Programs authorized by this subparagraph may be either local or national in scope, or both, as provided in the order, but shall not be international. Order provisions under this subparagraph shall not become effective in any marketing order unless such provisions are approved by producers separately from other order provisions, in the same manner provided for the approval of marketing orders, and may be terminated separately whenever the Secretary makes a determination with respect to such provisions as is provided for the termination of an order in subsection 8c(16)(B). Disapproval or termination of such order provisions shall not be considered disapproval of the order or of other terms of the order."

(e) The first sentence of section 201 of the Agricultural Act of 1949, as amended (7 U.S.C. 1446), is amended by striking the words "milk, butterfat, and the products of milk and butterfat" and inserting in lieu thereof the words "and milk". Paragraph (c) of section 201 of the Agricultural Act of 1949, as amended (7 U.S.C. 1446(c)), is amended to read as follows:

"(c) The price of milk shall be supported at such level

not in excess of 90 per centum nor less than 75 per centum of the parity price therefor as the Secretary determines necessary in order to assure an adequate supply. Such price support shall be provided through purchases of milk and the products of milk."

The amendments made by this subsection shall become effective for the marketing year beginning April 1, 1970.

TITLE II—WOOL

SEC. 201. Section 703 of the National Wool Act of 1954 (7 U.S.C. 1782) is amended by striking out the second sentence thereof.

TITLE III—CORN AND FEED GRAINS

SEC. 301. (a) Section 105 (a) of the Agricultural Act of 1949, as amended, is amended to read as follows:

"(a) Notwithstanding the provisions of section 101 of this Act, beginning with the 1969 crop, price support shall be made available to producers for each crop of corn at a national average rate of not less than 90 per centum of the parity price therefor, including any payment, with a loan rate of not less than $1.15 per bushel."

(b) Section 105 (e) of such Act is amended by striking out "the 1966 through 1970 crops" each time it appears and inserting in lieu thereof "the 1966 and subsequent crops".

(c) The seventh sentence of section 105 (e) of such

Act is amended by striking out "may" and inserting in lieu thereof "shall".

(d) Section 105 (e) of such Act is further amended by inserting after the fourth sentence thereof a new sentence as follows: "In no event shall the farm projected yield for any crop of feed grains for any year be reduced by more than 5 per centum below what it was for the immediately preceding crop if the actual yield from such farm was reduced as the result of drought, flood, or other natural disaster."

SEC. 302. The first sentence of paragraph (1) of section 16 (i) of the Soil Conservation and Domestic Allotment Act, as amended, is amended by striking out "the 1966 through 1970 crops" and inserting in lieu thereof "the 1966 and subsequent crops".

TITLE IV—COTTON

SEC. 401. (a) The proviso at the end of section 344a (a) of the Agricultural Adjustment Act of 1938, as amended, is amended to read as follows: "*Provided,* That the authority granted under this section may be exercised beginning with the calendar year 1966, and all transfers hereunder shall be for such period of years as the parties thereto may agree".

(b) The first sentence of section 346 (e) of such Act is amended by striking out "through 1970" and inserting in lieu thereof "and subsequent".

(c) The first sentence of section 350 of such Act is amended by striking out "through 1970" and inserting in lieu thereof "and subsequent".

SEC. 402. Paragraph (1) of section 103(d) of the Agricultural Act of 1949, as amended, is amended by striking out "through 1970" and inserting in lieu thereof "and subsequent".

SEC. 403. Section 402(b) of the Food and Agriculture Act of 1965, as amended, is amended to read as follows:

"(b) Section 408(b) of the Agricultural Act of 1949, as amended, is amended, effective beginning with the 1966 crop, by changing the period at the end of the first sentence thereof to a colon and adding the following: '*Provided*, That for upland cotton a cooperator shall be a producer on whose farm the acreage planted to such cotton does not exceed the cooperator percentage, which shall be in the case of the 1966 crop, 87.5 per centum of such farm acreage allotment and, in the case of each subsequent crop, such percentage, not less than 87.5 or more than 100 per centum, of such farm acreage allotment as the Secretary may specify for such crop, except that in the case of small farms (that is farms on which the acreage allotment is ten acres or less, or on which the projected farm yield times the acreage allotment is three thousand six hundred pounds or less, and the acreage

allotment has not been reduced under section 344 (m) the acreage of cotton on the farm shall not be required to be reduced below the farm acreage allotment'."

TITLE V—WHEAT

SEC. 501. (a) Section 506 of the Food and Agriculture Act of 1965 is amended by striking out the language preceding the colon and inserting in lieu thereof the following: "Section 107 of the Agricultural Act of 1949, as amended, is amended to read as follows":

(b) Section 107 of the Agricultural Act of 1949, as amended by section 506 of the Food and Agriculture Act of 1965, is amended—

(1) by striking out that portion which precedes paragraph (3) and inserting in lieu thereof the following:

"SEC. 107. Notwithstanding the provisions of section 101 of this Act, beginning with the 1969 crop—

"(1) (A) Price support for wheat accompanied by domestic wheat certificates shall be at 100 per centum of the parity price therefor; and (B) price support for wheat accompanied by export certificates shall be at such level not more than 90 per centum or less than 65 per centum of the parity price therefor as the Secretary determines appropriate taking into consideration the factors specified in section 401 (b).

"(2) Price support for wheat not accompanied by marketing certificates shall be not less than $1.25 per bushel after subtracting national average storage and interest costs, as determined by the Secretary, in cases where wheat is placed under Government loan."

SEC. 502. The Agricultural Adjustment Act of 1938, as amended, is amended as follows:

(1) Paragraph 13 (K) of section 301 (b) is amended by striking out the period and inserting in lieu thereof a comma and the following: "and in no event shall the projected farm yield for any crop of wheat for any farm be reduced by more than 5 per centum below what it was for the immediately preceding crop if the actual yield from such farm was reduced as the result of drought, flood, or other natural disaster".

(2) Subsection (d) of section 332 is amended by striking out "in the calendar years 1966 through 1969" and inserting in lieu thereof "in the 1966 and subsequent crop years".

(3) The first sentence of section 339 (b) is amended by striking out "in the calendar years 1964 through 1970" and inserting in lieu thereof "in the 1966 and subsequent calendar years".

(4) Section 379b, as amended by section 502 of the Food and Agriculture Act of 1965, is amended by striking out "in the calendar years 1966 through 1969" in the first

sentence, and inserting in lieu thereof "in 1966 and subsequent calendar years".

(5) Section 379c(a) of such Act is amended by striking out the fifth and sixth sentences and inserting in lieu thereof the following: "The Secretary shall also provide for the issuance of export marketing certificates each marketing year on a number of bushels of wheat equal to not less than 40 per centum of the total number of bushels produced domestically in such marketing year."

(6) Section 379c(e) of such Act is further amended by adding at the end thereof a new sentence as follows: "A producer shall be entitled, under such rules and regulations as may be prescribed by the Secretary, to receive, at the time he agrees to participate in the wheat marketing allocation program, an amount in cash equal to not less than 50 per centum of the face value of the domestic and export marketing certificates to be issued to him."

(7) The last sentence of section 379e is amended by striking out "for the marketing years for 1966 through the 1970 wheat crops" and inserting in lieu thereof "for the 1966 and subsequent marketing years for wheat".

SEC. 503. The Agricultural Act of 1964 is amended as follows:

(1) Amendment (7) of section 202 is amended by striking out "effective only with respect to the crops planted

for harvest in 1965 through 1970" and inserting in lieu thereof "effective beginning with the crop planted for harvest in calendar year 1965".

(2) Amendment (13) of section 202 is amended by striking out "effective only with respect to the crop planted for harvest in the calendar years 1965 through 1970" and inserting in lieu thereof "effective beginning with the crop planted for harvest in calendar year 1965".

(3) Section 204 is amended by striking out "effective only with respect to the marketing years beginning in the calendar years 1964 through 1969" and inserting in lieu thereof "effective beginning with the marketing year which begins in the calendar year 1964".

SEC. 504. Section 502 of the Food and Agriculture Act of 1965 is amended by striking out the language preceding the colon and inserting in lieu thereof the following: "Section 379b is amended to read as follows".

TITLE VI—SOYBEANS AND FLAXSEED

SEC. 601. The Agricultural Act of 1949, as amended, is amended by adding at the end of title I a new section as follows:

"PRICE SUPPORT FOR SOYBEANS AND FLAXSEED

"SEC. 108. (a) Notwithstanding any other provision of law, beginning with the 1969 crop, price support shall be made available to producers for each crop of soybeans

and flaxseed at such level of the parity price therefor as the Secretary determines is fair and reasonable taking into consideration such factors as he deems appropriate, including those in section 401 (b) of this Act. Notwithstanding the preceding sentence, in the case of any crop for which an acreage diversion program is in effect for soybeans and flaxseed, the level of price support for such commodities for such crop shall be at such level not less than 75 per centum of the parity price therefor as the Secretary determines necessary to achieve the acreage reduction goal established by him for such crop.

"(b) The Secretary shall require, as a condition of eligibility for price support on any crop of soybeans and flaxseed which is included in any acreage diversion program formulated under section 16 (j) of the Soil Conservation and Domestic Allotment Act, as amended, that the producer shall participate in the diversion program to the extent prescribed by the Secretary, and if no diversion program is in effect for any crop, he may require as a condition of eligibility for price support on such crop of soybeans and flaxseed that the producer shall not exceed his soybean-flaxseed base. Any acreage on any farm which is diverted from the production of soybeans or flaxseed pursuant to a contract entered into after the date of enactment of this section under the cropland adjustment program shall be deemed to be

acreage diverted from the production of soybeans and flaxseed for purposes of meeting the foregoing requirements for eligibility for price support.

"(c) Such portion of the support price for soybeans and flaxseed acreage included in the acreage diversion program as the Secretary determines desirable to assure that the benefits of the price-support and diversion programs inure primarily to those producers who cooperate in reducing their acreages of soybeans and flaxseed shall be made available to producers through payments-in-kind of feed grains. Such payments-in-kind shall be made available on the maximum permitted acreage, or the Secretary may make the same total amount available on a smaller acreage or acreages at a higher rate or rates. The amount of the payment-in-kind in feed grains shall be determined by the Secretary, taking into consideration the feeding value of soybeans and flaxseed meal in relation to feed grains, the yield per acre, the equivalent dollar value of soybeans and flaxseed, as compared with feed grains, and such other factors as the Secretary deems necessary to arrive at a fair and equitable payment. For purposes of such payments, producers on any farm who have planted not less than 90 per centum of the acreage of soybeans and flaxseed permitted to be planted shall be deemed to have planted the entire acreage permitted.

"(d) An acreage on the farm which the Secretary finds

was not planted to soybeans or flaxseed because of drought, flood, or other natural disaster shall be deemed to be an actual acreage of such commodities planted for harvest for purposes of such payments provided such acreage is not subsequently planted to any other crop for which there are marketing quotas or voluntary adjustment programs in effect.

"(e) The Secretary shall make not to exceed 50 per centum of any payments hereunder to producers in advance of determination of performance.

"(f) Payments-in-kind shall be made through the issuance of negotiable certificates which the Commodity Credit Corporation shall redeem for feed grains (such feed grains to be valued by the Secretary at not less than the current support price made available through loans and purchases, plus reasonable carrying charges) in accordance with regulations prescribed by the Secretary and notwithstanding any other provision of law, the Commodity Credit Corporation shall, in accordance with regulations prescribed by the Secretary, assist the producer in the marketing of such certificates. The Secretary shall provide for the sharing of such certificates among producers on the farm on the basis of their respective shares in the soybean and flaxseed crop produced on the farm, or the proceeds therefrom, except that in any case in which the Secretary determines that such basis would not be fair and equitable, the Secretary shall provide for such shar-

ing on such other basis as he may determine to be fair and equitable.

"(g) If the operator of the farm elects to participate in the acreage diversion program, price support for soybeans and flaxseed included in the program shall be made available to the producers on such farm only if such producers divert from the production of such commodities, in accordance with the provisions of such program, an acreage on the farm equal to the number of acres which such operator agrees to divert, and the agreement shall so provide. In any case in which the failure of a producer to comply fully with the terms and conditions of the program formulated under this section preclude the making of payments-in-kind, the Secretary may, nevertheless, make such payments-in-kind in such amounts as he determines to be equitable in relation to the seriousness of the default.

"(h) The Secretary is authorized to use the capital funds and other assets of the Commodity Credit Corporation for the purpose of making payments under this section and to pay the administrative expenses necessary for carrying out this section.".

SEC. 602. Section 16 of the Soil Conservation and Domestic Allotment Act, as amended, is amended by adding at the end thereof a new subsection as follows:

"ACREAGE DIVERSION PROGRAM FOR SOYBEANS AND FLAXSEED

"(j) Notwithstanding any other provision of law—

"(1) Whenever the Secretary determines that the total combined stocks of soybeans and flaxseed of the Commodity Credit Corporation (including such stocks under Government loan) as of August 31 of any year (A) exceed one hundred and fifty million bushels (including the bushel equivalent of any soybean and flaxseed meal and oil held by the Corporation), or (B) exceed by 15 per centum or more the number of bushels of such commodities utilized (domestic and export) in the immediately preceding year, he shall formulate and carry out during the next crop year an acreage diversion program for soybeans and flaxseed, without regard to provisions which would be applicable to the regular agricultural conservation program, under which, subject to such terms and conditions as the Secretary determines, conservation payments shall be made to producers who divert acreage from the production of soybeans and flaxseed to an approved conservation use and increase their average acreage of cropland devoted in 1967 and 1968 to designated soil-conserving crops or practices including summer fallow and idle land by an equal amount. Payments shall be made at such rate or rates as the Secretary determines will provide producers with a fair and reasonable return for the acre-

age diverted, but not in excess of 50 per centum of the estimated basic county support rate, including the lowest rate of payment-in-kind, on the normal production of the acreage diverted from the commodity on the farm based on the farm projected yield per acre. Notwithstanding the foregoing provisions, the Secretary may permit all or any part of such diverted acreage to be devoted to the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, and plantago ovato, if he determines that such production of the commodity is needed to provide an adequate supply, is not likely to increase the cost of the price support program, and will not adversely affect farm income subject to the condition that payment with respect to diverted acreage devoted to any such crop shall be at a rate determined by the Secretary to be fair and reasonable, taking into consideration the use of such acreage for the production of such crops, but in no event shall the payment exceed one-half the rate which otherwise would be applicable if such acreage were devoted to conservation uses. Such soybean-flaxseed diversion program shall require the producer to take such measures as the Secretary may deem appropriate to keep such diverted acreage free from erosion, insects, weeds, and rodents. The acreage eligible for participation in the program shall be such acreage (not to exceed 50 per centum

of the average acreage on the farm devoted to soybeans and flaxseed in the crop years 1967 and 1968 or twenty-five acres, whichever is greater) as the Secretary determines necessary to achieve the acreage reduction goal for the crop. Payments may be made in kind from feed grain stocks in accordance with such rules and regulations as the Secretary may prescribe. In determining the amount of the payment-in-kind in feed grains to be made to any producer the Secretary shall consider the feeding value of soybeans and flaxseed meal in relation to feed grains, the yield per acre, the equivalent dollar value of soybeans and flaxseed as compared with feed grains, and such other factors as he deems necessary to arrive at a fair and reasonable payment. The Secretary may make such adjustments in acreage as he determines necessary to correct for abnormal factors affecting production, and to give due consideration to tillable acreage, crop-rotation practices, types of soil, soil and water conservation measures, and topography. Notwithstanding any other provision of this paragraph, the Secretary may, upon unanimous request of the State committee established pursuant to section 8 (b) of this Act adjust the soybean-flaxseed bases for farms within any State or county to the extent he determines such adjustment to be necessary in order to establish fair and equitable soybean-flaxseed bases for farms within such State or county. The Secretary shall make not to exceed 50 per

centum of any payments to producers in advance of determination of performance.

"(2) Notwithstanding any other provision of this subsection, not to exceed 1 per centum of the estimated total soybean-flaxseed bases for all farms in a State for any year may be reserved from the soybean-flaxseed bases established for farms in the State for apportionment to farms on which there were no acreage devoted to soybeans or flaxseed in the crop years 1968 and 1969 on the basis of the following factors: Suitability of the land for the production of soybeans or flaxseed, the past experience of the farm operator in the production of soybeans or flaxseed, the extent to which the farm operator is dependent on income from farming for his livelihood, the production of soybeans or flaxseed on other farms owned, operated, or controlled by the farm operator, and such other factors as the Secretary determines should be considered for the purpose of establishing fair and equitable soybean-flaxseed bases. An acreage equal to the soybean-flaxseed base so established for each farm shall be deemed to have been devoted to soybeans and flaxseed on the farm in each of the crop years 1968 and 1969 for purposes of this subsection except that producers on such farm shall not be eligible for conservation payments for the first year for which the soybean-flaxseed base is established.

"(3) There are hereby authorized to be appropriated such amounts as may be necessary to enable the Secretary to carry out this section.

"(4) The Secretary shall provide by regulations for the sharing of payments under this subsection among producers on the farm on a fair and equitable basis and in keeping with existing contracts.

"(5) Payments in kind of feed grains shall be made through the issuance of negotiable certificates which the Commodity Credit Corporation shall redeem for feed grains in accordance with regulations prescribed by the Secretary and, notwithstanding any other provision of law, the Commodity Credit Corporation shall, in accordance with regulations prescribed by the Secretary, assist the producer in the marketing of such certificates. Feed grains with which Commodity Credit Corporation redeems certificates pursuant to this paragraph shall be valued at not less than the current support price made available through loans and purchases, plus reasonable carrying charges.

"(6) Notwithstanding any other provision of law, the Secretary may, by mutual agreement with the producer, terminate or modify any agreement previously entered into pursuant to this subsection if he determines such action necessary because of an emergency created by drought or

other disaster, or in order to prevent or alleviate a shortage in the supply of soybeans or flaxseed."

TITLE VII—CONSUMER PROTECTION RESERVE

SEC. 701. It is the policy of the Congress to establish and maintain reserves of storable agricultural commodities adequate to meet any foreseeable food and fiber shortage which might arise in the Nation as a consequence of any natural disaster, adverse food production conditions for one or more years, military actions, or other causes and to assist other nations of the world in any food or fiber emergency. It is further the policy of Congress to establish such reserves in years of surplus production and to maintain them to the maximum extent practicable in the control of producers, to assure their segregation from the commercial market so that existence of the reserves will not adversely affect the level of market prices.

SEC. 702. Whenever, during any marketing year the uncommitted stocks of wheat, feed grains, soybeans, or cotton owned by the Commodity Credit Corporation fall below the reserve level for such commodity specified below, the Commodity Credit Corporation may purchase at prevailing market prices such quantities of the commodity at such times and places as will effect the orderly establishment and maintenance of the Commodity Credit Corporation's stocks

of the commodity at such reserve level. The reserve level of the commodity under this section for any marketing year shall be:

For wheat	200 million bushels
For feed grains	15 million tons
For soybeans	35 million bushels
For cotton	3 million bales

In any marketing year for any crop for which the Secretary determines that the estimated production from such crop will exceed estimated domestic consumption and exports during such marketing year by more than 10 per centum, the reserve level under this section shall be increased by one hundred million bushels for wheat, seven and a half million tons for feed grains, fifteen million bushels for soybeans, and one million bales for cotton.

SEC. 703. (a) In order to assure that the Commodity Credit Corporation reserve stocks of wheat, feed grains, soybeans, and cotton will be insulated from the market, whenever the Commodity Credit Corporation's stocks of any such commodity are below the level specified for such commodity in the schedule prescribed in subsection (b) of this section, the Commodity Credit Corporation, notwithstanding the provisions of any other law, shall not sell for unrestricted domestic use or value for redemption of payment-in-kind certificates such commodity at less than the price specified in such schedule.

(b) The following stock levels and prices shall apply with respect to the Commodity Credit Corporation:

(1) For wheat, when the Commodity Credit Corporation's uncommitted stocks are not more than two hundred million bushels, the minimum price shall be 100 per centum of the current parity price, adjusted for class, grade, and location, less than current cost of the marketing certificate charged to processors.

(2) For feed grains, when the Commodity Credit Corporation's uncommitted stocks are not more than fifteen million tons, the minimum price shall be 100 per centum of the current parity price, adjusted for class, grade, and location, less the current price support payment rate with respect to the maximum permitted acreage for the feed grain.

(3) For soybeans, when the Commodity Credit Corporation's uncommitted stocks are not more than thirty-five million bushels, the minimum price shall be 100 per centum of the current parity price, adjusted for class, grade, and location.

(4) For cotton, when the Commodity Credit Corporation's uncommitted stocks are not more than three million bales, the minimum price shall be 100 per centum of the current parity price, adjusted for class, grade, and location.

SEC. 704. Notwithstanding any other provision of this

or any other Act, for the purpose of efficient management of the reserve stocks, including rotation thereof, Commodity Credit Corporation may sell any commodity in its reserve at the domestic market price, but any such sale shall be offset by a prompt purchase of a substantially equivalent quantity of such commodity at the domestic market price.

SEC. 705. (a) The Secretary shall make available a program for extending the maturity dates of price support loans for any crop of wheat, feed grains, soybeans, or cotton if he determines that the estimated production from such crop will exceed estimated domestic consumption and exports during the marketing year for such crop. The Secretary shall estimate the production from each crop and the domestic consumption and exports for the marketing year for such crop within thirty days after the beginning of such marketing year and at any subsequent time during the marketing year when he finds that changed circumstances require a new estimate. If in any marketing year when the Secretary has made such a determination, extended loans on wheat, feed grains, soybeans, or cotton of any crop are called and the quantity of the commodity under such extended loans is not substantially offset by the quantity placed under the extended loan program from the current crop, the Commodity Credit Corporation shall purchase such additional quantity of the commodity at the prices specified in

section 602 of this title as will substantially offset the quantity of the commodity under extended loans which are called.

(b) The Secretary shall make extended loan programs available under subsection (a) or otherwise and exercise the right to call extended loans in a manner which will enable producers to maintain at the end of each marketing year carryover stocks under such programs of approximately one hundred and fifty million bushels of wheat, seven and one-half million tons of feed grains, and twenty million bushels of soybeans. In the case of any marketing year for any crop for which the Secretary determines that the estimated production will exceed domestic consumption and exports during such marketing year by more than 10 per centum, the Secretary may conduct the program in a manner which will enable producers to maintain at the end of such marketing year carryover stocks of up to two hundred million bushels of wheat, fifteen million tons of feed grains, and thirty-five million bushels of soybeans.

(c) The Secretary shall offer to enter into agreements with producers under which the producer shall agree to keep such commodity in storage under his control for periods of not to exceed three years, and the Secretary shall agree not to call the loans in such cases unless the prevailing marketing price for the commodity has reached the level at which the

Commodity Credit Corporation may sell such commodity for unrestricted domestic use under the pricing schedule provided in section 603 of this title and the Secretary determines that the commodity is needed to meet a shortage which has arisen as a consequence of a natural disaster, adverse food or fiber production conditions for one or more years, military actions, or other causes. Notwithstanding the foregoing restrictions, the Secretary may call the loans in the case of commodities which have substantially deteriorated in quality or as to which there is a danger of loss or waste through deterioration or spoilage or for the purpose of establishing claims arising out of contract or against persons who have committed fraud, misrepresentation, or other wrongful acts with respect to the commodity. The Secretary is authorized to provide incentives necessary to encourage farmers to store under such agreements approximately one hundred and fifty million bushels of wheat, seven and five-tenths million tons of feed grains, and twenty million bushels of soybeans. To the extent that the quantity of any commodity stored by producers under this subsection falls below such level, the Commodity Credit Corporation may purchase an additional quantity of the commodity to offset the deficiency.

TITLE VIII—MARKETING ORDERS

SEC. 801. The Agricultural Adjustment Act of 1933, as amended, and as reenacted and amended by the Agricultural

Marketing Agreement Act of 1937, as amended, is further amended as follows:

(1) Section 8c(2) is amended by inserting after the third sentence ending with the words "Southwest production area." the following: "Notwithstanding any of the commodity, product, area, or approval exceptions or limitations in the foregoing sentences hereof, any agricultural commodity or product thereof, or any regional or market classification thereof, shall be eligible for an order, exempt from any special approval required by the preceding sentences hereof, if after referendum of the affected producers of such commodity the Secretary finds that a majority of such producers voting in such referendum favor making such commodity or product thereof, or the regional or market classification thereof specified in the referendum, eligible for an order: *Provided, however,* That such referendum shall not be required for any commodity or product for which an order otherwise is authorized under the preceding sentences of this subsection (2) and for which no special approval or area limitation is specified therein."

(2) Sections 8(c)(6)(A), (B), (C), (D), and (E) are amended by inserting ", species or other classification" after the words "grade, size, or quality" wherever the latter words appear.

(3) Section 8c(6), as amended, is further amended by adding the following at the end thereof:

"(J) With respect to orders providing for minimum prices on a classified use basis (i) providing for the payment to all producers or associations of producers of uniform minimum prices for the commodity or product marketed by them (within their allotments, if any), irrespective of the use or disposition thereof, subject, however, to adjustments specified by the order, including but not limited to adjustments for place of production or delivery, grade, condition, size, weight, quality, or maturity, or any other adjustments found to be appropriate to provide equity among producers, and (ii) providing a method for making adjustments in payments as among handlers (including producers who are also handlers), to the end that the total sums paid by each handler shall equal the value of the commodity or product purchased or acquired by him at the classified use minimum prices fixed pursuant to such order."

(4) Section 8c(6), as amended, is further amended by adding the following at the end thereof:

"(K) Notwithstanding any other provisions of this title—

"(i) allotting, or providing methods for allotting, the quantity of such commodity or product or any grade, size, or quality thereof, which each producer

may be permitted to market or dispose of in any or all markets or use classifications during any specified period or periods on the basis of (a) the amount produced or marketed by such producer or produced on or marketed from the farm on which he is a producer in such prior period as the Secretary of Agriculture determines to be representative, subject to such adjustment for abnormal conditions and other factors affecting production or marketing as the Secretary may determine, or (b) the current quantities available for marketing by such producer, or (c) any combination of (a) and (b) to the end that the total allotment during any specified period or periods shall be apportioned equitably among producers. Allotments hereunder may be in terms of quantities or production from given acres or other production units. If the Secretary determines that such action will facilitate the administration of a marketing order hereunder and will not substantially impair the effective operation thereof he may fix, or provide a method for fixing, a minimum allotment applicable to producers and producers whose production does not exceed such minimum shall not be subject to the regulatory provisions of the order except as prescribed therein;

"(ii) any producer for whom allotment is estab-

lished or refused under the authority of this subsection may obtain a review of the lawfulness of his allotment as prescribed by the order of the Secretary establishing the allotment and rules and regulations thereunder, which shall constitute the exclusive procedure for review thereof and section 8c(15)(A) of this title shall not apply thereto. Under such order, rules or regulations any officers or employees of the Department or any committees or boards created or designated by the Secretary of Agriculture may be vested with authority to perform any or all functions in connection with such review proceedings including ruling thereon. Committees or boards created or designated for this purpose shall be deemed agencies of the Secretary within the meaning of subsection 8c(7)(C) and section 10 of this title. The ruling upon such review shall be final if in accordance with law. The producer may obtain a judicial review of such ruling in accordance with the provisions of section 8c(15)(B) of this title;

"(iii) when allotments for producers are established under this subsection the order may contain provisions allotting or providing a method for allotting the quantity which any handler may handle so that any and all handlers will be limited as to any producer to the allotment established for such producer, and such

allotment shall constitute an allotment fixed for each handler within the meaning of section 8a(5) of this title."

(5) Amend section 8c by adding at the end thereof a new paragraph (20) as follows:

"PRODUCER ADVISORY COMMITTEES

"(20) The Secretary of Agriculture may establish a producer advisory committee with respect to any commodity, or group of commodities, for which a marketing order is potentially authorized. Such committee shall be composed of producers of the commodity or commodities for which the committee is established. Such committees may be called on by the Secretary of Agriculture to provide advice and counsel with respect to the initiation of proceedings for the promulgation of a marketing agreement or marketing order for such commodity or commodities and may also formulate specific proposals for purposes of a public hearing concerning such a proposed marketing agreement or marketing order. The establishment of such a committee shall not, however, be deemed necessary to the initiation of any such proceeding to promulgate a marketing agreement or marketing order."

(6) Amend section 10(b)(2) by adding at the end thereof a new subparagraph (iv) as follows:

"(iv) If the order contains provisions authorized by

section 8c (6) (K) it shall provide that the assessments payable by handlers under subsection (ii) shall initially be payable pro rata by the producers of the commodity to such handlers thereof, who shall be responsible for the collection thereof from producers and payment to the authority or agency established under such order."

SEC. 802. Nothing in this title shall supersede the provisions of other statutes relating to marketing quotas, acreage allotments or limitations, or price support, with respect to agricultural commodities and no action taken or provisions in an order issued under this title shall be inconsistent with the provisions of such other statutes or actions taken by the Secretary of Agriculture under such other statutes.

TITLE IX—CROPLAND ADJUSTMENT

SEC. 901. (a) The first sentence of section 602 (a) of the Food and Agriculture Act of 1965 is amended by striking out "calendar years 1965 through 1970" and inserting in lieu thereof "1965 and subsequent calendar years".

(b) Subsection (k) of section 602 of such Act is hereby repealed.

TITLE X—RICE

SEC. 1001. The first sentence of paragraph (7) of section 353 (c) of the Agricultural Adjustment Act of 1938, as amended, is amended by striking out "for 1966, 1967, 1968, 1969, or 1970" and inserting in lieu thereof "for 1966 or any subsequent year".

Staff Explanation of S. 3068

SHORT EXPLANATION

This bill would—

(1) provide authority for milk marketing research and promotion plans (including advertising), and permanently extend and amend the authority for seasonal and Class I base plans, under milk marketing orders;

(2) repeal the existing direction to support the price of butterfat;

(3) make the wool program permanent;

(4) provide price support for corn at not less than 90 percent of parity of which at least $1.15 per bushel would be in the form of a loan (Current law provides for support at such level from 65 to 90 percent of parity when an acreage diversion program is in effect as is necessary to achieve acreage reduction goal, with such portion being in the form of payments as will assure benefits inuring primarily to cooperating producers. If diversion program is not in effect current law provides for support at such level from 50 to 90 percent of parity as will not increase CCC stocks.)

(5) require, rather than permit, advance payment of up to 50 percent of feed grain price support payments;

(6) prohibit reduction of any farm projected feed grain or wheat yield by more than 5 percent per year by reason of natural disaster caused yield reduction;

(7) make the remainder of the current feed grain program authority permanent;

(8) make the cotton program authority permanent (except for the CCC resale price restrictions of section 407 of the Agriculture Act of 1949, which require CCC to make available for unrestricted use at current market prices a quantity equal to that by which production is less than domestic and export requirements);

(9) provide price support for (i) domestic certificate wheat at parity (instead of as near thereto as practicable); (ii) export certificate wheat at from 65 to 90 percent of parity (instead of on a variable certificate basis reflecting world prices); and (iii) non-certificate wheat at not less than $1.25 per bushel, net of storage and interest costs (instead of 0 to parity);

(10) provide for issuance of wheat export marketing certificates on a number of bushels equal to not less than 40 percent of the total number produced domestically;

(11) repeal section 107(2) of the Agricultural Act of 1949, which assures wheat producers of a total return per bushel at least equal to that for 1966 whenever the diversion factor is not less than 10 percent;

(12) require payment to wheat producers at time of program sign-up of an amount equal to not less than 50 percent of the face value of the domestic and export certificates to be issued to them;

(13) otherwise make the existing wheat program authority permanent;

(14) provide price support for soybeans and flaxseed at not less than 75 percent of parity whenever an acreage diversion program is in effect, conditioned upon compliance with the diversion program, and with part of the support in the form of feed grain payment in kind certificates;

(15) provide for a soybean-flaxseed acreage diversion program whenever CCC stocks (including loan stocks) exceed prescribed limits;

(16) provide for a commodity reserve program for wheat, feed grains, soybeans and cotton;

(17) amend the marketing order law to—

(*a*) extend marketing order authority to any agricultural commodity or product thereof (including a canned or frozen product), and exempt any commodity or product from current exceptions and processor or other approval requirements, if the Secretary determines by referendum that a majority of the affected producers approve such extension;

(*b*) provide for regulation of commodities other than milk by "species, or other classification" as well as "grade, size, or quality";

(*c*) provide for producer allotments for commodities other than milk;

(*d*) provide for producer advisory committees; and

(*e*) provide for assessments against producers in the case of orders providing for producer allotments;

(18) make the Cropland Adjustment Program permanent and repeal the $225 million limit on new contracts each year imposed by section 602(k) of the Food and Agriculture Act of 1965; and

(19) extend to all future rice crops, the provisions of section 353(c)(7) of the Agricultural Adjustment Act of 1938, which require a rice acreage diversion program whenever the national allotment is reduced below that for 1965.

SPONSOR'S ESTIMATES OF ADDITIONAL COSTS UNDER BILL

Senator McGovern at page S 13116 of the Congressional Record for October 23, 1969, inserted the following estimates of additional costs under the bill:

Additional costs

Title:	*In millions*
Title III—Feed grains	$350.
Title V—Wheat	275.
Title VI—Soybeans and flaxseed	$25 to $35.
Total	$650 to $660.

FURTHER EXPLANATION OF TITLE I

Title I of the bill is similar to S. 4064 of the 90th Congress on which this Committee held hearings in 1968. It would provide authority for milk marketing research and promotion programs (including advertising), amend the authority for base plans under milk marketing orders to provide separately for seasonal base plans (clause (d)) and Class I base plans (clause (e)), and make such authority permanent. In addition, unlike S. 4064, it would repeal the present requirement for support of the price of butterfat.

The proposed seasonal base plan provision differs from existing law in that—

(A) the so-called Louisville plan under which handler payments accumulate in one period for disbursement in another would be expressly authorized,

(B) bloc voting by a cooperative of its members would be permitted, and

(C) transfers of bases would not be authorized.

The proposed Class I base plan provision differs from existing law in that it would—

(A) permit use of a moving base period to allow old producers to share in market expansion and new producers to obtain bases other than by purchase or through market expansion,

(B) permit reduction of producer bases for failure to deliver base milk, and

(C) provide general authority to establish bases for new producers and hardship cases.

Individual voting would continue to be required for Class I base plans, and authority for transfer of Class I bases would remain effective.

Title I would also make permanent the provisions of section 102 of the Food and Agriculture Act of 1965 authorizing separate marketing orders for manufacturing milk.

SUGGESTED TECHNICAL AMENDMENTS TO TITLE I

Except with respect to so-called Louisville plans, the language of section 8c(5)(d) of the Agricultural Adjustment Act, as it would be amended by the bill is generally similar to the language of that section prior to enactment of the Food and Agriculture Act of 1965. That language was construed by the Department of Agriculture as authorizing only seasonal base plans, but this committee in its report on S. 1915 construed it as also authorizing Class I base plans. If, as we understand to be the case, the intent is to restrict section 8c(5)(d) to seasonal plans, this might be made clear by amending section 8c(5)(d) to read as follows: "(d) further adjustment to encourage seasonal adjustments in the production of milk through (i) equitable apportionment of the total value of the milk purchased by any handler, or by all handlers, among producers and associations of producers, on the basis of their marketings of milk during a representative period of time, which need not be limited to one year, or (ii) the accumulation and disbursement of a fund, or (iii) both of the foregoing,".

On page 3, line 25, "sections" should be "section".

On page 5, line 18, "as" should be "is".

On page 5, line 24, "my" should be "may".

SUGGESTED TECHNICAL AMENDMENTS TO TITLE III

The language of section 105(a) of the Agricultural Act of 1949, as it would be amended by section 301 of the bill suggests that there would be a "national average" support rate for corn, but a loan rate of not less than $1.15 per bushel, not averaged. The words "a national average rate of" are not needed to describe the support price since section 403 of the 1949 Act provides for appropriate adjustment of the support price. They might, however, be inserted to describe the loan rate to make it clear that a national average rate of $1.15 is intended, if that is the case.

SUGGESTED TECHNICAL AMENDMENTS TO TITLE V

The provision of section 107(1)(A) of the Agricultural Act of 1949, as it would be amended by section 501 of the bill, for wheat export marketing certificates may require careful and possibly extensive additional amendment of the law to provide for such matters as modification (if that is desired) of the present variable export certificate requirement with respect to exporters in the second sentence of section 379d(b) of the Agricultural Adjustment Act of 1938, provision for distribution to producers, face value, and other matters. Consideration should be given to inclusion of such export certificate wheat in the wheat marketing allocation, to be based on the projected yield of the acreage allotment, rather than on the number of bushels produced domestically. Under the bill excessive production by allotment violators would increase the number of export certificates to be issued to program cooperators.

The language with respect to subtraction of storage and interest costs of section 107(2) of the Agricultural Act of 1949, as it would be amended by section 501 of the bill should be clarified. It is not clear what they are to be subtracted from. Presumably the intention is that all storage costs (including farm storage costs) after the making of the loan are to be paid for by the Government. We do not know what interest costs are to be subtracted.

Section 502(6) provides for payment in cash of an amount "equal to" not less than 50 percent of the face value of the certificates to be issued. It should be made clear that this payment is to be in lieu of such certificates rather than in addition to them.

In section 503(1) of the bill "1965" should be changed to "1964" each place it occurs.

SUGGESTED TECHNICAL AMENDMENT OF TITLE VI

On page 21, line 8, "acreage" should be "acreages".

FURTHER EXPLANATION OF TITLE VII

Title VII is substantially identical (except as to cotton) to the Monroney Amendment (No. 882 to S. 3590, 90th Congress, which the Senate rejected by a vote of 26 to 48 on July 20, 1968.

Title VII provides for three types of reserves to be held respectively by (1) CCC, (2) producers under extended loan programs, and (3) producers under 3 year extended loan agreements, as follows:

(A) CCC Reserves would, for the purpose of resale restrictions under section 703 be as follows:

Wheat (million bushels)	200
Feed grains (million tons)	15
Soybeans (million bushels)	35
Cotton (million bales)	3

CCC would be authorized to purchase at market prices to bring its uncommitted stocks to these levels. When its uncommitted stocks of any such commodity were below such level, it could not sell such commodity for unrestricted domestic use at less than the following minimum price, adjusted for class, grade, and location:

Wheat	Parity, less the current cost of marketing certificates to processors.
Feed grains	Parity, less the current price support payment rate with respect to the maximum permitted acreage.
Soybeans	Parity.
Cotton	Parity.

For the purpose of purchases, but not for the purpose of resale price restrictions, any such reserve could be increased—

(1) pursuant to section 702 by the following quantity in any year in which domestic production exceeds domestic consumption and exports by more than 10 percent:

Wheat (million bushels)	100
Feed grains (million tons)	7.5
Soybeans (million bushels)	15
Cotton (million bales)	1

(2) pursuant to section 705(a) by a quantity sufficient to offset the quantity under extended loans which are called in any year in which (i) production will exceed domestic consumption and exports, and (ii) the quantity under extended loans that are called is not substantially offset by the quantity placed under extended loans from the current crop; and

(3) pursuant to section 705(c) by the amount by which the quantity stored by producers under 3 year extended loan agreements was less than 150 million bushels in the case of wheat, 7.5 million tons in the case of feed grains, and 20 million bushels in the case of soybeans.

Thus, for example, the maximum wheat reserve authorized to be acquired by CCC under the bill could be up to 650 million bushels as follows:

(*a*) Regular reserve authorized by section 702 (subject to resale restriction under section 3), 200 million bushels.

(*b*) Additional reserve authorized by section 702 in certain years, 100 million bushels.

(*c*) Additional reserve required by section 705(a) in certain years to replace called extended loans, up to 200 million bushels.

(*d*) Additional reserve authorized by section 705(c), up to 150 million bushels.

It may be noted that purchases are required by section 705(a), but only authorized by other provisions, and that purchases are required by section 705(a) to offset the deficiency resulting from called loans without regard to the amount of wheat delivered to CCC on account of called loans.

The excess of the reserve over 200 million bushels could be sold without regard to the resale price restrictions contained in section 703 of the bill. It should also be noted that the resale restriction (section 703) requires only that CCC "shall not sell for unrestricted domestic use. Technically, a sale of wheat to be used exclusively in the production of flour would not be a sale "for unrestricted domestic use" and would not be subject to the price restrictions of the bill. The reserves would not therefore be effectively insulated from the market.

(B) *Extended producer loan reserves* would apparently be as follows under section 105(b):

Commodity	Quantity at end of marketing year for which production exceeded domestic consumption and exports by more than 10 percent	Quantity at other times
Wheat	200,000,000 bushels	150,000,000 bushels.
Feed grains	15,000,000 tons	7,500,000 tons.
Soybeans	30,000,000 bushels	20,000,000 bushels.

Section 705 (a) provides for extended loans for any crop if the Secretary "determines that the estimated production from such crop will exceed estimated domestic consumption and exports during the marketing year for such crop." Section 705 (b) provides for extended loans "under subsection (a) or otherwise." These provisions appear to conflict and the use of the words "or otherwise" appear to require an extended loan program without regard to production and disappearance figures.

(C) *Three Year Storage Agreements* could be made available to producers under section 705 (c) to cover the following:

Wheat (million bushels)	150
Feed grains (million tons)	7.5
Soybeans (million bushels)	20

SUGGESTED TECHNICAL AMENDMENTS TO TITLE VII

On page 25, line 7, "than" should be "the".
On page 27, line 1, "602" should be "702".
On page 28, line 3, "603" should be "703".

FURTHER EXPLANATION OF TITLE VIII

Title VIII contains most of the provisions of Title IX of S. 3590, 90th Congress, as that bill was introduced. This Committee recommended deletion of Title IX and that recommendation was accepted by the Senate.

SUGGESTED TECHNICAL AMENDMENTS TO TITLE VIII

On page 28, line 24, "of 1933" should be stricken.
Section 801 (3) is meaningless and should be stricken, since it deals with orders for commodities other than milk providing for minimum prices. There is no authority for orders providing for minimum prices, except in the case of milk. Section 905 of S. 3590 would have provided such authority but that part of section 905 which would have provided such authority is not included in S. 3068.

A BILL To achieve resource adjustment, protect farm income, provide increased freedom in farm operations, and move toward greater reliance on the market

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Act of 1970."

TITLE I—FEED GRAINS

SEC. 101. Effective beginning with the 1971 crop of feed grains, section 105 of the Agricultural Act of 1949, as amended, is further amended to read as follows:

"SEC. 105. Notwithstanding any other provision of law—

"(a) (1) The Secretary shall make available to producers loans and purchases on each crop of corn at such level, not in excess of 90 per centum of the parity price therefor, as the Secretary determines will encourage the exportation of feed grains and not result in excessive total stocks of feed grains in the United States.

"(2) The Secretary shall make available to producers loans and purchases on each crop of grain sorghums, barley, oats and rye, respectively, at such level as the Secretary determines is fair and reasonable in relation to the level that loans and purchases are made available for corn, taking into consideration the feeding value of such commodity in relation to corn and the other factors specified in section 401(b).

"(b) (1) In addition, the Secretary shall make available to producers payments for each crop of corn, grain sorghums and, if designated by the Secretary, barley, respectively, at such rate as he determines fair and reasonable taking into consideration (i) farm income, (ii) the need to assure that the benefits of the program inure primarily to those producers who cooperate in the program provided in this section, (iii) the need to maintain a desirable balance among the acreages devoted to the various commodities for which loans are made available under this Act, and (iv) in the case of grain sorghums and, if designated by the Secretary, barley, the rate at which payments are made available for corn. The payment rate for corn shall not be more than 25 per centum of the parity price therefor for the month in which the announcement of the rate is made.

"(2) The payments with respect to a farm shall be made available on 50 per centum of the feed grain base for the farm and shall be computed on the basis of the yield established for the farm for the preceding crop with such adjustments as the Secretary determines necessary to provide a fair and equitable yield.

"(3) If for any crop the total acreage on a farm planted to feed grains included in the program formulated under this subsection is less than the portion of the feed grain base for the farm on which payments are available under this subsection, the feed grain base used as a base for the farm for the succeeding crop shall be reduced by the percentage by which the planted acreage is less than such portion of the feed grain base for the farm, but such reduction shall not exceed 20 per centum of the feed grain base for the preceding crop. If no acreage has been planted to such feed grains for four consecutive crop years on any farm which

has a feed grain base, such farm shall lose its feed grain base. Producers on any farm who have planted to such grains not less than 90 per centum of the portion of the feed grain base on which payments are made available shall be considered to have planted an acreage equal to 100 per centum of such portion. An acreage on the farm which the Secretary determines was not planted to such feed grains because of drought, flood, or other natural disaster or condition beyond the control of the producer shall be considered to be an acreage of feed grains planted for harvest. For the purpose of this paragraph, the Secretary may permit producers of feed grains to have acreage devoted to soybeans considered as devoted to the production of such feed grains to such extent and subject to such terms and conditions as the Secretary determines will not impair the effective operation of the feed grain or soybean program .

"(c) (1) The Secretary shall provide for a set-aside of cropland if he determines that the total supply of feed grains and other commodities will, in the absence of such a set-aside, likely be excessive taking into account the need for an adequate carryover to maintain reasonable and stable supplies and prices of feed grains and to meet a national emergency. If a set-aside of cropland is in effect under this subsection (c), then as a condition of eligibility for loans and payments on corn, grain sorghums and, if designated by the Secretary, barley, respectively, the producers on a farm must set aside and devote to approved conservation uses an acreage of cropland equal to (i) such percentage of the feed grain base for the farm as may be specified by the Secretary, plus (ii) the acreage of cropland on the farm devoted in preceding years to soil-conserving uses, as determined by the Secretary. The Secretary is authorized for the 1971 and 1972 crops to limit the acreage planted to feed grains on the farm to such percentage of the feed grain base as he determines necessary to provide an orderly transition to the program provided for under this section. The Secretary may pemit producers to plant commodities on the set-aside aceage to such extent and subject to such terms and conditions as he may prescribe if he determines such action necessary because of an emergency created by dought or other disaster, or in order to prevent or alleviate a shortage in the supply of such commodities.

"(2) To assist in adjusting the acreage of commodities to desirable goals, the Secretary may make land diversion payments, in addition to the payments authorized in subsection (b), to producers on a farm who, to the extent prescribed by the Secretary, devote to approved conservation uses an acreage of cropland on the farm in addition to that required to be so devoted under subsection (c) (1). The land diversion payments for a farm shall be at such rate or rates as the Secretary determines to be fair and reasonable taking into consideration the diversion undertaken by the producers and the productivity of the acreage diverted. The Secretary shall limit the total acreage to be diverted under agreements in any county or local community so as not to adversely affect the economy of the county or local community.

"(3) The feed grain program formulated under this section shall require the producer to take such measures as the Secretary may deem appropriate to protect the set-aside acreage and the additional diverted acreage from erosion, insects, weeds, and rodents. Such acreage may be devoted to wildlife food plots or wildlife habitat in conformity with standards established by the Secretary in consultation with wildlife agencies. The Secretary may provide for an additional payment on such acreage in an amount determined by the Secretary to be appropriate in relation to the benefit to the general public if the producer agrees to permit, without other compensation, access to all or such portion of the farm as the Secretary may prescribe by the general public, for hunting, trapping, fishing, and hiking, subject to applicable State and Federal regulations.

"(4) If the operator of the farm desires to participate in the program formulated under this section, he shall file his agreement to do so no later than such date as the Secretary may prescribe. Loans and purchases on feed grains included in the set-aside program and payments under this section shall be made available to producers on such farm only if the producers set aside and divert an acreage on the farm equal to the number of acres which the operator agrees to set aside and divert, and the agreement shall so provide. The Secretary may, by mutual agreement with the producer, terminate or modify any such agreement entered into pursuant to this subsection (c) (4) if he determines such action necessary because of an emergency created by drought or other disaster, or in order to prevent or alleviate a shortage in the supply of agricultural commodities.

"(d) (1) If the total amount of payments which a person would, in the absence of this subsection, be entitled to receive under the program carried out for

any year under subsections (b) and (c) would exceed $20,000, that portion of the total payment which is included within the following intervals shall be reduced as follows:

Interval:	*Reduction (percent)*
$20,000 to $40,000	10
$40,000 to $60,000	20
$60,000 to $80,000	30
$80,000 to $100,000	40
$100,000 to $120,000	50
$120,000 to $140,000	60
$140,000 to $160,000	70
$160,000 to $180,000	80
$180,000 to $200,000	90
More than $200,000	100

"(2) If it is determined that the total amount of payments which will be earned by any person under the program in effect for any crop under subsections (b) and (c) will be reduced under this subsection, the set-aside acreage for the farm or farms on which such person will be sharing in payments earned under such program shall be reduced to such extent and in such manner as the Secretary determines will be fair and reasonable in relation to the amount of the payment reduction.

"(3) The regulations issued to carry out this section shall contain such provisions as the Secretary determines necessary to prevent evasion of the foregoing limitation.

"(e) The Secretary shall provide for the sharing of payments under this section among producers on the farm on a fair and equitable basis.

"(f) (1) For the purpose of this section, the feed grain base shall be the average acreage devoted on the farm to corn, grain sorghums and, if designated by the Secretary, barley in 1959 and 1960.

"(2) The Secretary may make such adjustments in acreage under this section as he determines necessary to correct for abnormal factors affecting production, and to give due consideration to tillable acreage, crop-rotation pratices, types of soil, soil and water conservation measures, and topography, and in addition, in the case of conserving use acreages to such other factors as he deems necessary in order to establish a fair and equitable conserving use acreage for the farm. Notwithstanding any other provision of this subsection, the feed grain base for the farm shall be adjusted downward to the extent required by subsection (b) (3).

"(3) Notwithstanding any other provision of this subsection, not to exceed one per centum of the estimated total feed grain bases for all farms in a State for any year may be reserved from the feed grain bases established for farms in the State for apportionment to farms on which there were no acreages devoted to feed grains in the crop years 1959 and 1960 on the basis of the following factors: suitability of the land for the production of feed grains, the extent to which the farm operator is dependent on income from farming for his livelihood, the production of feed grains on other farms owned, operated, or controlled by the farm operator, and such other factors as the Secretary determines should be considered for the purpose of establishing fair and equitable feed grain bases. No part of such reserve shall be allocated to a farm to reflect new cropland brought into production after the date of enactment of the set-aside program for feed grains. An acreage equal to the feed grain base so established for each farm shall be deemed to have been devoted to feed grains on the farm in each of the crop years 1959 and 1960 for purposes of this section.

"(g) In any case in which the failure of a producer to comply fully with the terms and conditions of the program formulated under this section preclude the making of loans, purchases and payments, the Secretary may, nevertheless, make such loans, purchases and payments in such amounts as he determines to be equitable in relation to the seriousness of the default.

"(h) The Secretary may make not to exceed 50 per centum of the payments under this section to producers in advance of determination of their performance.

"(i) The program formulated under this section may include such terms and conditions in addition to those prescribed herein as the Secretary determines to be desirable to effectuate the purposes of such program.

"(j) The Secretary shall carry out the program authorized by this section through the Commodity Credit Corporation: *Provided,* That the Corporation shall not make any payments under subsections (b) and (c) unless the Corporation has received funds to cover such payments from appropriations made for that purpose, but the Corporation may incur obligations for that purpose in such amounts as may be authorized in an appropriation act. There is hereby authorized to be appropriated such sums as may be necessary to make such payments."

TITLE II—WHEAT

SEC. 201. Effective beginning with the 1971 crop of wheat, section 107 of the Agricultural Act of 1949, as amended, is further amended to read as follows:

"SEC. 107. Notwithstanding any other provision of law—

"(a) The Secretary shall make available to producers loans and purchases on each crop of wheat at such level, not in excess of 90 per centum of the parity price therefor, as the Secretary determines will enourage the exportation of wheat and not result in exessive total stocks of wheat in the United States.

"(b) If a set-aside program is in effect for any crop of wheat under section 379b(c) of the Agricultural Adjustment Act of 1938, as amended, loans and purchases shall be made available on such crop only to producers who comply with the provisions of such program."

SEC. 202. Effective beginning with the 1971 crop of wheat, sections 379b and 379c of the Agricutural Adjustment Act of 1938, as amended, are further amended to read as follows:

"SEC. 379b. (a) The Secretary shall provide for the issuance of wheat marketing certificates for the purpose of enabling producers on any farm for which certificates are issued to receive, in addition to the other proceeds from the sale of wheat, an amount equal to the face value of such certificates. The face value per bushel of domestic marketing certificates for any crop of wheat shall be in such amount as the Secretary determines fair and reasonable, taking into consideration (i) farm income, (ii) the need to assure that the benefits of the program inure primarily to those producers who cooperate in the program provided in this section, and (iii) the need to maintain a desirable balance among the acreages devoted to the various commodities for which loans are made available under the Agricultural Act of 1949, as amended. The face value per bushel of certificates after deducting therefrom the cost per bushel of certificates acquired by processors shall not be more than 35 per centum of the parity price for wheat for the month in which the announcement of the face value of certificates is made. The Secretary shall, insofar as practicable, announce the face value of domestic certificates in advane of the planting season for the crop of wheat to which such certificates relate.

"(b) The domestic wheat marketing certificates shall be made available for a farm on the number of bushels determined by multiplying the domestic allotment for the farm for the crop to which such certificates relate by the yield established for the farm for the preceding crop, with such adjustments as the Secretary determines necessary to provide a fair and equitable yield.

"(c)(1) The Secretary shall provide for a set-aside of cropland if he determines that the total supply of wheat and other commodities will, in the absence of such a set-aside, likely be excessive taking into account the need for an adequate carryover to maintain reasonable and stable supplies and prices and to meet a national emergency. If a set-aside of cropland is in effect under this subsection (c), then as a condition of eligibility for loans and certificates on wheat, the producers on a farm must set aside and devote to approved conservation uses an acreage of cropland equal to (i) such percentage of the domestic wheat allotment for the farm as may be specified by the Secretary, plus (ii) the acreage of cropland on the farm devoted in preceding years to soil-conserving uses, as determined by the Secretary. The Secretary is authorized for the 1971 and 1972 crops to limit the acreage planted to wheat on the farm to such percentage of the domestic wheat allotment as he determines necessary to provide an orderly transition to the program provided for under this section. The Secretary may permit producers to plant commodities on the set-aside acreage to such extent and subject to such terms and conditions as he may prescribe if he determines such action necessary because of an emergency created by drought or other disaster, or in order to prevent or allevitae a shortage in the supply of such commodities.

"(2) To assist in adjusting the acreage of commodities to desirable goals, the Secretary may make land diversion payments, in addition to the certificates authorized in subsection (b), available to producers on a farm who, to the extent prescribed by the Secretary, devote to approved conservation uses an acreage of cropland on the farm in addition to that required to be so devoted under subsection (c)(1). The land diversion payments for a farm shall be at such rate or rates as the Secretary determines to be fair and reasonable taking into consideration the diversion undertaken by the producers and the productvity of the acreage diverted. The Secretary shall limit the total acreage to be diverted under agreements in any county or local community so as not to adversely affect the economy of the county or local community.

"(3) The wheat program formulated under this section shall require the producer to take such measures as the Secretary may deem appropriate to protect the set-aside acreage and the additional diverted acreage from erosion, insects, weeds, and rodents. Such acreage may be devoted to wildlife food plots or wildlife habitat in conformity with standards established by the Secretary in consultation with wildlife agencies. The Secretary may provide for an additional payment on such acreage in an amount determined by the Secretary to be appropriate in relation to the benefit to the general public if the producer agrees to permit, without other compensation, access to all or such portion of the farm as the Secretary may prescribe by the general public, for hunting, trapping, fishing, and hiking, subject to applicable State and Federal regulations.

"(4) If the operator of the farm desires to participate in the program formulated under this subsection (c), he shall file his agreement to do so no later than such date as the Secretary may prescribe. Loans and purchases on wheat, marketing certificates, and payments under this section shall be made available to producers on such farm only if the producers set aside and divert an acreage on the farm equal to the number of acres which the operator agrees to set aside and divert, and the agreement shall so provide. The Secretary may, by mutual agreement with the producer, terminate or modify any such agreement entered into pursuant to this susbection (c)(4) if he determines such action necessary because of any emergency created by drought or other disaster, or in order to prevent or alleviate a shortage in the supply of agricultural commodities.

"(d)(1) If the total amount of wheat marketing certificates and payments which a person would, in the absence of this subsection (d), be entitled to receive under the program carried out for any year under this section would exceed $20,000, that portion of the total payment which is included within the following intervals shall be reduced as follows:

Interval:	*Reduction (percent)*
$20,000 to $40,000	10
$40,000 to $60,000	20
$60,000 to $80,000	30
$80,000 to $100,000	40
$100,000 to $120,000	50
$120,000 to $140,000	60
$140,000 to $160,000	70
$160,000 to $180,000	80
$180,000 to $200,000	90
More than $200,000	100

"(2) If it is determined that the total amount of marketing certificates and payments which will be earned by any person under the program in effect for any year will be reduced under this subsection, the set-aside acreage for the farm or farms on which such person will be sharing in certificates and payments earned under such program shall be reduced to such extent and in such manner as the Secretary determines will be fair and reasonable in relation to the amount of the certificate and payment reduction.

"(3) The regulations issued to carry out this section shall contain such provisions as the Secretary determines necessary to prevent evasion of the foregoing limitation.

"(c) The Secretary shall provide for the sharing of certificates issued and of payments made under this section for any farm among producers on the farm on a fair and equitable basis.

"(f) In any case in which the failure of a producer to comply fully with the terms and conditions of the program formulated under this section preclude the issuance of certificates and the making of loans, purchases, and payments, the Secretary may, nevertheless, issue such certificates and make such loans, purchases, and payments in such amounts as he determines to be equitable in relation to the seriousness of the default.

"(g) The Secretary may provide for the disbursement of not to exceed 50 per centum of the certificates and payments under this section to producers in advance of determination of their performance.

"(h) The program formulated under this section may include such terms and conditions in addition to those prescribed herein as the Secretary determines to be desirable to effectuate the purposes of such program.

"(i) Marketing certificates issued under this Act and transfers thereof shall be represented by such documents, marketing cards, records, accounts, certifications, or other statements or forms as the Secretary may prescribe.

"(j) The Secretary shall carry out the program authorized by this section through the Commodity Credit Corporation: *Provided*, That the Corporation shall not make any payments under subsection (c) and wheat marketing certificates shall not be issued having a face value in excess of the cost per bushel of certificates acquired by processors unless the Corporation has received funds to cover such amounts from appropriations made for that purpose, but the Corporation may incur obligations for that purpose in such amounts as may be authorized in an appropriation act. There is hereby authorized to be appropriated such sums as may be necessary for that purpose."

"SEC. 379c. (a) (1) The farm domestic allotment for each crop of wheat shall be determined as provided in this section. The Secretary shall proclaim a national domestic allotment for each crop of wheat. The national domestic allotment for any crop of wheat shall be the number of acres which the Secretary determines on the basis of the expected national yield will produce on the domestic allotments for farms participating in the program an amount of wheat which he estimates will be used for food products for consumption in the United States during the marketing year for the crop. The national domestic allotment for any crop of wheat shall be apportioned by the Secretary among the States on the basis of the apportionment to each State of the national domestic allotment for the preceding crop (for the 1971 crop, on the basis of the apportionment of the national acreage allotment for the 1970 crop), adjusted to the extent deemed necessary by the Secretary to establish a fair and equitable apportionment base for each State, taking into consideration established crop-rotation practices, the estimated decrease in farm domestic allotments, and other relevant factors.

"(2) The State domestic acreage allotment for wheat, less a reserve of not to exceed one per centum thereof for apportionment as provided in this subsection, shall be apportioned by the Secretary among the counties in the State, on the basis of the apportionment to each such county of the domestic wheat allotment for the preceding crop (for the 1971 crop, on the basis of the apportionment of the wheat acreage allotment for the 1970 crop), adjusted to the extent deemed necessary by the Secretary in order to establish a fair and equitable apportionment base for each county taking into consideration established crop-rotation practices, the estimated decrease in farm domestic allotments, and other relevant factors.

"(3) The farm domestic allotment for each crop of wheat shall be determined by apportioning the county domestic wheat allotment among farms in the county which had a domestic wheat allotment for the preceding crop (for the 1971 crop, among farms in the county which had a wheat acreage allotment for the 1970 crop), on the basis of such allotment, adjusted to reflect established crop-rotation practices and such other factors as the Secretary determines should be considered for the purpose of establishing a fair and equitable allotment. Notwithstanding any other provision of this subsection, the farm domestic allotment shall be adjusted downward to the extent required by subsection (b).

"(4) Not to exceed one per centum of the State domestic allotment for any crop may be apportioned to farms for which there was no domestic allotment for the preceding crop (for the 1971 crop, to farms which had no acreage allotment for the 1970 crop) on the basis of the following factors: suitability of the land for production of wheat, the past experience of the farm operator in the production of wheat, the extent to which the farm operator is dependent on

income from farming for his livelihood, the production of wheat on other farms owned, operated, or controlled by the farm operator, and such other factors as the Secretary determines should be considered for the purpose of establishing fair and equitable farm domestic allotments. No part of such reserve shall be apportioned to a farm to reflect new cropland brought into production after the date of enactment of the set-aside program for wheat.

"(5) The planting on a farm of wheat of any crop for which no farm domestic allotment was established shall not make the farm eligible for a domestic allotment under subsection (a)(3) nor shall such farm by reason of such planting be considered ineligible for an allotment under subsection (a)(4).

"(b) If for any crop the total acreage of wheat planted on a farm is less than the farm domestic allotment, the farm domestic allotment used as a base for the succeeding crop shall be reduced by the percentage by which such planted acreage was less than such farm domestic allotment, but such reduction shall not exceed 20 per centum of the farm domestic allotment for the preceding crop. If no acreage has been planted to wheat for four consecutive crop years on any farm which has a domestic allotment, such farm shall lose its domestic allotment. Producers on any farm who have planted to wheat not less than 90 per centum of the domestic allotment for the farm shall be considered to have planted an acreage equal to 100 per centum of such allotment. An acreage on the farm which the Secretary determines was not planted to such wheat because of drought, flood, or other natural disaster or a condition beyond the control of the producer shall be considered to be an acreage of wheat planted for harvest.

SEC. 203. Effective with the marketing year beginning July 1, 1971, the Agricultural Adjustment Act of 1938, as amended, is further amended as follows:

(1) By deleting in the first sentence of section 379d(b) the words "During any marketing year for which a wheat marketing allocation program is in effect," and substituting "During each marketing year,";

(2) By adding at the end of section 379d(b) the following: "Notwithstanding the foregoing, export marketing certificates shall not be required for the period beginning July 1, 1971. The Secretary shall refund to the processor or to the exporter the cost of the marketing certificates on all flour exported after June 30, 1971. For the purpose of such refunds, the wheat equivalent of the flour exported may be determined on the basis of conversion factors authorized by section 379f, even though certificates had been surrendered on the basis of the weight of wheat."; and

(3) By adding at the end of section 379e the following:

"Notwithstanding any other provision of this Act, Commodity Credit Corporation shall sell marketing certificates for the marketing years for the 1971 and subsequent crops of wheat to persons engaged in the processing of food products at the face value of domestic marketing certificates originally announced for the crop under section 379b but in determining the cost to processors the face value shall not be considered to be more than 75 cents per bushel."

SEC. 204. Effective beginning with the 1971 crop of wheat, the Agricultural Adjustment Act of 1938, as amended, is further amended by repealing sections 331 through 339.

SEC. 205. Public Law 74, 77th Congress (68 Stat. 905) is repealed effective with the crop of wheat planted for harvest in the calendar year 1971.

SEC. 206. The amount of any wheat stored by a producer under section 379c(b) of the Agricultural Adjustment Act of 1938, as amended, prior to the effective date of the set-aside program for wheat may be reduced by that amount by which the actual total production of the current crop on the farm is less than the number of bushels determined by multiplying three times the domestic allotment for the current crop on the farm by the yield established for the farm for the purpose of issuance of domestic marketing certificates, except that the balance of any wheat remaining in storage on July 1, 1976, may be released from storage on such date. The provisions of such section shall continue to apply to the wheat so stored to the extent not inconsistent herewith.

TITLE III—UPLAND COTTON

SEC. 301. The Agricultural Adjustment Act of 1938, as amended, is amended effective beginning with the 1971 crop of upland cotton as follows:

(1) Sections 342, 343, 344, 345, and 346 of the Act shall not be applicable to upland cotton of the 1971 and succeeding crops, and section 377 of the Act shall not be applicable to wheat and upland cotton of such crops.

(2) Section 350 of the Act is amended to read as follows:

"SEC. 350. (a) The Secretary shall proclaim a national domestic allotment for each crop of upland cotton (referred to in this section as 'cotton') beginning with the 1971 crop. Such proclamation shall be made not later than November 15 of the calendar year preceding the year for which the national domestic allotment is to be effective. The national domestic allotment for any crop of cotton shall be the number of acres which the Secretary determines on the basis of the expected national yield will produce an amount of cotton equal to the estimated domestic consumption of cotton (standard bales of four hundred and eighty pounds net weight) for the marketing year beginning in the year in which the crop is to be produced, except that such national domestic allotment shall not be less than 85 per centum of the national domestic allotment for the preceding crop, and in the case of the 1971 and 1972 crops may be in such amount not in excess of the national domestic allotment for the 1970 crop as the Secretary determines necessary to maintain adequate supplies.

"(b) The national domestic allotment for any crop of cotton shall be apportioned by the Secretary among the States on the basis of the apportionment to each State of the national domestic allotment for the immediately preceding crop, adjusted to the extent determined necessary by the Secretary to establish a fair and equitable apportionment base for each State, taking into consideration the estimated decrease in farm domestic allotments and any other relevant factors: *Provided*, That for the 1971 crop, the national domestic allotment shall be apportioned on the basis of the apportionment among the States of the 1970 national acreage allotment and national acreage reserve in the amount of 17,150,000 acres: *Provided further*, That the Secretary shall adjust the apportionment base for each State under this subsection and for each county under subsection (c) of this section as may be necessary due to transfers of allotments across county and State lines.

"(c) The State domestic allotment for cotton, less a State reserve of not to exceed ten per centum thereof, shall be apportioned by the Secretary among the counties in the State on the basis of the apportionment to each such county of the State domestic allotment for the immediately preceding crop, adjusted to the extent determined necessary by the Secretary to establish a fair and equitable apportionment base for each county, taking into consideration the estimated decrease in farm domestic allotments and any other relevant factors: *Provided*, That for the 1971 crop, the State domestic allotment shall be apportioned on the basis of the apportionment among the counties of the 1970 State acreage allotment and the State's share of the national acreage reserve. The State committee shall allocate the State reserve, if any, to counties in amounts determined necessary by the State committee to establish a fair and equitable apportionment base for each county, subject to such terms and conditions as are prescribed by regulations of the Secretary.

"(d) The county domestic allotment for cotton, less a county reserve of not to exceed 15 per centum thereof, shall be allocated to old cotton farms in the county on the basis of the farm domestic allotment for the immediately preceding crop of cotton: *Provided*, That for the 1971 crop, the county domestic allotment shall be allocated to old cotton farms in the county on the basis of the farm acreage allotment established for 1970 under section 344 of this Act excluding any allotment temporarily transferred to the farm for 1970, adjusted for purposes of establishing the 1971 apportionment base in accordance with the provisions of section 344(f)(8) of this Act. The county committee shall allocate the county reserve, if any, and available State reserve, if any, (1) to old cotton farms in the county on a pro rata basis or otherwise, in order to establish fair and equitable farm domestic allotments, and (2) to new cotton farms in the county on the basis of the following factors: suitability of the land for production of cotton, the past experience of the farm operator in the production of cotton, the extent to which the farm operator is dependent on income from farming for his livelihood, the production of cotton on other farms owned, operated, or controlled by the farm operator, and such other factors as the Secretary determines should be considered for the purpose of establishing fair and equitable farm domestic allotments. No part of such reserve shall be apportioned to a farm to reflect new cropland brought into production after the date of enactment of the set-aside program for cotton. An old cotton farm shall be a farm for which a farm domestic allotment greater than zero was established for the year immediately preceding the year for which the allocation of the county

domestic allotment is being made: *Provided,* That for 1971 an old cotton farm shall be a farm for which a 1970 farm acreage allotment greater than zero was established under section 344 of the Act and the farm would not have lost status as an old cotton farm for 1971. Nothwithstanding the foregoing provisions of this subsection, if the Secretary determines that farm domestic allotments which are fair and equitable can be established by allocation of the State domestic allotment, less the State reserve, directly to farms, he may prescribe by regulation that such method of allocation be used.

"(e) If for any crop the total acreage of cotton planted on a farm is less than the farm domestic allotment, the farm domestic allotment used as a base for the succeeding crop shall be reduced by the percentage by which such planted acreage was less than such farm domestic allotment, but such reduction shall not exceed 20 per centum of the farm domestic allotment for the preceding crop. If no acreage has been planted to cotton for four consecutive crop years on any farm which has a farm domestic allotment, such farm shall lose its domestic allotment. Producers on any farm who have planted to cotton not less than 90 per centum of the domestic allotment for the farm shall be considered to have planted an acreage equal to 100 per centum of such allotment.

"(f) An acreage on the farm which the Secretary determines was not planted to cotton because of drought, flood, other natural disaster or a condition beyond the control of the producer shall be considered to be an acreage planted to cotton.

"(g)(1) The Secretary may authorize the transfer of farm domestic allotments for cotton between farms in the same State on a permanent basis subject to adjustment of the size of the allotment transferred if the farm to which the allotment is transferred has a substantially higher yield per acre and subject to such other terms and conditions as he may prescribe by regulations.

"(2) Transfers under this subsection shall be subject to the following conditions:

"(i) no allotment shall be transferred to a farm in another State;

"(ii) no allotment shall be transferred from a farm subject to a mortgage or other lien unless the transfer is agreed to by the lienholder;

"(iii) no allotment shall be transferred from a farm where the owner and operator are different persons unless both such persons agree to the transfer;

"(iv) no allotment shall be transferred from a farm if any permanent transfer to the same farm has been made within the three immediately preceding crop years except that this condition shall not apply if both such farms are owned and operated by the same person; and

"(v) no transfer of allotment shall be effective until an application on a form prescribed by the Secretary has been timely filed within a period prescribed by the Secretary and the county committee determines that the transfer complies with the provisions of this subsection and the terms and conditions prescribed by regulations of the Secretary.

"(3) The land in the farm from which the entire farm domestic allotment has been transferred shall not be eligible for a new cotton farm allotment for the five crop years following the crop year for which such transfer is made.
in a conservation or land use agreement administered by the Department of Agriculture, the rates of payment thereunder for the farm from which the transfer is made shall be adjusted as prescribed by regulations of the Secretary."

SEC. 302. Effective beginning with the 1971 crop, the Agricultural Adjustment Act of 1938, as amended, is further amended by adding at the end of section 374(b) a new sentence to read:

"In the case of upland cotton, the term 'farm acreage allotment' shall mean the farm domestic allotment."

SEC. 303. Effective beginning with the 1971 crop of upland cotton, section 103 of the Agricultural Act of 1949, as amended, is further amended to read as follows:

"SEC. 103. Notwithstanding any other provision of law—

"(a) The Secretary shall make available to producers loans and purchases on each crop of upland cotton at such level (basis middling 1-inch, micronaire 3.5 through 4.9) not in excess of 90 per centum of the estimated world price for cotton of such description as the Secretary determines will provide orderly marketing of cotton during the harvest season and will retain an adequate share of the world market for cotton produced in the United States taking into consideration the factors specified in section 401(b) of this Act.

"(b) In addition, the Secretary shall make available to producers payments for each crop of upland cotton at such rate as the Secretary determines fair

and reasonable, taking into consideration (i) farm income, (ii) the need to assure that the benefits of the program inure primarily to those producers who cooperate in the program provided in this section, and (iii) the need to maintain a desirable balance among the acreages devoted to the various commodities for which loans are made available under this Act. The payment rate for upland cotton shall not be more than 80 per centum of the estimated world price for middling 1-inch cotton, micronaire 3.5 through 4.9.

"(c) The payments shall be made available for a farm on the quantity of upland cotton determined by multiplying the domestic cotton allotment for the farm for the crop to which the payments relate by the yield established for the farm for the preceding crop with such adjustments as the Secretary determines necessary to provide a fair and equitable yield.

"(d)(1) The Secretary shall provide for a set-aside of cropland if he determines that the total supply of upland cotton and other commodities will, in the the absence of such a set-aside, likely be excessive taking into account the need for an adequate carryover to maintain reasonable and stable supplies and prices and to meet a national emergency. If a set-aside of cropland is in effect under this subsection (d), then as a condition of eligibility for loans and payments on upland cotton the producers on a farm must set aside and devote to approved conservation uses an acreage of cropland equal to (i) such percentage of the domestic cotton allotment for the farm as may be specified by the Secretary (not to exceed the amount of the domestic allotment), plus (ii) the acreage of cropland on the farm devoted in preceding years to soil-conserving uses, as determined by the Secretary. The Secretary is authorized for the 1971 and 1972 crops to limit the acreage planted to upland cotton on the farm to such percentage of the domestic cotton allotment as he determines necessary to provide an orderly transition to the program provided for under this section. The Secretary may permit producers to plant commodities on the set-aside acreage to such extent and subject to such terms and conditions as he may prescribe if he determines such action necessary because of an emergency created by drought or other disaster, or in order to prevent or alleviate a shortage in the supply of such commodities.

"(2) To assist in adjusting the acreage of commodities to desirable goals, the Secretary may make land diversion payments, in addition to the payments authorized in subsection (b), to producers on a farm who, to the extent prescribed by the Secretary, devote to approved conservation uses an acreage of cropland on the farm in addition to that required to be so devoted under subsection (d)(1). The land diversion payments for a farm shall be at such rate or rates as the Secretary determines to be fair and reasonable taking into consideration the diversion undertaken by the producers and the productivity of the acreage diverted. The Secretary shall limit the total acreage diverted in any county or local community so as not to adversely affect the economy of the county or local community.

"(3) The upland cotton program formulated under this section shall require the producer to take such measures as the Secretary may deem appropriate to protect the set-aside acreage and the additional diverted acreage from erosion, insects, weeds, and rodents. Such acreage may be devoted to wildlife food plots or wildlife habitat in conformity with standards established by the Secretary in consultation with wildlife agencies. The Secretary may provide for an additional payment on such acreage in an amount determined by the Secretary to be appropriate in relation to the benefit to the general public if the producer agrees to permit, without other compensation, access to all or such portion of the farm as the Secretary may prescribe by the general public, for hunting, trapping, fishing, and hiking, subject to applicable State and Federal regulations.

"(4) If the operator of the farm desires to participate in the program formulated under this section, he shall file his agreement to do so no later than such date as the Secretary may prescribe. Loans and purchases on upland cotton and payments under this section shall be made available to the producers on such farm only if producers set aside and divert an acreage on the farm qual to the number of acres which the operator agrees to set aside and divert, d the agreement shall so provide. The Secretary may, by mutual agreement h the producer, terminate or modify any such agreement entered into pursuant his subsection (d)(4) if he determines such action necessary because of an gency created by drought or other disaster, or in order to prevent or allevi- shortage in the supply of agricultural commodities.

(1) If the total amount of payments which a person would, in the absence subsection, be entitled to receive under the program carried out for any

year under subsections (b) through (d) would exceed $20,000, that portion of the total payment which is included within the following intervals shall be reduced as follows:

Interval:	*Reduction (percent)*
$20,000 to $40,000	10
$40,000 to $60,000	20
$60,000 to $80,000	30
$80,000 to $100,000	40
$100,000 to $120,000	50
$120,000 to $140,000	60
$140,000 to $160,000	70
$160,000 to $180,000	80
$180,000 to $200,000	90
More than $200,000	100

"(2) If it is determined that the total amount of payments which will be earned by any person under the program in effect for any crop under subsections (b) through (d) will be reduced under this subsection, the set-aside acreage for the farm or farms on which such person will be sharing in payments earned under such program shall be reduced to such extent and in such manner as the Secretary determines will be fair and reasonable in relation to the amount of the payment reduction.

"(3) The regulations issued to carry out this section shall contain such provisions as the Secretary determines necessary to prevent evasion of the foregoing limitation.

"(f) The Secretary shall provide for the sharing of payments under this section among producers on the farm on a fair and equitable basis.

"(g) In any case in which the failure of a producer to comply fully with the terms and conditions of the program formulated under this section preclude the making of loans, purchases and payments, the Secretary may, nevertheless, make such loans, purchases and payments in such amount as he determines to be equitable in relation to the seriousness of the default.

"(h) The Secretary may make not to exceed 50 per centum of the payments under this section to producers in advance of determination of their performance.

"(i) The Secretary shall provide adequate safeguards to protect the interests of tenants and sharecroppers, including provision for sharing on a fair and equitable basis, in payments under this section.

"(j) The program formulated under this section may include such terms and conditions in addition to those prescribed herein as the Secretary determines to be desirable to effectuate the purposes of such program.

"(k) The Secretary shall carry out the program authorized by this section through the Commodity Credit Corporation: *Provided*, That the Corporation shall not make any payments under subsections (b) and (d) unless the Corporation has received funds to cover such payments from appropriations made for that purpose, but the Corporation may incur obligations for that purpose in such amounts as may be authorized in an appropriation act. There is hereby authorized to be appropriated such sums as may be necessary to make such payments.

"(l) The Secretary is hereby authorized to deduct from funds available for payments to producers under this section such sums, not to exceed $10,000,000 annually, as he determines necessary to conduct a special cotton research program designed to reduce the cost of producing upland cotton and to improve the competitive position of the cotton industry in the United States, and the payment rates provided for herein shall be reduced by an equivalent amount."

TITLE IV—MISCELLANEOUS PROVISIONS

SEC. 401. Effective beginning with the 1971 crop, the Agricultural Adjustment Act of 1938, as amended, is further amended as follows:

(1) By adding in section 378 a new subsection (e) to read as follows:

"(e) The term 'allotment' as used in this section includes the domestic allotments for wheat and upland cotton."

(2) By adding at the end of section 379 the following sentence: "The term 'acreage allotments' as used in this section includes the domestic allotments for wheat and upland cotton."

(3) By adding in the first sentence of section 385 after the words "parity payment," the words "payments (including certificates) under the wheat, cotton and feed grain set-aside programs,".

SEC. 402. Effective beginning with the 1971 crop, section 706, Public Law 89–321 (79 Stat. 1210) is amended as follows:

(1) By adding in the first sentence after the words "the Soil Conservation and Domestic Allotment Act, as amended," the words "or the Agricultural Act of 1949, as amended,", and

(2) By adding at the end thereof the following sentence: "The term 'acreage allotments' as used in this section includes the domestic allotments for wheat and upland cotton."

SEC. 403. Effective beginning with the 1971 crop of the commodity, the Agricultural Act of 1949, as amended, is further amended by adding in section 408 a new subsection (k) as follows:

"REFERENCES TO TERMS MADE APPLICABLE TO WHEAT, FEED GRAINS, AND UPLAND COTTON

"(k) References made in sections 402, 403, 406, and 416 to the terms 'support price,' 'level of support,' and 'level of price support' shall be considered to apply as well to the level of loans and purchases for wheat, feed grains, and upland cotton under this Act; and references made to the term 'price support,' 'price support operations,' and 'price support program' in such sections and in section 401(a) shall be considered as applying as well to the loan and purchase operations for wheat, feed grain, and upland cotton under this Act."

SEC. 404. Section 407 of the Agricultural Act of 1949, as amended, is further amended effective with the beginning of the marketing year for the 1971 crop of the commodity as follows:

(1) By deleting in the third sentence the language following the first colon and substituting the following:

"*Provided*, That the Corporation shall not sell any of its stocks of wheat, corn, grain sorghum, barley, oats, rye, and upland cotton, respectively, at less than 110 per centum of the current national average loan rate for the commodity, adjusted for such current market differentials reflecting grade, quality, location, and other value factors as the Secretary determines appropriate, plus reasonable carrying charges: *Provided, however*, That the Corporation may sell certain qualities of upland cotton at lower prices if the Secretary determines that such action is necessary to achieve a balanced inventory of the various qualities, or to meet market demand, and further determines that such sales will not unduly affect movement of the current crop and market prices therefor."

(2) By deleting in the fifth sentence "current basic county support rate including the value of any applicable price support payment in kind (or a comparable price if there is no current basic county support rate)" and substituting "current basic county loan rate (or a comparable price if there is no current basic county loan rate)";

(3) By deleting in the seventh sentence ", but in no event shall the purchase price exceed the then current support price for such commodities." and substituting "or unduly affecting market prices, but in no event shall the purchase price exceed the Corporation's minimum sales price for such commodities for unrestricted use."; and

(4) By inserting immediately preceding the first sentence the subsection designation "(a)" and by moving the fifth and sixth sentences to the end of the section, making such sentences a separate paragraph and inserting immediately preceding such sentences the subsection designation "(b)".

SEC. 405. Notwithstanding any other provision of law, the Secretary may provide for the reduction or cancellation of any allotment or base when the owner of the farm states in writing that he has no further use for such allotment or base, or when the county committee determines that the farm is no longer being used to produce the commodity for which the base or allotment was established.

SEC. 406. Effective beginning with the 1971 crop, section 203 of the Agricultural Act of 1949, as amended, is repealed.

SEC. 407. The Secretary shall file annually with the President for transmission to the Congress a complete report of the program carried out under Titles I, II, III, and VI of this Act. Such report shall include the amount of funds spent, the purposes for which such funds were spent, the basis for participation in such programs in the various States, and an appraisal of the effectiveness of the programs.

TITLE V—DAIRY

SEC. 501. (a) The Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, is further amended by striking in subparagraph (B) of subsection 8c(5) all that part of said subparagraph (B) which follows the comma at the end of clause (c) and inserting in lieu thereof the following:

"(d) a further adjustment, equitably to apportion the total value of the milk purchased by any handler, or by all handlers, among producers on the basis of their marketings of milk during a representative period of time, which need not be limited to one year; (e) a provision providing for the accumulation and disbursement of a fund to encourage seasonal adjustments in the production of milk may be included in an order and (f) a further adjustment, equitably to apportion the total value of milk purchased by all handlers among producers on the basis of their marketings of milk, which may be adjusted to reflect the utilization of producer milk by all handlers in any use classification or classifications, during a representative period of one to three years, which will be automatically updated each year. In the event a producer holding a base allocated under this clause (f) shall reduce his marketings, such reduction shall not adversely affect his history of production and marketing for the determination of future bases, or future updating of bases, except that an order may provide that, if a producer reduces his marketings below his base allocation in any one or more use classifications designated in the order, the amount of any such reduction shall be taken into account in determining future bases, or future updating of bases. Bases allocated to producers under this clause (f) may be transferable under an order on such terms and conditions, including those which will prevent bases taking on an unreasonable value, as are prescribed in the order by the Secretary of Agriculture. Provisions shall be made in the order for the allocation of bases under this clause (f)—

"(i) for the alleviation of hardship and inequity among producers; and

"(ii) for providing bases for dairy farmers not delivering milk as producers under the order upon becoming producers under the order who did not produce milk during part of the representative period, and these new producers shall within 90 days after the first regular delivery of milk at the price for the lowest use classification specified in such order be allocated a base which the Secretary determines proper after considering supply and demand conditions, the development of orderly and efficient marketing conditions and to the respective of orderly and efficient marketing conditions and to the respective interests of producers under the order, all other dairy farmers and the consuming public. Producer bases so allocated shall for a period of not more than three years be reduced by not more than twenty percent (20%); and

"(iii) Dairy farmers not delivering milk as producers under the order upon becoming producers under the order by reason of a plant to which they are making deliveries becoming a pool plant under the order, by amendment or otherwise, shall be provided bases with respect to milk delivered under the order based on their past deliveries of milk on the same basis as other producers under the order; and

"(iv) Such order may include such additional provisions as the Secretary deems appropriate in regard to the re-entry of producers who have previously discontinued their dairy farm enterprise or transferred bases authorized under this clause (f); and

"(v) Notwithstanding any other provisions of this Act, dairy farmers not delivering milk as producers under the order, upon becoming producers under the order, shall 90 days later, pursuant to the provisions of section 8c(5)(D) of this Act, be provided with respect to milk delivered under the order, allocations based on their past deliveries of milk during the representative period from the production facilities from which they were marketing milk during the representative period on the same bases as other producers under the order on the effective date of order provisions authorized under this clause (f): *Provided*, That bases shall be allocated only to a producer marketing milk from the production facilities from which he marketed milk during the representative period, except that in no event shall such allocation of bases exceed the amount of milk actually delivered under such order.

"The assignment of other source milk to various use classes shall be made without regard to whether an order contains provisions authorized under this clause (f). In the case of any producer who during any accounting period

delivers a portion of his milk to persons not fully regulated by the order, provision shall be made for reducing the allocation of, or payment to be received by, any such producer under this clause (f) to compensate for any marketings of milk to such other persons for such period or periods as necessary to insure equitable participation in marketings among all producers. Nothwithstanding the provisions of section 8c(12) and the last sentence of section 8c(19) of this Act, order provisions under this clause (f) shall not be effective in any marketing order unless separately approved by producers in a referendum in which each individual producer shall have one vote and may be terminated separately whenever the Secretary makes a determination with respect to such provisions as is provided for the termination of an order in subparagraph 8c(16)(B). Disapproval or termination of such order provisions shall not be considered disapproval of the order or of other terms of the order."

(b) The legal status of producer handlers of milk under the provisions of the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, shall be the same subsequent to the adoption of the amendments made by this Act as it was prior thereto.

(c) Nothing in subsection (a) of this section 501 shall be construed as invalidating any Class I base plan provisions of any marketing order previously issued by the Secretary of Agriculture pursuant to authority contained in the Food and Agriculture Act of 1965 (79 Stat. 1187), but such provisions are expressly ratified, legalized, and confirmed and may be extended through and including December 31, 1971.

(d) It is not intended that existing law be in any way altered, rescinded, or amended with respect to section 8c(5)(G) of the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, and such section 8c(5)(G) is fully reaffirmed.

(e) The Agricultural Adjustment Act, as reenacted and amended by the Agricultural Agreement Act of 1937, as amended, is further amended by striking subsection 8c(15) and inserting in lieu thereof the following:

"PETITION BY HANDLER OR BY A PRODUCER FOR MODIFICATION OR ORDER OR EXEMPTION: COURT REVIEW OF RULING OF SECRETARY

"(15)(A) A petition may be filed by the persons and for the purposes designated below:

"(i) Any handler subject to an order may file a written petition with the Secretary of Agriculture, stating that any such order or any provision of any such order or any obligation imposed in connection therewith is not in accordance with law and praying for a modification thereof or to be exempted therefrom.

"(ii) Any producer as defined in an order may file a written petition with the Secretary of Agriculture stating that a provision or provisions of such order as written or as applied, relating to the distribution among or payment to producers of the amounts required to be paid by handlers under other provisions of the same order, is not in accordance with law and praying for a modification thereof.

"The petitioner shall thereupon be given an opportunity for a hearing upon such petition in accordance with regulations made by the Secretary. After such hearing, the Secretary shall make a ruling upon the prayer of such petition which shall be final, if in accordance with law.

"(B) The Circuit Court of Appeals of the United States in the circuit in which such petitioner is an inhabitant, or has his principal place of business, is vested with jurisdiction to review such ruling, provided a petition of review for that purpose is filed within twenty days from the date of the entry of such ruling. Service of process in such proceedings may be had upon the Secretary by delivering to him a copy of the petition. If the court determines that such ruling is not in accordance with law, it shall remand such proceedings to the Secretary with directions either (1) to make such ruling as the court shall determine to be in accordance with law, or (2) to take such further proceedings as, in its opinion, the law requires. The pendency of proceedings instituted pursuant to this subsection (15) shall not impede, hinder, or delay the United States or the Secretary of Agriculture from obtaining relief pursuant to section 8a(6) of this title. Any proceedings brought pursuant to section 8a(6) of this title shall abate whenever a final decree has been rendered in favor of petitioner in proceedings between the same parties, and covering the same subject matter, instituted pursuant to this subsection (15)."

SEC. 502. The first sentence of section 201 of the Agricultural Act of 1949, as amended (7 U.S.C. 1446), is amended by striking the words "milk, butterfat, and products of milk and butterfat" and inserting in lieu thereof the words "and milk". Paragraph (c) of section 201 of the Agricultural Act of 1949, as amended (7 U.S.C. 1446(c)), is amended to read as follows:

"(c) The price of milk shall be supported at such level not in excess of 90 per centum nor less than 75 per centum of the parity price therefor as the Secretary determines neecssary in order to assure an adequate supply. Such price support shall be provided through purchases of milk and the products of milk."

The amendments made by this subsection shall become effective for the marketing year beginning April 1, 1970.

SEC. 503. Section 202 of the Agricultural Act of 1949, as amended (7 U.S.C. 1446a), is amended by changing "December 31, 1970" to read "December 31, 1973" both places it appears therein.

TITLE VI—LONG-TERM LAND RETIREMENT

SEC. 601. Section 16(e) of the Soil Conservation and Domestic Allotment Act, as amended, is amended—

(1) By inserting "(A)" after "Sec. 16(e)(1)".

(2) By inserting in the first sentence after "For the purpose of promoting the conservation and economic use of land" the following: ", and of assisting farmers who because of advanced age, poor health, or other reasons, desire to retire from farming but wish to continue living on their farms,".

(3) By inserting a new subparagraph (B) at the end of paragraph (1) to read as follows:

"(B) Such acreage may be devoted to approved wildlife food plots or fish and wildlife habitat which are established in conformity with standards developed by the Secretary in consultation with the Secretary of the Interior, and the Secretary may compensate producers for such practices. The Secretary may also provide for payment in an amount determined by the Secretary to be appropriate in relation to the benefit to the general public if the producer agrees to permit access, without other compensation, to all or such portion of the farm as the Secretary may prescribe by the general public, for hunting, trapping, fishing, and hiking, subject to applicable State and Federal regulations. The Secretary and the Secretary of the Interior shall jointly appoint an Advisory Board consisting of citizens knowledgeable in the fields of agriculture and wildlife with whom they may consult on this program, and the Secretary may compensate members of the Board and reimburse them for per diem and traveling expenses. The Secretary shall invite the several States to participate in the program by assisting the Department of Agriculture (a) to provide technical assistance for wildlife and habitat improvement practices, (b) to review applications of farmers for the public land use option and select eligible areas based on desirability of wildlife habitat, (c) to determine accessibility, (d) to evaluate effects on surrounding areas, (e) to consider esthetic values, (f) to check compliance by cooperators, and (g) to carry out programs of wildlife stocking and management on the acreage set aside. The Secretary and the Secretary of the Interior shall jointly issue regulations to govern the administration of those aspects of this subparagraph (B) that pertain to wildlife. Funds are authorized to be appropriated to the Secretary of the Interior for use in assisting the State wildlife agencies to carry out the provisions of this subparagraph and in administering such assistance."

(4) By adding a new paragraph (6) to read as follows:

"(6) For the purpose of obtaining an increase in the permanent retirement of cropland to noncrop uses the Secretary may, notwithstanding any other provision of law, transfer funds available for carrying out the program to any other Federal agency or to States or local government agencies for use in acquiring cropland for the preservation of open spaces, natural beauty, the development of wildlife or recreational facilities, or the prevention of air or water pollution under terms and conditions consistent with and at costs not greater than those under agreements entered into with producers, provided the Secretary determines that the purpose of the program will be accomplished by such action. The Secretary also is authorized to share the cost with State and local governmental agencies in the establishment of practices or uses which will establish, protect, and conserve open spaces, natural beauty, wildlife or recreational resources, or prevent air or water pollution under terms and conditions and at costs con-

sistent with those under agreements entered into with producers, provided the Secretary determines that the purposes of the program will be accomplished by such action."

(5) By adding at the end of paragraph (5) the following: "The Secretary may if he determines that such action will contribute to the effective and equitable administration of the program use an advertising and bid procedure in determining the lands in any area to be covered by agreements."

(6) By changing the last sentence of paragraph (7) to read as follows: "The Secretary shall not enter into agreements hereunder which would require payments, the furnishing of materials and service, and other assistance, in amounts in excess of $50,000,000 for any calendar year."

SEC. 602. For the purpose of protecting and increasing farm income, protecting the national soil, water, and forest and wildlife resources from waste and depletion, protecting interstate commerce from the burdens and obligations which result from the utilization of farmland for the production of excessive supplies of agricultural commodities, and of assisting farmers who because of advanced age, poor health, or other reasons, desire to retire from farming but wish to continue living on their farms, the Secretary is authorized to enter into agreements with producers as hereinafter provided.

(a) The producer shall agree:

(1) Not to harvest any crop from the farm unless the crop is designated by the Secretary as one which is not in surplus supply and will not substantially impair the purpose of the requirements of this section.

(2) To take such measures as the Secretary prescribes to protect the acreage from erosion, insects, weeds, and rodents.

(3) To such other terms and conditions as the Secretary determines are desirable to effectuate the purpose of this section or to facilitate the practical administration of the program.

(b) The agreements of the producer respecting the use of the land shall be covenants running with the land and shall be binding on the producer, his representatives, heirs and assigns.

(c) The Secretary may agree:

(1) To make a payment to the producer in such amount as the Secretary determines to be fair and reasonable in consideration of the obligations undertaken by the producer. Such payment may be made either upon approval of the agreement or in such installments as the Secretary may determine to be desirable.

(2) To bear such part of the average cost (including labor) for the county or area in which the farm is situated of establishing and maintaining authorized practices or uses on the farm as the Secretary determines to be necessary to effectuate the purposes of the program.

(d) The acreage placed under agreement may be devoted to approved wildlife food plots or fish and wildlife habitat which are established in conformity with standards developed by the Secretary in consultation with the Secretary of the Interior, and the Secretary may compensate producers for such practices. The Secretary may also provide for payment in an amount determined by the Secretary to be appropriate in relation to the benefit to the general public if the producer agrees to permit access, without other compensation, to all or such portion of the farm as the Secretary may prescribe by the general public, for hunting, trapping, fishing, and hiking, subject to applicable State and Federal regulations. The Secretary and the Secretary of the Interior shall jointly appoint an Advisory Board consisting of citizens knowledgeable in the fields of agriculture and wildlife with whom they may consult on this program, and the Secretary may compensate members of the Board and reimburse them for per diem and traveling expenses. The Secretary shall invite the several States to participate in the program by assisting the Department of Agriculture (a) to provide technical assistance for wildlife and habitat improvement practices, (b) to review applications of farmers for the public land use option and select eligible areas based on desirability of wildlife habitat, (c) to determine accessibility, (d) to evaluate effects on surrounding areas, (e) to consider esthetic values, (f) to check compliance by cooperators, and (g) to carry out programs of wildlife stocking and management on the acreage set aside. The Secretary and the Secretary of the Interior shall jointly issue regulations to govern the administration of those aspects of this subsection (d) that pertain to wildlife. Funds are authorized to be appropriated to the Secretary of the Interior for use in assisting the State wildlife agencies to carry out the provisions of this subsection and in administering such assistance.

(e) The Secretary may if he determines that such action will contribute to the effective and equitable administration of the program use an advertising and bid procedure in determining the lands in any area to be covered by agreements.

(f) The total acreage placed under agreement in any county or local community shall be limited to an acreage which the Secretary determines would not adversely affect the economy of the county or local community.

(g) The Secretary may terminate any contract with a producer by mutual agreement with the producer if the Secretary determines that such termination would be in the public interest. The Secretary may agree to such modification of agreements previously entered into as he may determine to be desirable to carry out the purpose of this section or to facilitate the practical administration of the program.

(h) No agreement shall be entered into under this section covering land with respect to which the ownership has changed in the three-year period preceding the first year of the agreement unless the new ownership was acquired by will or succession as the result of the death of the previous owner or unless the new ownership was acquired under other circumstances which the Secretary determines and specifies by regulation will give adequate assurance that such land was not acquired for the purpose of placing it in the program.

(i) The Secretary shall provide adequate safeguards to protect the interests of tenants and sharecroppers, including provision for sharing, on a fair and equitable basis, in payments under this program.

(j) The Secretary shall issue such regulations as he determines necessary to carry out the provisions of this section.

(k) The Secretary shall not during any fiscal year enter into agreements with producers hereunder covering more than two million acres of cropland.

(l) There is hereby authorized to be appropriated such sums as may be necessary to carry out this section. The Secretary is authorized to utilize the facilities, services, authorities, and funds of the Commodity Credit Corporation in discharging his functions and responsibilities hereunder including payment of costs of administration for the program: *Provided*, That the Commodity Credit Corporation shall not make any expenditures for carrying out the purpose of this section unless the Corporation has received funds to cover such expenditures from appropriations made to carry out the purpose of this section.

SEC. 603. Section 385 of the Agricultural Adjustment Act of 1938, as amended, by inserting "payment under section 602 of the Agricultural Act of 1970" after "payment under section 339".

TITLE VII—PUBLIC LAW 480

SEC. 701. The Agricultural Trade Development and Assistance Act of 1954, as amended, is amended—

(1) By amending clauses 1 and 2 in the second sentence in section 103(d) to read as follows:

"(1) any country or area dominated or controlled by a foreign government or organization controlling a world Communist movement, unless the President finds that the making of a sales agreement with such country would be in the national interest of the United States, or (2) for the purpose only of sales of agricultural commodities for foreign currencies under title I of this Act, any country or area dominated by a Communist government, unless the president finds that such sale for foreign currencies would be in the national interest of the United States, or"

(2) By striking out "with any government or organization controlling a world Communist movement or" from section 103(j).

(3) By striking out section 409.

STAFF EXPLANATION OF "CONSENSUS" BILL (DESCRIBED BY USDA IN A FEBRUARY 1970 PRESS RELEASE AS ACCEPTABLE TO THE ADMINISTRATION)

SHORT EXPLANATION

This bill provides for—

(1) feed grain, wheat and cotton programs under which there would be (i) no statutory minimum price support levels, (ii) no marketing quotas and, beginning with the 1973 crop, no acreage limitations, (iii) set-aside programs under which acreage would be diverted to conservation, but such acreage would not have to be be diverted from any particular crop, and (iv) a limitation on pay-

ments to each person for each commodity each year on a graduated scale, beginning at $20,000 and ending at $200,000.[1] Loans would be made at levels designed to clear the market. Payments would be provided in amounts determined by the Secretary for participating in the program, setting aside acreage, additional diversion, and permitting public access for hunting, trapping, fishing, and hiking. All payments would be limited to amounts appropriated for that purpose. Producers would not have to plant feed grains, wheat, or cotton to qualify for payments. Up to $10 million of the funds available for cotton payments could be used for a special cotton research program;

(2) repeal of the provision requiring soybean and cottonseed price supports to be competitive;

(3) permanent provision in the milk marketing order law for Class I base plans, seasonal base plans, and Louisville plans (which provide for accumulation and disbursement of a fund to encourage seasonal adjustments in milk production);

(4) repeal of provision for price support for butterfat separate from milk;

(5) extension of the Armed Services Milk Program to December 31, 1973;

(6) an increase to $50 million (from $10 million) in the limit on annual payments under the cropland conversion program;

(7) a program under which farmers would enter into covenants running with the land not to harvest surplus crops;

(8) inclusion in the cropland conversion programs of provisions now in the expiring cropland adjustment program for public access for hunting and fishing, aid to States in preserving open spaces, and use of advertising and bid procedures; and

(9) making P.L. 480, 83rd Congress (sales and donations of commodities for export) permanent, and authorize the President to waive restrictions against sales to Communist countries where such sales would be in the national interest.

SECTION-BY-SECTION EXPLANATION

The bill consists of seven titles as follows:

Title I	Feed grains.
Title II	Wheat.
Title III	Cotton.
Title IV	Miscellaneous.
Title V	Dairy.
Title VI	Long-term land retirement.
Title VII	Public Law 480.

Section 1. *Short Title.*—Agricultural Act of 1970.

TITLE I—FEED GRAINS

Section 101. *Loans, Payments, Set-Aside, Payment Limitations.*—This section amends section 105 of the Agricultural Act of 1949 to—

(1) remove the minimum price support levels for feed grains,

(2) remove feed grain acreage restrictions, beginning with the 1973 crop,

(3) replace the feed grain diversion program (which expires with the 1970 crop) with a set-aside program which is generally similar but does not require that the acreage set-aside be diverted from feed grains, and

(4) limit payments under the feed grain program to any person for any year in accordance with a graduated scale begininng at $20,000 and ending at $200,000.

Loans

Loans on corn would be at such level, not in excess of 90 percent of parity, as will encourage the exportation of feed grains and not result in building up excessive stocks in the United States. Loans on the other feed grains would be at appropriate level in relation to the level that loans are made on corn, taking into consideration the feeding value of such feed grains in relation to corn and other factors.

Under existing law price support for corn (including loans and payments) must be not less than 65 percent of parity, or not less than 50 percent of parity

[1] See Appendix A.

if an acreage diversion program is not in effect. These minimums would be omitted by the bill.

Payments

Payments would be made to producers of corn, grain sorghum, and, if designated by the Secretary, barley, on 50 percent of the feed grain base at a rate of not to exceed 25 percent of parity. Provision is made for reducing the feed grain base for the farm (computed generally as at present using a 1959–1960 base) if the producer plants less than the acreage on which payments are made available. The Secretary may permit producers to plant soybeans in lieu of feed grains and not lose history as the result of the underplanting of feed grains. The yield used as the basis for payments would be the yield established for the farm for the preceding crop with such adjustments as are necessary to provide a fair and equitable yield. Additional payments are authorized for additional voluntary diversion and for use of the farm by the public for hunting, trapping, fishing, and hiking. Payments would be required to be shared among producers on the farm on a fair and equitable basis.

The program would be carried out through the Commodity Credit Corporation, but payments could not be made unless the Corporation has received an appropriation to cover such payments. However, the Corporation could incur obligations for making payments in such amount as may be authorized in an appropriation act.

Existing law provides for two types of payments: price support payments, and diversion payments. Under existing law price support payments are based in art on the acreage planted to the crop. Neither type of payment provided for by the bill would be conditioned upon the planting of a crop. Under existing law price support payments are made by Commodity Credit Corporation without advance appropriation Act authorization.

Set-aside

To be eligible for loans and payments on corn, grain sorghums, and, if designated, barley, the producer is required (if the Secretary determines supplies of commodities would otherwise be excessive and proclaims a set-aside) to set aside an acreage of cropland on the farm to be specified by the Secretary and devote it to approved conservation uses, and to maintain the normal conserving acreage on the farm. The Secretary may permit producers to plant commodities on the set-aside acres if necessary because of an emergency created by drought or other disaster, or in order to prevent or alleviate a shortage of such commodities. In order to provide an orderly transition to the set-aside program, the Secretary is authorized for the 1971 and 1972 crops to limit the acreage planted to feed grains on the farm.

Provision is made for additional voluntary diversion of acreage, for which the producer would be paid additional compensation, if such additional diversion is necessary to assist in adjusting the acreage of commodities to desirable goals. The total acreage so diverted would be limited in order not to adversely affect the economy of the local community.

Producers would be required to protect the acreage set aside under the program from erosion, insects, weeds, and rodents. Provision is made for entering into agreement with the producer for use of the farm by the general public for hunting, trapping, fishing, and hiking.

The Secretary is authorized to prescribe terms and conditions of the program.

The so-called set-aside is generally similar to the diversion program provided by section 16(i) of the Soil Conservation and Domestic Allotment Act for the 1966 through 1970 crops. The most important difference between these programs is that, beginning with the 1973 crop, there would be no specific limitation on the production of feed grains. Before that date the Secretary could limit the acreage planted to feed grains to a percentage (which could be more than 100 percent of the feed grain base. At present, the producer may plant feed grains only on that part of his feed grain base which is not diverted. While the use of the term "diversion" in the provisions of the bill for additional voluntary diversion might indicate that they provide for diversion of acreage from feed grains, this does not appear to be the case. They require only that there be devoted to approved conservation uses an acreage of cropland on the farm in addition to that required to be so devoted under the set-aside program. The essential difference between the set-aside program and the diversion program is that participation in the set-aside program is a condition of eligibility for loans.

Payment limitation

The total amount of payments which a person would be entitled to receive under the program would be limited in accordance with a graduated scale beginning at $20,000 and ending at $200,000.[1] The set-aside requirements for any person affected by this payment limitation would be reduced commensurately.

TITLE II—WHEAT

Section 201. *Loans.*—This section would repeal the existing wheat price support provisions for domestic certificate wheat (parity for the 1970 crop, 65 to 90 percent of parity for the 1971 and succeeding crops), and provide for loans on all wheat at such level, not in excess of 90 percent of parity, as will encourage the exportation of wheat and not result in building up excessive stocks in the United States.

Section 202. *Certificates, Set-Aside, Payment Limitations.*—This section provides for payments (in the form of certificates), set-aside, and payment limitations generally similar to those provided for feed grains by section 101.

Domestic certificates would be issued on the domestic allotment. Producers would not be required to plant wheat to qualify for certificates as at present. Export certificates would be discontinued. The face value of the domestic certificates would be equal to the cost to processors (under section 203(3) which shall not exceed 75 cents per bushel) plus an amount per bushel not to exceed 35 percent of parity. The domestic allotment for wheat is the number of acres needed to produce the amount of wheat to be used for food products for consumption in the United States. Domestic allotments for farms would be established in a manner similar to the manner in which farm acreage allotments are now established, except that they will be based only on the amount of wheat required for food products for consumption in the United States. Provision is made for reducing the domestic allotment for the farm if the producer plants less than the acreage on which certificates are made available. The yield used as the basis for issuing certificates in any year would be the yield for the farm for the preceding crop with such adjustments as are necessary to provide a fair and equitable yield. Additional compensation would be authorized for additional voluntary diversion and for use of the farm by the public for hunting, trapping, fishing, and hiking. Certificates would be required to be shared among producers on the farm on a fair and equitable basis.

The program would be carried out through the Commodity Credit Corporation but certificates having a face value in excess of the cost to processors could not be issued and diversion payments could not be made unless the Corporation has received an appropriation to cover such amounts, but the Corporation could incur obligations for such amounts as may be authorized in an appropriation act.

Set-aside

To be eligible for loans and certificates the producer is required (if the Secretary determines that supplies of commodities would otherwise be excessive and proclaims a set-aside) to set aside an acreage of cropland on the farm to be specified by the Secretary and devote it to approve conservation uses, and to maintain the normal conserving acreage on the farm. The Secretary may permit producers to plant commodities on the set-aside acres if necessary because of an emergency created by drought or other disaster, or in order to prevent or alleviate a shortage of such commodities. In order to provide an orderly transition to the set-aside program, the Secretary is authorized for the 1971 and 1972 crops to limit the acreage planted to wheat on the farm.

Provision is made for additional voluntary diversion of acreage, for which the producer would be paid additional compensation, if such additonal diversion is necessary to assist in adjusting the acreage of commodities to desirable goals. The total acreage so diverted would be limited in order not to adversely affect the economy of the local community.

Producers would be required to protect the acreage set aside under the program from erosion, insects, weeds, and rodents. Provision is made for entering into agreement with the producer for use of the farm by the general public for hunting, trapping, fishing, and hiking.

The Secretary is authorized to prescribe terms and conditions of the program.

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[1] See Appendix A.

Payment limitation

The total amount of certificates and payments which a person would be entitled to receive under the program would be limited in accordance with a graduated scale beginning at $20,000 and ending at $200,000.[1] A commensurate reduction in the set-aside is provided for.

Section 203. *Purchase of Certificates by Processors and Exporters.*—This section would—

(1) make the existing provision requiring the purchase of domestic marketing certificates by processors permanently applicable;

(2) repeal the requirement for export marketing certificates;

(3) provide for refunds to the processor or the exporter on all flour exported after June 30, 1971; and

(4) limit the cost of the certificates to processors to not more than 75 cents per bushel.

Section 203 (3) is also intended to have the effect of limiting the face value of certificates to processors for penalty purposes under section 379 (i) (a) of the Agricultural Adjustment Act of 1938.

Section 204. *Repeal of Existing Provisions for Wheat Marketing Quotas, Acreage Allotments, and Acreage Diversion.*—Section 204 repeals the existing provisions for marketing quotas, acreage allotments, and acreage diversion with respect to wheat. These provisions now comprise part III of subtitle B of title III of the Agricultural Adjustment Act of 1938, consisting of sections 331 (Legislative Findings), 332 (Proclamations of Supplies and Allotments), 333 (National Acreage Allotment), 334 (Apportionment of National Acreage Allotment), 334a (Commercial Area), 335 (Small Farm Exemption), 336 (Referendum), 337 (Adjustment and Suspension of Quota), 338 (Transfer of Quotas), and 339 (Land Use). Many of these provisions have been inapplicable during the last few years while marketing quotas have been suspended. The provisions of the bill with respect to the wheat domestic allotment and set-aside replace the allotment and land use provisions repealed by this section.

Section 205. *Repeal of Public Law 74, 77th Congress.*—This section repeals Public Law 74, 77th Congress, which contains a number of provisions with respect to wheat marketing quotas. Repeal of the provisions of the Agricultural Adjustment Act of 1938 for wheat marketing quotas necessitates the repeal of Public Law 74.

Section 206. *Withdrawal of Wheat Stored in Prior Years To Maintain Program Eligibility.*—This section provides for the withdrawal from storage of wheat which has been stored in prior years as provided by section 379c(b) of the Agricultural Adjustment Act of 1938 to maintain eligibility for marketing certificates. The amount that may be withdrawn in any year prior to July 1, 1976, is the amount by which the actual production for that year is less than three times the domestic allotment for that year times the yield established for the farm for the issuance of marketing certificates. Any balance remaining in store on July 1, 1976 may be withdrawn.

TITLE III—UPLAND COTTON

Sections 301, 302, and 303. *Marketing Quotas Repealed, Loans, Payments, Set-Aside.*—These sections would—

(1) repeal provisions for cotton marketing quotas,

(2) repeal provisions for minimum domestic allotments and price supports for cotton,

(3) remove all acreage restrictions on cotton, beginning with the 1973 crop,

(4) replace the cotton diversion program with a set-aside program which does not require that the acreage set-aside be diverted from cotton, and

(5) limit payments under the cotton program to any person for any year in accordance with a graduated scale beginning at $20,00 and ending at $200,000.[1]

Quotas

Section 301 (1) provides that the following sections of the Agricultural Adjustment Act of 1938 shall not be applicable to upland cotton of the 1971 and subsequent crops: Section 342 (National Marketing Quota), 343 (Referendum),

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[1] See Appendix A.

344 (Acreage Allotments), 345 (Farm Marketing Quotas), and 346 (Penalties; Export Market Acreage). It also makes the history preservation provisions of section 377 inapplicable to upland cotton and wheat of the 1971 and subsequent crops.

Loans

Under section 303 loans on cotton would, as at present, be at such level, not in excess of 90 percent of the estimated world price for cotton, as will provide orderly marketing and retain an adequate share of the world market for cotton produced in the United States.

Payments

Payments would be made under section 303 on the domestic allotment at a rate of not to exceed 80 percent of the estimated world price for cotton. Under existing law price support payments may not be less than 9 cents per pound, nor may they be less than a rate which, when added to the loan, provide price support equivalent to 65 percent of parity on the permitted acreage of cotton. The bill does not provide similar minimums. Existing law also provides for a minimum national allotment of 16 million acres, a minimum cooperator percentage of 87.5 percent, and a minimum farm domestic allotment equal to 65 percent of the farm acreage allotment, all of which provide assurance of a minimum farm domestic allotment or permitted acreage upon which price support payments are based. The bill does not contain similar minimums. Under section 301(2) of the bill the domestic allotment for cotton is the number of acres which will produce an amount of cotton equal to the estimated domestic consumption, but not less than 85 percent of the domestic allotment for the preceding crop. In the case of the 1971 and 1972 crops the national domestic allotment may be in such amount, not in excess of the national domestic acreage for the 1970 crop, as the Secretary determines necessary to maintain adequate supplies. Domestic allotments would be established for farms in a manner similar to the manner in which farm acreage allotments are presently established, except that they will be based only on the amount of cotton required for domestic uses. Provision is made for reducing the domestic allotment for the farm if the producer plants less than the acreage on which payments are made available. The yield used as the basis for payments under section 303 would be the yield established for the farm for the preceding crop with such adjustments as are necessary to provide a fair and equitable basis. Additional payments are authorized by section 303 for additional voluntary diversion and use of the farm by the public for hunting, trapping, fishing, and hiking. Payments would be required to be shared among producers on the farm on a fair and equitable basis.

The program would be carried out through the Commodity Credit Corporation but payments could not be made unless the Corporation has received an appropriation to cover such payments, but the Corporation could incur obligations for making payments in such amount as may be authorized in an appropriation act.

Provision is made for the sale and transfer of domestic allotments by section 350(g) of the Agricultural Adjustment Act of 1938, as amended by section 301(2) of the bill.

Set-aside

To be eligible for loans and payments the producer is required by section 302 of the bill (if the Secretary determines that supplies of commodities would otherwise be excessive and proclaims a set-aside) to set aside an acreage of cropland on the farm to be specified by the Secretary and devote it to approved conservation uses, and to maintain the normal conserving acreage on the farm. The Secretary may permit producers to plant commodities on the set-aside acres if necessary because of an emergency created by drought or other disaster, or in order to prevent or alleviate a shortage of such commodities. In order to provide an orderly transition to the set-aside program, the Secretary is authorized for the 1971 and 1972 crops to limit the acreage planted to cotton on the farm.

Provision is made for additional voluntary diversion of acreage, for which the producer would be paid additional compensation, if such additional diversion is necessary to assist in adjusting the acreage of commodities to desirable goals. The total acreage so diverted would be limited in order not to adversely affect the economy of the local community.

Producers would be required to protect the acreage set aside under the program from erosion, insects, weeds, and rodents. Provision is made for entering into agreement with the producer for use of the farm by the general public for hunting, trapping, fishing, and hiking.

The Secretary is authorized to prescribe terms and conditions of the program.

Payment limitation

The total amount of payments which a person would be entitled to receive under the program would be limited by section 303 of the bill in accordance with a graduated scale beginning at $20,000 and ending at $200,000.[1] A commensurate reduction in the set-aside is provided for.

Special cotton research program

The Secretary would be authorized by section 303 to deduct not to exceed $10,000,000 annually from funds available for payments to cotton producers and to use such funds to conduct a special cotton research program designed to reduce the cost of producing cotton and to improve the competitive position of the cotton industry in the United States.

Section 302 provides for measurement of an acreage equal to the farm domestic cotton allotment prior to planting, as is now provided for cotton acreage allotments.

TITLE IV—MISCELLANEOUS PROVISIONS

Section 401. *Technical Amendments.*—This section would amend the Agricultural Adjustment Act of 1938 to (1) make sections 378 (Eminent Domain) and 379 (Reconstitution of Farms) applicable to domestic wheat and cotton allotments in the same manner they are now applicable to wheat and cotton acreage allotments: and (2) make section 385 (Finality of Farmers Payments and Loans) applicable to payments under the wheat, cotton, and feed grain set-aside programs.

Section 402. *Technical Amendment. Transfers of Bases and Domestic Allotments Between Public Lands in the Same County.*—This section extends section 706 of the Food and Agriculture Act of 1965 to provide for the transfer of feed grain bases and wheat and cotton domestic allotments from any farm composed of public lands to any other farm composed of public lands in the same county in the same manner as now provided for feed grain bases and wheat and cotton allotments.

Section 403. *Technical Amendment.*—This section provides that loans and purchases under the wheat, cotton, and feed grain provisions of the bill shall be treated as though they were price support operations for the purposes of sections 402 (Support At Increased Level), 403 (Adjustments for Grade, Etc.), 406 (Advance Announcement), and 416 (Disposition of Commodities to Prevent Waste) of the Agricultural Act of 1949.

Section 404. *Restrictions on Sales by CCC.*—This section would make the minimum sales price for CCC stocks of wheat, corn, grain sorghum, barley, oats, rye, and upland cotton 110 percent of the loan rate plus reasonable carrying charges, except that CCC may sell certain qualities of upland cotton at lower prices if necessary to achieve a balanced inventory or to meet market demand. The statutory minimum at present is 105 percent of the loan value for wheat, 105 percent of the current support price for feed grains, and 110 percent of the loan value for upland cotton, plus reasonable carrying charges in the case of wheat and feed grains, except that (1) when the carryover of a commodity for which a voluntary adjustment program is in effect will be less than 25 percent (35 percent in the case of wheat) of the estimated export and domestic consumption, the minimum is 115 percent (120 percent in the case of wheat) of the current loan value plus reasonable carrying charges; (2) CCC is required to sell at current market prices a quantity of upland cotton equal to the amount by which requirements exceed production; and (3) the current feed grain and cotton provisions authorize payments in kind, which are made in the form of certificates redeemable in commodities at their current loan rate, plus carying charges in the case of feed grains. The provision referred to in the first exception would be repealed by the bill; the second expires July 31, 1971, and the wheat, feed grain, and cotton provisions of the bill do not provide for payments in kind.

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[1] See Appendix A.

Section 405. *Cancellation of Allotments.*—This section authorizes the Secretary of Agriculture to reduce or cancel any base or allotment which is no longer being used. This provision would be applicable to tobacco, rice, and peanuts, as well as to wheat, feed grains, and cotton.

Section 406. *Cottonseed and Soybean Price Support.*—This section would repeal the provision in existing law which requires that whenever the price of either cottonseed or soybeans is supported, the price of the other shall be supported at such level as the Secretary determines will cause them to compete on equal terms on the market.

Section 407. *Annual Report.*—This section provides for an annual report to Congress on the feed grain, wheat, cotton, and long term land retirement programs carried out under the bill.

TITLE V—DAIRY

Section 501(a), (b), (c), and (d). *Milk Marketing Orders.*—Section 501(a) would amend the authority for base plans under milk marketing orders to provide separately for—

(A) seasonal base plans (clause (d));

(B) so-called Louisville plans under which handler payments are accumulated in one period for disbursement in another so as to encourage seasonal adjustments in the production of milk (clause (e)); and

(C) Class I base plans (clause (f)).

The proposed seasonal base plan provision differs from existing law in that—

(a) bloc voting by a cooperative of its members would be permitted, and

(b) transfers of bases would not be authorized.

The provision with respect to Louisville plans would make it clear that such plans are authorized.

The proposed Class I base plan provision differs from existing law in that—

(1) the authority for class I base plans, which under the present law expires December 31, 1970, is made permanent.

(2) the Class I base plan authority is substantially revised to provide specifically for allocation of class I bases to various classes of producers, as follows:

(a) Producers under the order on its effective date would receive bases on the basis of deliveries of milk under the order during a representative period of 1 to 3 years which will be automatically updated each year.

(b) Producers who did not produce milk during part of the representative period and who were not covered by the order on its effective date would, within 90 days after becoming producers under the order, be allocated bases which the Secretary determines proper taking into consideration supply and demand conditions, orderly marketing and the respective interests of producers and the consuming public. Such bases for a period not to exceed 3 years shall be reduced by not more than 20 percent.

(c) Dairy farmers becoming producers under the order by reason of the plant to which they are making deliveries becoming a pool plan under the order would receive bases on the same basis as established producers under (a).

(d) Dairy farmers who produced milk during the representative period, but who were not under the order on its effective date shall, 90 days after delivering milk, be provided bases on the same basis as producers under (a) with respect to milk delivered from the same production facilities they used during the base period.

(e) Producers who were under the order on its effective date, but who had not produced milk during the representative period, and certain other producers could receive such allocations as might be necessary to alleviate hardship or as might otherwise be appropriate.

(3) it is made clear that conditions may be imposed on transfer of bases to prevent them taking on unreasonable value.

Individual voting would continue to be required for Class I base plans, and authority for transfer for Class I bases would remain effective.

Subsections (b), (c), and (d) disclaim any intent to affect the status of producers-handlers, section 8c(5)G or Class I base plans heretofore adopted under existing law.

Suggested amendments

1. Section 8c(5)(B)(d) of the Agricultural Adjustment Act, as it would be amended by the bill, is identical to the language of that provision prior to enactment of the Food and Agriculture Act of 1965, except for the addition of the phrase ", which need not be limited to one year". While section 8c(5)(B)(d) is intended by the bill to be restricted to seasonal base plans, there is nothing in its language that so restricts it. This committee in its report on S. 1915 construed this language as authorizing Class I base plans as well as seasonal base plans. If, as we understand to be the case, the intent is to restrict section 8c(5)(B)(d) to seasonal plans, this might be made clear by amending section 8c(5)(B)(d) to read as follows: "(d) further adjustment to encourage seasonal adjustments in the production of milk through equitable apportionment of the total value of the milk purchased by any handler, or by all handlers, among producers on the basis of their marketings of milk during a representative period of time, which need not be limited to one year;"

(2 The words "may be included in an order" in section 8c(5)(B) of the Agricultural Adjustment Act, as amended by the bill, should be replaced by a semicolon to make it consistent with the rest of the sentence in which it appears.

(3) The provisions for allocation of bases need clarification.

(4) The phrase ", pursuant to the provisions of section 8c(5)(l) of this Act," should be stricken from paragraph (v) on page 46 as surplusage.

Section 501 (e). *Review Petitions.*—Section 501 (e) would amend section 8c (15) of the Agricultural Adjustment Act to—

(1) provide producers, with respect to provisions and actions directly related to payments to producers, the same administrative review procedures as presently provided for handlers; and

(2) make orders in administrative review proceedings under section 8c (15) reviewable by the Circuit Courts of Appeal rather than as presently by the District Courts.

Section 502. *Price support.*—This section amends section 201 of the Agricultural Act of 1949 by removing the requirement that butterfat, and the products of milk and butterfat, be supported at levels apart from the price support level for whole milk from which these products were derived. As amended, section 201 would make the level of support applicable only to whole milk. Such support would be through purchases of milk and the products thereof at such prices as would result in the prices paid producers for their whole milk being supported at such level between 75 and 90 percent of parity as the Secretary determines necessary in order to assure an adequate supply.

Section 503. *Armed Services Milk Program.*—This section extends to December 31, 1973, the authority under section 202 of the Agricultural Act of 1949 for the donation by Commodity Credit Corporation of dairy products to the Administrator of Veterans Affairs and to the military for utilization after they have made their usual purchases of dairy products in the normal channels of trade.

TITLE VI—LONG-TERM LAND RETIREMENT

Section 601. *Cropland Conversion Program Amendments.*—This section amends section 16(e) of the Soil Conservation and Domestic Allotment Act (which authorizes contracts with producers for periods of not to exceed ten years for converting cropland to soil conserving practices and other approved uses) to—

(1) Adds as a purpose of the program assisting farmers to retire from farming while continuing to live on their farms;

(2) Authorize payments for devotion of the converted acreage to approved wildlife food plots or fish and wildlife habitat which are established in conformity with standards developed by the Secretary of Agriculture in consultation with the Secretary of the Interior;

(3) Authorize payments for permitting public access to the farm for hunting, trapping, fishing, and hiking;

(4) Provide for an Advisory Board (whose members could be paid compensation, per diem, and traveling expenses) and for State cooperation in carrying out the program described in (2) and (3);

(5) Authorize payments to Federal, State, or local Governments for the acquisition of cropland for the preservation of open spaces and similar specified purposes and cost sharing for facilities for such purposes;

(6) Authorize use of an advertising and bid procedure to determine lands to be covered by cropland conversion agreements; and

(7) Increases the limit on total payments in any year under section 16(e) to $50 million (from $10 million).

The provisions described in (3), (5), and (6) are similar to provisions contained in section 602 (c), (d), (i), and (j) of the Food and Agriculture Act of 1965 (which provided for the Cropland Adjustment Program and which expires December 31, 1970). Similar provisions authorizing payments for public access for hunting, trapping, fishing, and hiking are contained in the feed grain, wheat, and cotton diversion provisions of the bill.

Section 602. *Covenants Not To Crop.*—This section authorizes payments to producers entering into covenants (running with the land) not to harvest crops in surplus supply. Provisions similar to those of section 601 with respect to fish and wildlife; hunting, etc.; an Advisory Board; State cooperation; and use of an advertising and bid procedure are contained in this section. Covenants covering not more than 2 million acres could be entered into in any fiscal year.

Section 603. *Finality of Farmers' Payments.*—This section makes section 385 of the Agricultural Adjustment Act of 1938 applicable to payments under the covenant not to crop program provided for by section 602 of the bill. Section 385 makes the Secretary's determination of the facts constituting the basis for any payment final and conclusive. Section 385 is now applicable to many programs, and would be extended to the bill's new feed grain, wheat, and cotton programs by section 401(3) of the bill.

TITLE VII—PUBLIC LAW 480

Section 701. *Extension of Public Law 480.*—This section would make the Agricultural Trade Development and Assistance Act of 1954 permanent. It would also authorize the President to waive the prohibitions against sales to a foreign government controlling a world Communist movement and against sales for foreign currencies to any country dominated by a Communist government, if he determines such sale would be in the national interest.

APPENDIX A.—APPLICATION OF PAYMENT LIMITATIONS OF THE BILL

Under the payment limitations of the bill for feed grains, wheat, and cotton a producer could receive up to a total of $110,000 for each of those crops, computed as follows:

Payment interval	Percent reduction in payments falling within interval	Dollar reduction for the full interval	Net payments for the full interval	Total net payments for a farmer at top of interval
0 to $20,000	0	0	$20,000	$20,000
$20,000 to $40,000	10	$2,000	18,000	38,000
$40,000 to $60,000	20	4,000	16,000	54,000
$60,000 to $80,000	30	6,000	14,000	68,000
$80,000 to $100,000	40	8,000	12,000	80,000
$100,000 to $120,000	50	10,000	10,000	90,000
$120,000 to $140,000	60	12,000	8,000	98,000
$140,000 to $160,000	70	14,000	6,000	104,000
$160,000 to $180,000	80	16,000	4,000	108,000
$180,000 to $200,000	90	18,000	2,000	110,000
More than $200,000	100			110,000

The CHAIRMAN. In studying the present proposals, I note that many of them simply amend the present law. In any event, I am very hopeful that within the next week we can gather enough testimony that will form the basis for an extension or a renewal or additions to the present law. And I am very hopeful that before we act the House will send us its version of what ought to be done.

I understand that the House of Representatives has been holding hearings for quite some time, and up to now they have not come to any definite conclusion as to what ought to be included in a bill, but they are working on it. And I was told by the chairman sometime ago and other members of the committee that they hoped to get a bill before the House of Representatives and have it enacted before Easter. And I

hope that occurs. If it does, why I can foresee the enactment of a new farm bill early this year.

Does anybody desire to make any preliminary statements before we start?

Senator YOUNG. Mr. Chairman, I want to say that I am in full accord with your views on using the present law as a basis of writing new legislation. I do plan to have some amendments which I will offer later.

The CHAIRMAN. Very well.

Anybody else? If not, the first witness is Senator Yarborough from Texas. You may proceed, Senator.

STATEMENT OF HON. RALPH YARBOROUGH, A U.S. SENATOR FROM THE STATE OF TEXAS

Senator YARBOROUGH. Thank you, Mr. Chairman. You and the experienced members of this committee, which is so important to the prosperity of my State. We have more farm families in Texas than any other State. We have not gone to corporate agriculture like a great part of California has. Agriculture is a matter of vital interest. More people in my State earn their living in agriculture than any other way. It is a matter of great importance. I am cosponsor of S. 3068, introduced here, and, Mr. Chairman, I have a very comprehensive and thorough statement explaining it. I say that with all deference, not that I have done this. I had members of my staff and people in the Government working on this for days. I ask leave to have it presented in full in the record at this time. In the interest of time, and in view of the very experienced witnesses who work and live with agricultural organizations who are here, I will make my remarks a brief condensation but ask leave to print the full text in the record.

The CHAIRMAN. Without objection it will be put in the record, and you may summarize it.

Senator YARBOROUGH. Mr. Chairman, in cosponsoring this bill, it is not something that I or my staff pulled out of thin air. This bill was worked on for a long time by practically every farm organization in America, and 26 organizations have cosponsored it. This coalition of farm organizations support this bill, C. 3068. I have a list of 24 of the organizations. A few more came in later, but I don't have their names. It is supported by the National Grange, the National Farmers Union, the National Association of Wheat Growers, the National Farmers Organization, the Midcontinental Farmers Organization, the United Grain Farmers of America, the National Milk Producers Federation, the Pure Milk Products Cooperative, the North Carolina Peanut Growers Association, the National Rice Growers Association, the National Potato Council, the Virginia Council of Farmer Co-ops, the Farmer Cooperatives Council of North Carolina, the Grain Sorghum Producers Association, the National Corn Growers Association, the Western Cotton Growers Association, the National Wool Growers Association, the Soybean Growers of America, the Virginia Peanut Growers Association, the Peanut Growers Cooperative Marketing Association, the American Rice Growers Cooperative Association, the Webster County Farmers Organization of Guide Rock, Nebr., the Vegetable Growers Association, and the North Dakota Feeder Livestock Producers Association.

Those 24 approved the bill before it was introduced and two others have endorsed it since. So this bill is not just something that we dozen or so who introduced it thought up ourselves but this has been the result of many months of work by practically every farm organization in America. As it ended up, a few didn't sponsor it, but most did.

As we know, the Agricultural Act of 1965 will expire December 31, of this year. That act has provided the basic authority under which our current farm programs operate. It is my firm conviction that these programs have served the Nation, the consumer, and the farmer very well over the past 4 years despite the agricultural recession that is occurring now. I think basically the law is good and must be continued. The thrust of this bill, S. 3068, is a continuation of current programs with, as Senator Young has pointed out, refinements and improvements which have been worked out with time. This proposal of ours is really an agricultural stabilization act. It reflects the experience and we think it has beneficial modification that we have worked out with the aid of all these farm organizations.

Mr. Chairman, I want to express my appreciation to this committee for what it has done for agriculture. I may not get to testify again before it this year, and since I am here I want to express my great appreciation to the fine work that Senator Spessard Holland has done. I have had the privilege for 5 years of being on the Agricultural Appropriations Subcommittee under his leadership, and agriculture is going to suffer great loss with his retirement. I regret it, and the farmers of my State, and the people dependent on agriculture, Senator Holland, have received with great regret the announcement of your voluntary retirement from the Senate.

Senator HOLLAND. Thank you very much. Thank you very much.

Senator YARBOROUGH. Seeing here people of this committee who have been working on these problems for years, I feel some hesitancy in coming here in light of the experience that you have in agriculture and the hard work you have put in over the years. These programs that you have worked out are the result of a long evolutionary process of legislative experience, adjustment, and modernization. And I think it would be, Mr. Chairman, disastrous folly for us to turn our backs on this experience that this committee and the Congress has worked out, to scrap these proven programs for any of the untested and unproven alternatives—and really from the standpoint of agriculture they are radical alternatives—that have been suggested to the agriculture stabilization program. We have a sound foundation on which to build and our efforts should be directed toward improving the situation of the farmers and ranchers who are sustaining the Nation's demand for food and fiber, rather than scrapping it.

We must concern ourselves with reversing the inequitable economic demands that are driving so many of our people away from the farms and ranches. The basic thrust of the proposed Agricultural Stabilization Act that we have introduced is to extend the Agricultural Act of 1965. But it also proposes a series of amendments designed to strengthen the present farm programs and increase farm income by from $1.3 billion a year to $1.4 billion. The cost under the bill we are proposing ought to be received as sound investments in the Nation's most impor-

tant industry. For every dollar invested, two will be returned in the form of increased income to the farmers. And I spell that out in detail, Mr. Chairman, in the full statement I have here.

The CHAIRMAN. How much of this additional income do you know will come from Government payments?

Senator YARBOROUGH. Mr. Chairman, I will have to stop and look through the supporting documents.

The CHAIRMAN. Well, I thought maybe you had it.

Senator YARBOROUGH. I have got it in there. There has been a 3-percent decline in prices in farm crops, but the total realized net income of farm operators in 1969 is estimated at about $16 billion, and $1.2 billion more in 1968. Under certain programs that have been initiated about $600 million, I believe, have been cut off the cost of the agricultural program. It is estimated the cost of this bill will be about $660 million over the present program, but the administration has cut certain payments in other lines, and our final summation was, of what they cut out of other things, the additional cost in the coalition bill may well represent no increase or little increase in the cost, and that is because of the cuts that the committee is familiar with, which the administration has made.

The CHAIRMAN. Well, this proposal, as I understand it is the same that has been introduced in the House——

Senator YARBOROUGH. Yes, sir.

The CHAIRMAN (continuing). By the same organization.

Senator YARBOROUGH. Yes.

The CHAIRMAN. And they have had hearings on it.

Senator YARBOROUGH. Yes, sir. But now it would cost considerably more, except as the chairman and the committee knows, the administration has cut very sharply on some programs, has cut back on some, and this would not anticipate, it would add more in view of the fact that they have already cut those back. Of course, the budget this year, while we have a $200 billion budget, it cuts some over $900 million out of agriculture. It cuts the agricultural buget by nearly a billion dollars. Agriculture has taken the brunt of the $200 billion administration budget.

If you look at that cut of between $900 million and $1 billion less than the budget last year, we find that the farmers have taken the brunt. Of course, we would not cut that. We would add $1.2 billion over what it was before the administration cut agriculture, considering what they have cut already in operation, the reductions they have made, again, sorghum, wheat, and other things that are already in operation. While we would add money to what the Government is now spending, it would not be in excess of what the cost was a year ago.

Senator YOUNG. Senator, it does make a difference though where the cut is applied. If the cut is applied in reimbursement of the Commodity Credit Corporation, it really doesn't cut funds for the program.

Senator YARBOROUGH. No.

Senator YOUNG. Actually, budget requests for programs of the Department of Agriculture are about $300 million above last year.

Senator YARBOROUGH. The recommendation I am specifically thinking about, Senator, is the recommendation which would do away with the milk support program and the conservation reserve program.

Senator YOUNG. Yes.

Senator YARBOROUGH. Those I think would be very unfortunate. I think the milk program is beyond dairy farmers. That is the health of the Nation. And the health organizations, I know, very strongly support continuation of the separate milk program, not the school lunch itself, but the milk program at the midmorning recess.

The main purpose of this bill is to insure adequate supplies of agricultural commodities at fair prices. It is to assure American wage earners they will continue to be able to purchase the families' food for a smaller percentage of the take-home pay than ever before. Last year American consumers spent only about 16.5 percent of their disposable income to purchase food. Programs such as the ones authorized by the 1965 act and the Agricultural Stabilization Act seek to extend and improve largely upon this food and fiber bargain to wage earners.

Mr. Chairman, last year, I was in Russia. You have been there often and know the situation. But to illustrate what this means to American workers, I think the people from the cities overlook how American workers are profiting by these farm programs. In Moscow a young couple, interpreters, traveled with us to Taskan where they raise 72 percent of the cotton in the Soviet Union, as you know, in that one Usbeck so-called republic, which is only three-fifths the size of Texas. Well, the young people who lived there, which is where some of Russia's most affluent people were assigned, one of the wives was telling us how she gave a party for other Americans and bought a kilogram of eggplant in Moscow. Two and two-tenths pounds cost her $2.25; she got over to Tashkent and was buying vegetables to take back to Moscow. A kilogram of eggplant cost 30 cents American money in Tashkent.

We have got the production and the distribution system that is getting this food to the laborers in the city. In Russia those workers pay a terrific cost, and laborers in Moscow get potatoes and they get cabbages, but to illustrate, a common vegetable such as eggplant is almost beyond their power to purchase. While most of the agricultural production of Russia, as the chairman so well knows, is on state-owned farms where they take workers out in trucks, and the people don't live on the land—in these collective farms where people live each has a little plot of land—the Communists are trying to abolish that, but the Communists in the Russian Government won't let them because of these little plots are producing 80 percent of all the eggs and 42 percent of all the meat in the Soviet Union. If they did away with this free enterprise—we learned that the Government itself calls it capitalism and an impingement and threat to the system—the practical economists say it would ruin Russia. Do you know in Tashkent and others there, Usbeck and Georgeon Republic area they have a thousand square acres each. We get out to Siberia and the individual family gets 12.5 acres each. But these little plots are next to the city and the metropolitan area where the workers live.

I am saying that people in the urban areas of the United States don't realize the benefit to the work force of America of getting this good food, a good variety of solid food at minimum cost.

Senator CURTIS. May I ask a question?

Senator YARBOROUGH. Yes.

Senator CURTIS. On this bill you are supporting, what changes would it make in existing law in reference to feed grains?

Senator YARBOROUGH. I will have to turn to that, Mr. Chairman. I do not have it, Senator Curtis, in every specific, because we are relying on the succeeding witnesses who have very voluminous statements, but I do have that in my statement.

It is under title III. It would be an extension of the feed grain program with price support set at 90 percent of parity. Loans will be increased from $1.05 a bushel to $1.15 a bushel for corn, and the direct payments would be increased from 30 cents per bushel to 40 cents per bushel. That is part of the increased cost that I mentioned. If you took flat dollars over what is done now, the cost would be more.

Senator CURTIS. And what change do you propose in reference to wheat?

Senator YARBOROUGH. Wheat? Just 1 minute, Senator. I have got that in here.

Senator DOLE. Page 4, isn't it?

Senator YARBOROUGH. Title V would extend the acreage diversion and domestic certificate payment features, but it adds a certificate on export wheat, to bring the total payments on the export portion of the wheat crop, which is now about 500 million bushels a year, to a price range from 90 to 65 percent of parity, a minimum of 55 cents per bushel more, under the current adjusted parity ratio.

That price, that one-half of the wheat certificate value, can be paid to wheat farmers at signup time. We estimate that additional program costs under title V to the wheat farmers will be about $275 million into the $1.2 billion more than it would gross if you just look at the surface.

Senator CURTIS. How will you finance the certificates?

As I understand, part of it is processing tax and part of it is direct appropriation; is that correct, Mr. Chairman?

The CHAIRMAN. Appropriation mainly.

Senator CURTIS. All of it?

The CHAIRMAN. Yes.

Senator YOUNG. The export certificate would be paid out of the Treasury.

The CHAIRMAN. Yes.

Senator YARBOROUGH. That is correct.

Senator CURTIS. But I am referring to the present program. Part of it comes from general funds and part of it from processing taxes under existing law.

Senator DOLE. Yes.

The CHAIRMAN. Yes.

Senator YARBOROUGH. Yes.

Senator CURTIS. And the change in reference to certificate financing would be that, what you propose for export certificate would be paid out of the general treasury.

Senator YARBOROUGH. Yes, sir.

Senator CURTIS. Any other change in reference to wheat?

Senator YARBOROUGH. Well, Senator, I can't answer that question. We amend a number of sections, but we have got experts who have worked in wheat, the wheat organizations are going to testify later. I would rather defer that question to them. I have concerned myself

mainly with the cost of the bill, what it would cost the Treasury, and how it would be of benefit to the farmers. Now, the fiscal details of handling that with the amendments we have here to sections 202, 204, and 502 of the Food and Agriculture Act, I would defer to the experts who are coming on to testify.

The main point I want to make is that this extra payment is not some giveaway. Having seen agriculture in other nations, there is no other place on earth where the worker in the city can get good food of great variety at such a small percentage of his take-home pay. And this agriculture program is a benefit that extends not merely to our farm families and our agriculture, but all America profits by this. Sometimes I fear that our representatives of cities don't realize how beneficial this is. Until they go to cities of other parts of the world, as the distinguished chairman has, and who is more aware of this than anybody else in the Senate, and have seen what this good agricultural program means to everybody in this country, and not merely to farmers.

This bill, though, is based on the parity concept. It is usable, and should not be discarded for some new and untried method of deriving support levels by taking some percent of the average market price, as has been suggested. That would be a drive down year by year. Taking an average, unfavorable years would drive it down. It would result in the continued diminution of payments to farmers. And I think that with our programs working reasonably well, we ought to keep them and improve them. It is the thrust of this bill, supported by 26 farm organizations, to improve the present system. We ought to have parity income for that 5 percent of our population which feeds everybody and has enough left over to export about one-fourth of the acreage farmed.

I just heard an announcement on the radio night before last that we had the greatest deficit in payments in the past year in history—$9 billion, I believe. Agriculture is helping to cut that deficit. We must support agriculture, and keep it going. Rice acreage has been cut badly, wheat acreage 12 percent. We know of the cuts. But these exported products, whether under public law where we use them to help support programs overseas or whether we sell them for cash, are a great aid in our efforts to reverse the unfavorable balance of payments. You can't keep that without a productive agriculture. If we drive the farm families off the farms, the people in the cities are going to be paying extremely high prices for their food and fiber within 5 years' time.

I want to thank this great committee. It is largely due to you that we have the agricultural programs that we have had. I want to point out what looks like a $1.2 billion cost—the Senator has asked perceptive questions: How much will they cost? Where is it appropriated? In the long run I think it is a saving to a stable agricultural economy.

Thank you, Mr. Chairman.

(Senator Yarborough's prepared statement is as follows:)

Mr. Chairman, and distinguished colleagues, thank you for this opportunity to appear and testify in support of S. 3068, The Agricultural Stabilization Act. I am proud to be a principal sponsor of this bill. It pleased me to join with Senator McGovern and our eleven co-sponsors in presenting this important legislative proposal for consideration by this Committee and the Senate. I sponsored this bill because of my firm dedication to the continuation of these vital farm pro-

grams. Experience has demonstrated that the current farm programs have benefited the Nation's economic stability, they have strengthened the American consumer's food-and-fiber dollar, and have provided more equitable treatment of the farmers who contribute so much to this Nation's well-being.

The Agricultural Act of 1965 will expire on December 31st of this year. This act has provided the basic authority under which our current farm programs operate. It is my firm conviction that these programs have served the Nation, the consumer, and the farmer very well over the past four years, and must be continued. Certainly, it is true that improvements and modifications suggested by our experience with these programs are necessary. Any complex legislative program needs periodic review, adjustment, and refinement. Our proposed Agricultural Stabilization Act reflects this experience and contains several beneficial modifications.

Our agricultural programs are the result of a long evolutionary process of legislative experience, adjustments, and modernization. I have been vitally concerned with their development and improvement ever since I arrived in the Senate over a dozen years ago. I submit that it would be disastrous folly for us to turn our backs on experience and to scrap these proven programs for any of the untested and unproven and radical alternatives that have been suggested in the last few years, or even in recent weeks.

We have a solid foundation on which to build, and our efforts should be directed toward improving the situation of the farmers and ranchers who are sustaining this nation's demands for food and fiber. We must concern ourselves with reserving the inequitable economic forces that are driving so many of our people away from their farms and ranches.

Mr. Chairman, only a few days ago, on January 27, you made a thoughtful and thorough statement on the floor of the Senate concerning our Farm program and the Economy. The newsletter of one of our leading national farm organizations termed your address ". . . the most comprehensive review of the farm situation presented to Congress in recent years." With your permission, I wish to quote one statement in particular that is worthy of repetition until it is fully understood, and which should be adopted as a prime basis for action by every Senator. You stated:

"The point is that we do have reserve capacity in U.S. agriculture. We are very fortunate to have it. . . . But a surplus production capacity of nearly 10 percent must be controlled if we are not to wallow in overproduction."

This central point of our national agricultural problem is the measure against which all Senators need to judge the blandishments we are beginning to hear from those who would scrap the solid foundations of workable farm programs that we find in the Agricultural Act of 1965.

Last October 23, I joined with the distinguished Senator from South Dakota, Mr. McGovern, in introducing the Agricultural Stabilization Act. This bill has been unanimously endorsed by a coalition of 26 major farm organizations, including such nationally known groups as the National Grange, The National Farmers Union, the National Association of Wheat Growers, and many others, which are composed of, and speak for, American farmers.

The basic thrust of the proposed Agricultural Stabilization Act is to extend the Agricultural Act of 1965, to which it also proposes a series of amendments designed to strengthen present farm programs and increase farm income by $1.3 to $1.4 billion. It is estimated that the total cost of the bill over 1969 would be about $660 million, but since the Administration anticipates savings from its other actions in 1969, the additional costs in the coalition bill may well represent no increase—or little increase—in costs over the 1969 farm program budget. Costs under the bill we are proposing ought to be received as sound investments in the nation's most important industry; for every dollar invested, two will be returned in the form of increased income to farmers.

Mr. Chairman, the proposed Agricultural Stabilization Act does not take a parochial or sectional approach to the present farm problems. Like the 1965 Act which it seeks to extend, it authorizes workable farm programs for all farmers throughout this great diversity we call agriculture. Most important, its main purpose—to insure adequate supplies of agricultural commodities at fair prices—is assurance to the American wage-earner that he will continue to be able to purchase the family's food for a smaller percentage of his take-home pay than ever before. Last year, American consumers spent only about 16.5 percent of disposable income to purchase food. That percentage, which has been steadily

declining, was about 20 percent in 1960; if consumers last year had to spend that much of their income on food, total expenditures would have been over $126 billion, instead of the $105 or $106 billion they actually spent. Farm programs, such as the ones authorized by the 1965 Act and which the Agricultural Stabilization Act seeks to extend and improve, are largely responsible for this food and fiber bargain to American wage-earners.

I know the dilemma of the American housewife who faces the checkout counter at her local supermarket daily or weekly. Retail food prices have increased almost every year for the last 18 years, and this past year has seen some painfully sharp rises. But housewives and wage-earners—and Senators—need to be reminded that in all those 18 years, farm price increases exceeded those of retail food only 3 times—one of which was 1969.

We must remember that of the $105 or $106 billion spent by American wage-earners for food last year, about $96 billion represented food that came from American farms. Is this what American farms received from the public's food expenditures? It is NOT! Out of that $96 billion, farmers received only $32.2 billion; the balance—$63.7 billion—represented the long line of processors and retailers who move food from farms to markets.

There was an interesting colloquy on this point between the Senator from Louisiana and the Senator from Montana which appears in the Congressional Record for January 27 of this year. It is summarized in the statement of the Chairman of the Committee on Agriculture and Forestry this way:

"The farmers and the producers of beef are not the ones who are causing the prices of their products to increase . . . It is the in-between, in the distribution and retailing process . . . The producers and the farmers get nothing more for their products at all. The record shows that the prices of farmers now are much lower than they were in 1947 and 1948. . . ."

Those of us who are familiar with the farm problem have tried for a long time to bring this message home to America. I wish we could convince the public of its truth, for they would then see that these programs we want to extend are more in the nature of consumer subsidies than farm subsidies, as they are so often dubbed.

I mentioned a moment ago that 1969 was one of the few years when farm price increases exceeded retail food increases. According to the U.S.D.A., the index of prices by farmers for all farm products rose about 5.5 percent above 1968; prices received for livestock products were up 11.6 percent, but prices received for all crops fell 3 percent.

These changes ought to be further proof that farm programs have benefitted consumers more than farmers, for there are no price support programs for livestock. The increase in livestock product prices was the result of much heavier consumer demand resulting from increased income, and the inability of livestock producers to increase marketings fast enough to meet the demand. The old biological cycle still applies in livestock farming.

In spite of the 3 percent decline in prices received by farmers for crops, total realized net income of farm operators in 1969 is estimated at about $16 billion, or $1.2 billion more than in 1968. This increase in farm income was possible *only* because of the effective operation of the price support and adjustment programs provided in the 1965 Agriculture Act. Had those programs *not* been in effect, realized net farm income would have been about 20 percent less than it was.

Farmers throughout the nation realized the value of these programs. Their continued cooperation over the years, as well as their support through their organizations for the programs, attests to their approval. In Texas, which is one of the country's largest agricultural states, we have an estimated 187,000 farms—the largest number of any State. Among the operators of those farms, 101,724 participated in the cotton program last year; 87,348 participated in the feed grain program; and 41,949 took part in the wheat program. So it is quickly evident that most Texas farmers have a vital interest in the programs which the coalition farm bill would extend.

Let me briefly outline what the Agricultural Stabilization Act proposes to do. In the way of example, I will relate its major terms to our farmers in Texas.

Title I extends the Class I Base Plan for milk. Unless this plan is extended, authority for the creation of Class I plans will terminate, and the one plan now in effect, in the Puget Sound Market, would expire. Failure to extend the Class I plan will deprive other markets of the opportunity to establish these plans. Title I provides steps to allow wider adoption of Class I plans, and involves no additional costs to the Federal Government.

Title II extends the Wool Program which provides for price supports through loans or purchases, at the discretion of the Secretary, at not more than 90 percent of parity.

Title III provides for extension of the feed grain program, with price supports set at 90 percent of parity. Loans would be increased from $1.05 per bushel to $1.15 per bushel for corn; direct payments would be increased from 30 cents per bushel to 40 cents per bushel.

While the feed grain program is important to feed producers throughout the country, it is vital to the 87,000 Texas farmers who participated in the 1969 program. Total diversion and price support payments to Texas feed grain farmers in 1969 were reported by the U.S.D.A. to be slightly more than $124.7 million; these farmers diverted 3.7 million acres of their 7.9 million-acre feed grain bases in 1969, to cooperate in the program's attempt to prevent ruinous accumulation of surplus grain stock. The new program included in Title III involves an additional cost of about $350 million for the Nation as a whole.

Title IV extends the cotton program without change. This program is of utmost importance to Texas farmers, who in 1969 produced nearly 30 percent of the total U.S. production. Of their 6.3 million-acre cotton bases, Texas farmers planted 5.2 million acres, and harvested 4.7 million acres, receiving price support on 4 million acres, and small farm payments on about 74,000 acres. Total payments—price supports and small farm payments—in 1969 were about $269 million.

Reduction of the burdensome 16.9 million-bale carryover of cotton which we had in 1966 is one of the outstanding accomplishments that has been carried out under the present cotton program. The Department of Agriculture's January 1970 *Cotton Situation* is projecting a 6 million-bale carryover next August. this will be the lowest carryover since 1953. The U.S.D.A. also reports that farmers this year will place about 4.5 million bales under loan; the current season's price is holding just above the loan level. Title IV—extension of the present cotton program—does not contemplate any additional costs.

Let me digress for a moment from this rundown of the several titles of the proposed Agricultural Stabilization Act. I want to mention a recent statement before the 32nd annual meeting of the National Cotton Council, by a distinguished member of the Senate Committee on Agriculture and Forestry, the Senator from Georgia, Mr. Talmadge. In his thoughtful remarks on the plight of our cotton farmers, he noted that cotton costs more to produce than it is bringing in the market, and he called for a cotton program that would not only accomplish the production of needed quantities of cotton, but which would compensate the farmer for the loss he incurs between the cost producing cotton and the price he receives for it. "The present law," said the Senator, "offers the best mechanism for doing this, with certain modifications."

As I understand it, the Senator from Georgia proposes a program which would offer the cotton farmer a "cost price adjustment"—the difference between cotton production costs and prices. Secondly, he suggests a "supplemental income adjustment" payment for cotton which will allow the small and medium-size farmers some measure of equity and assistance. I look forward to further study of the Senator's suggestions for an improved cotton program during these hearings on the farm program.

Continuing with this brief review, Title V of the proposed Agricultural Stabilization Act would extend the voluntary wheat certificates and acreage diversion program. Under the present program, farmers receive full parity for domestic food wheat, through a certificate system.

Under the 1969 wheat program, farmers participated on 41,949 farms in the State of Texas. Production of 68.9 million bushels was reported. Texas wheat farmers diverted 607,546 of their allotment acres, receiving $8.3 million for this portion of the program. Payments, for both diversion and certificates, totaled $54.2 million to Texas farmers.

This new Title V not only extends the acreage diversion and domestic certificate payment features of the present program, but it adds a certificate on export wheat, to bring total payments on the export portion of the wheat crop (about 500 million bushels) to a price range of from 90 to 65 percent of parity, or a minimum of 55 cents per bushel more, under the current adjusted parity ratio.

Finally, another feature of the proposed Title V provides that one-half of the wheat certificate value can be paid to wheat farmers at sign-up time. We estimate that additional program costs under Title V would be about $275 million.

Title VI of the bill proposes an acreage diversion program for soybeans and flaxseed—a program which would provide price support loans to participating

farmers at 75 percent of parity. This program would go into effect in years when soybean stocks exceeded 150 million bushels on the 31st of August. For instance, had this proposal been on the books last lear, it would have been triggered by the August 31st stocks of 300 million bushels of soybeans, and would have required a diversion of 2 to 3 million acres, for an additional cost to the government of some $25 to $35 million.

Title VII of our proposed bill provides for a permanent "Consumer Protection Reserve"—a program which has received a good deal of attention in recent years. This proposed reserve of wheat, feed grains, soybeans and cotton would serve both as insurance against shortages of one or all of these commodities and as a means of insulating the market from the ruinous effects of price-depressing sales from CCC stocks. Three types of reserves would be established: a Commodity Credit Corporation reserve; a reserve held by producers under a reseal program; and a reserve held by producers under 3-year contracts. The program contemplates a reserve of 500 million bushels of wheat, 30 million tons of feed grains, 75 million bushels of soybeans, and 3 million bales of cotton. Provision is made for adjusting reserve levels. Title VII would prohibit CCC sales from reserves for unrestricted domestic use at less than parity. For instance, CCC sales of wheat, when stocks were below the reserve level, would be at parity, less the cost of certificates; CCC sales of feed grain, when reserves were below the reserve level, would be at parity, less the payment. Provision is made for release from CCC stocks under certain emergency conditions. No additional costs are contemplated for this title.

Title VIII provides for the extension of marketing orders to any commodity when a majority of producers of that commodity approves. The title authorizes an advisory committee to help write the marketing order; for public hearings on the order; and for producer referendum, which requires a two-thirds vote of approval for the marketing order to become effective.

Title XI contains a permanent extension of the present cropland adjustment program, and removes the present $245 million limit on appropriation for this program.

Title X continues the rice program and provides authority for an acreage diversion program for rice if the national allotment is set at less than the 1965 level.

Mr. Chairman, it will be noted that several of the titles in our proposed Agricultural Stabilization Act continue the use of the parity concept. I know that a number of proposals are blowing around that would drop the use of parity in establishing price and income support level. Some of these proposals would base supports in a given year for particular commodities on a percentage of the average market price for such commodity during the preceding three-year period. More specifically, the proposal most often discussed would limit supports to 5 percent of this "moving" average. As some of us see it, this would mean that prices would generally trend downward year after year because of an unstable floor. For instance, if we assume a 3-year average market price of $1.05 for corn for the years of 1968–1970, then 1971 supports would be set at only 89 cents per bushel (85 percent of the 3-year average). For wheat, a 3-year average of $1.25 per bushel would mean 1971 supports of only $1.06 per bushel.

How can we expect farmers to go along with a program that in a few years guarantees for corn, at say, 75 cents a bushel, and wheat at a dollar a bushel, when farm operating costs have been advancing at the rate of 3 percent a year—when, in the 1960–69 period, farm machinery costs have jumped 39 percent; when farm wage rates have soared up by 74 percent; when property taxes have more than doubled; and when farm interest costs have more than tripled? What possible equity or justice can be involved in deflating farm prices when the rest of the economy is inflating?

Such a concept—this three-year "moving" average it seems to me, will succeed only in driving more farmers off the land. According to the January 9 estimate of the U.S.D.A., the number of farms in the United States since January 1, 1968—only 2 years ago—has declined nearly 160,000.

When we introduced this bill last October, the Senator from South Dakota said:

"Parity returns are, by definition, no more than equality with the rest of our society. The programs of the 1970's will not keep faith with farmers unless they contain a firm commitment to that goal."

Mr. Chairman, our bill is based upon the premise that the parity concept is usable and should not be discarded for some untried method of deriving support levels by taking some percent of market average prices for the commodity during the previous three years. Parity has been through the fire—it is a valid, living concept, not unchanging but usable. Moreover, we do not assume in S. 3068 that present programs are all wrong. It does make certain changes and amendments as have been discussed.

This is a time to hold to what is helpful until we have something better. This is a time to keep programs which are working reasonably well and to improve them if we can. Above all, this is the time to hold fast to *parity* as a concept, a time to achieve full parity prices if it can be done, and to insist on somehow reaching parity income for that 5 percent of our population which feeds all of us and has enough left over to export the product of one-fourth of the acres farmed. This achievement deserves, and must have a more adequate reward than 80 percent of fair.

At this time, I wish to turn briefly to the Administration's new proposed Agricultural Act of 1970. This document, I assume, is the measure that has been in preparation over the past year, and arrived only very recently for our study. The literature which accompanied the proposal heralded it as a "consensus approach." The literature fails to point out the individuals or groups among whom there exists a "consensus" on these proposals, but I am informed that those groups most certainly do not include the National Farmers Union, the Grange, the National Association of Wheat Growers, The Midcontinent Farmers Association, the National Farmers Organization. These groups characterized the so-called "consensus" approach as "inadequate," "unsound" and "totally unacceptable," in an announcement dated February 5, 1970. It is expected that the other coalition groups which support our bill will also speak out against the Administration's bill as soon as they have had an opportunity to try to digest its provisions.

I shall not attempt here a detailed analysis of the Administration's proposal, but I do have a few observations to make and a few questions to raise, which I think will be of interest to Senators and others interested in the farm program.

On the mimeographed transmittal which accompanied the text of the bill, the goals of the proposal include some points about which most of us would not quarrel. I have noted a few of these points:

—to give farmers a wider range of decision making on their own farms;

—farmers would be free to do the kind of farming they are best prepared to do;

—to help farmers improve cash markets . . . and develop a greater reliance on the marketplace as a source of farm income.

and so forth.

Farmers will appreciate these goals, but a few might scratch their heads and wonder about them as I do. It seems to me that farmers are called on today to make a pretty wide range of decisions. I suspect that most of them are doing the kind of farming they are best prepared to do. And I wonder how many farmers want to be told they need to develop "greater reliance" on the market? Someone ought to be reminded that farmers today rely pretty heavily on the marketplace.

This so-called "consensus" proposal contains seven titles; in addition to separate titles for dairy, feed grains, wheat and cotton, there is a title providing for long-range land retirement, and one which would extend Public Law 480.

The titles dealing with feed grains and wheat provide price support loans "not in excess of 90 percent of parity", or, as farmers would say, "zero to 90 percent." Might not one raise the question here whether Senators and farmers want to give the Secretary of Agriculture such wide discretionary authority that he could, say next year, or the next, reduce price support loans in effect to the 3-year "moving average" I mentioned a few months ago? Do we want to do that? If memory serves me, this was proposed back in the 1950's and the Congress wisely rejected it.

The cotton title provides loans at "not in excess of 90 percent of the estimated world price," as compared with our proposal, which provides supports at between 65 and 90 percent of parity. I don't need to remind Senators or cotton farmers there is a great deal of difference between these two approaches.

One of the features of the so-called "consensus" proposal is the "set aside." As I read it, cooperators would be required to set aside acreage equal to a per-

centage of his base or allotment acres, plus his conserving base. He would then have "full freedom" (as the literature says), to use the rest of his cropland in any way he wishes.

Apparently the Administration thinks that this "freed" acreage would be planted to crops other than those which would build surplus stocks. Nevertheless, I am concerned that this feature might well spur additional acres of feed grains and soybeans, and perhaps in some areas, additional cotton. My concern again reminds me of the statement which I read at the outset of my remarks by the Chairman of the Committee on Agriculture dealing with overcapacity in American agriculture. I can assure you that I am happy it is the able and experienced Senator from Louisiana who will be presiding over the Committee's examination of this proposal.

I know that Senators will examine carefully the two proposals which I have discussed today. I firmly believe that our proposed Agricultural Stabilization Act, which extends and improves on the present agricultural legislation, is in the best interest of consumers, farmers and the economy in general. We welcome the prospect of having our proposals discussed in these hearings, and I feel sure Senators will give it their approval, when they have studied it and measured its terms alongside the alternatives.

Senator BELLMON. Mr. Chairman, could I ask a question.

I am curious, as I read the bill as it relates to wheat, it appears the return to the farmer for production of wheat is going to be up substantially. But is there any reduction in the amount of acres he is going to be able to plant?

Senator YARBOROUGH. Well, it is not contemplated in here, but we have experts on that, Senator. The wheat growers helped write this bill, the national association of wheat growers organization. I would rather defer the specifics of all these titles to the organizations who have worked so long on this.

Senator BELLMON. Well, now, at the present time we have a 800-million-bushel wheat carryover. I am curious, is it your thought to add to this carryover? How do we handle this extra gain?

Senator YARBOROUGH. Well, we have domestic wheat certificates to be paid for at a hundred percent of parity price, and then we pay for export. With what we pay on the export wheat I think we can dispose of more wheat overseas. I think that these provisions result in the disposition of more wheat overseas. Of course, at the present time we know wheat acreage has been reduced by 12 percent with a further proviso that of each hundred acres planted you must allow for 30.8 acres, and that part that lies fallow can't be planted in any crop whether it is a crop that has price supports or not. You can't even plant vegetables on that 30.8 acres.

Senator BELLMON. My point is does this bill solve that problem?

Senator YARBOROUGH. This bill provides for stabilization for wheat, stabilization of consumer protection reserves. It provides that a permanent——

Senator BELLMON. Where is that?

Senator YARBOROUGH. That is on page 24 of the bill. It provides for a permanent consumer reserve in the country of 200 million bushels of wheat. We keep that permanently on hand. And it provides that the reserve shall be increased by 100, marketing in crops will be increased by 100 million bushels for wheat.

That is on page 24. That is only part of it. On the comprehensive actual workings of it, Senator Bellmon, I would rather those who are expert in wheat to testify on that matter—I come from cotton country

myself. There are wheat growers in the Panhandle and the plains. We have representatives here from the farmers union from the areas that produce a lot of wheat who are going to testify next.

I don't want to be in a position, Mr. Chairman, of dodging answers, but I am presiding as chairman of the health subcommittee and Senator Eagleton agreed to preside until 10:30 in my absence, and he sent a distress message for me to please take over and let him go to his other committee.

The CHAIRMAN. Senator Dole.

Senator DOLE. I would like to ask one brief question, Senator Yarborough. As you know, Congressman Poage, a great Texan and a real friend of the farmer has been having informal meetings with the Secretary, in fact they have had some 30 or 35 meetings in the past year, Democrats and Republicans, in an effort to work out some farm legislation we might get through the Congress. You understand that the farmers don't control the Congress these days, particularly on the House side. It is a very urban oriented Congress—certainly not rurally oriented. I note you have some criticism of the "concensus" approach, and I want to point out it has been a bipartisan approach. I am certain Congressman Poage has participated, that is not to say he agrees with all the proposals, but the House committee has really been working on a bipartisan basis trying to find some way to reason out the problems we have.

We have, under the 1965 act and Secretary Freeman driven the price support down to $1.25 a bushel and I hope that we can do something to improve farm income.

With reference to the reserve proposal, Congressman Poage pointed out it is a great idea until you try to make it work. How are you going to isolate the reserve stocks from the market? How are you going to protect the farmer? If you put grain in reserve, sooner or later you have to put it back in the market and this has a tendency to depress market prices. A majority of the House Agriculture Committee has never been able to determine any real reserve program that might assist the farmer. We thought it would probably do more harm than good.

Do you find anything in the consensus bill with which you agree?

Senator YARBOROUGH. Well, surely, this is a broad complex question on agriculture. I don't know the latest developments. Of course, I know Bob Poage well and his great devotion to agriculture. I live about a hundred miles from him in my State, and we confer very often. I see him generally every Wednesday. But I don't know the latest developments in this consensus approach. I do know, Senator—I know he has been working on it. I know he has warned the farmers that with the growing number of people from urban areas our problems are getting more difficult in the Congress all the time.

Senator DOLE. Particularly in the House.

Senator YARBOROUGH. Yes, in the House. I think it is regrettable that members don't realize what great benefits the workers of America in the cities are getting from these farm programs. A few years ago they were paying over 20 percent of their income for food. Now, it is only 16.5 percent. No other workers in the world get such a marvelous variety of food for such a small percent of their income.

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Senator DOLE. Do you think there ought to be a payment limitation. Have you touched on this in your statement?

Senator YARBOROUGH. I didn't touch on it.

Senator DOLE. Do you think there should be?

Senator YARBOROUGH. I am personally opposed to payment limitation because many people, including Congressmen who represent small farmers in my State, fear that if the payment limitation is placed into law and the great cooperative type funds are turned loose they will squeeze the family type farmers off the farm. That is not in the bill, though.

Senator DOLE. Thank you.

The CHAIRMAN. Any further questions?

Senator YOUNG. Mr. Chairman, the Senator very appropriately called attention to the cost of these programs. The cost is minimal in comparison with the benefits. The Federal Government has engaged in many new multibillion-dollar domestic programs of all kinds, in the last 5 years. The cost of all of them have been going up sharply each year.

I would like to point out that the overall costs of farm price support and related programs are lower this year than they have been and I would like to have the figures for the last 10 years inserted in the record.

If I may, Mr. Chairman, I would like to have the costs for the whole 10-year period put in the record. I think this is important because the general public believes the costs of these programs are going up each year. This is the most important segment of our entire economy with the biggest purchasing power. Yet, in an economy that is highly subsidized in every way the costs of these programs have been remaining the same or going down.

The CHAIRMAN. Without objection, the table will be put in the record at this point.

(The table follows:)

COMMODITY CREDIT CORPORATION
Net Budgetary Expenditures—Summary of all Commodities and Programs—Fiscal years

[In millions of dollars]

Item	1961 actual	1962 actual	1963 actual	1964 actual	1965 actual	1966 actual	1967 actual	1968 actual	1969 actual	1970 actual	1971 actual
Total expenditures, CCC, PI 480, Special Export and other programs	3,406.6	4,229.8	5,138.1	5,100.3	4,397.6	3,204.4	3,427.3	4,509.0	5,159.0	4,617.1	4,631.1

Senator MILLER. Mr. Chairman.

The CHAIRMAN. Senator Miller.

Senator MILLER. Senator Yarborough, calling attention to the fact that the consumers are paying 16.5 cents per consumer dollar compared to I think it was——

Senator YARBOROUGH. Sixteen and a half percent of their disposable income.

Senator MILLER. Well, I think another way is 16.5 cents of each consumer dollar compared to 20 cents about 9 or 10 years ago—it would seem to indicate that the consumer has been coming out very well in the present state of affairs, even taking into account the tax cost of farm programs. But I am sure you recognize that the farmer hasn't been sharing in that favorable picture.

Senator YARBOROUGH. I surely do, Senator. The Lubbock Credit Association, covering the high plains area of Texas, which is the most productive per acre field crop area of my State, made between 800 and 900 loans last year and found that about 50 precent of them either lost money or made so little net that it wouldn't have paid them at minimum wages to farm. They would have made more money if they were working in a garage someplace at minimum wages. That is on loans. That is farmers big enough to have pretty big operations. Three or 4 weeks ago one Sunday issue of the Lubbock paper had 21 farm auctions, farms and equipment being auctioned off, and the people reading it told me it had been years, almost back to the dust bowl days since that many farms were auctioned out of the business. That is why I think any program that lessens the support we give farmers would be disastrous. That is a mixed area of cotton. As you go farther away it is grain, sorghum, and wheat.

Senator MILLER. Fundamentally, isn't it a problem of balancing production and consumption?

Senator YARBOROUGH. Well, that is one basic problem.

Senator MILLER. And if that is the fundamental problem, and if our agricultural economy has not been sharing fairly in the national net farm income——

Senator YARBOROUGH. It hasn't.

Senator MILLER (continuing). What is wrong with the farm programs we have had that seems to keep farmers and the agricultural economy on dead center? They certainly haven't worked. As I recall, the objective was to improve national net farm income, and national net farm income last year, as I recall, was about $16 billion. And if you reduce that, take the inflation out of it and put it back into 1960 dollars, you are just about on dead center.

And I am wondering what in your opinion has been wrong with the farm programs we have had in tackling the fundamental problem of bringing a balance between production and consumption and improving the net income picture of farmers?

Senator YARBOROUGH. Senator, I am old enough to remember the time when there were no farm programs, and they haven't worked well enough. With all the money we have put in them and all the different things, it is so complicated I am not as well qualified in agriculture as the members of this committee to say everything that is wrong, but I remember those mortgages in the farm town where they would sell the last mule, the farmer would be thrown on indigency and there were no breadlines as there were in the cities to go to.

Senator MILLER. So do I.

Senator YARBOROUGH. I remember seeing those farms mortgaged off, but under these farm programs—I mentioned 21 in the Lubbock-South Plains area, about 25 counties—it is far better than it was without the farm program. It is not as disastrous.

Senator MILLER. Yes, but that isn't the point. Frankly, I must tell you that I don't know of anybody on this committee at least, and I doubt if you and I could find very many of our colleagues in either the House or the Senate who are advocating doing away with farm programs. If there are any, I haven't heard of them.

But that isn't the question. The question is what kind of farm programs are we going to have. And Federal farm programs that haven't

been getting the job done, what are we going to do about improving them?

To me that is the real question, and that is why I ask you what do you think has been wrong with the programs?

Senator YARBOROUGH. Well, I think we could have put more money in price supports in the bill, frankly, and I think that is one weakness. In discussing the bill, as I pointed out, Senator, before you came, I just didn't draw up this bill—I am one of the coauthors, but all of the farm organizations of America worked on it, and 26 of them ended up supporting it. A few didn't support it. I read a list of 24 of them supporting it.

Senator MILLER. Well, is it your answer, Senator, that the basic difficulty with the farm programs we have had the last few years is that price supports have been too low.

Senator YARBOROUGH. That is one. I think, for example, the conservation reserve is a good program. The Great Plains conservation program is a good program. All of these programs have helped. If we hadn't had price supports, it we didn't have conservation reserves to take land out of production, the farmer without that price support in desperation would plow more acres and——

Senator MILLER. Well, that is what the Iowa State University survey shows, and I think most people understand this. You just can't do away with farm programs. But the question is, to me as a member of the committee the question running through my mind is how can we improve farm programs to eliminate the deficiencies that these previous farm programs and the present one have as a result of which the farmer has not been sharing fairly in the national net income.

Senator YARBOROUGH. We have a long composite bill, Senator, and I have got a pretty long statement, which reviews the bill paragraph by paragraph, on rice and the different commodities, and there are experts in these different fields here waiting to explain point by point how they operate—I have met with them——

Senator MILLER. But you think that the fundamental problem is that they haven't had enough price supports.

Senator YARBOROUGH. That is one problem, yes. I don't mean that you are going to have that price and then turn production loose of course. I mean for the acreage, I mean price supports per unit. We know the farmers are losing money. Their income is less.

Senator MILLER. Well, the present program doesn't turn them loose. The present program has tried very hard to curtail production——

Senator YARBOROUGH. That is true.

Senator MILLER (continuing). In order to achieve this balance between production and consumption. But if you were going to improve upon the present program, you would say that the present program has been deficient in not having high enough price supports.

Senator YARBOROUGH. I would say that, yes.

Senator MILLER. All right, thank you very much.

The CHAIRMAN. Any further questions?

Senator YARBOROUGH. I want to say this, one of the great benefits shown in any State, we had from 1950–57 the worst drought in the history of the State. It lasted 7 years, and many farmers were driven off the farm. But we did not have the dust bowl back again as we had in the 1930's. We have had conservation reserves and the shelter

belts and rotation. We did not have the dust bowl, although the drought from 1950–57 in the high plains in Texas was worse than the drought of the 1930's. We have a practical benefit shown to have been derived from these conservation practices.

Senator MILLER. May I just carry this on a little further. As I understand it, one of our major problems today is the fact that we need to export more agricultural products——

Senator YARBOROUGH. That is true.

Senator MILLER (continuing). For commercial dollars.

Senator YARBOROUGH. Yes.

Senator MILLER. I think a couple or 3 years ago a figure was that about 1 out of 4 acres of our production moved overseas.

Senator YARBOROUGH. I think that figure is still——

Senator MILLER. And now it is down near 1 out of 5 acres. In any event, with the exception of last year when there was a little improvement, as I recall, our agricultural exports have slipped the last 3 or 4 years.

Now, if we increase our price supports, what is this going to do about making us competitive in world markets to improve our exports?

Senator YARBOROUGH. Well, I think we ought to make them competitive and pay that differential to the farmer.

Senator MILLER. Now, this is something that I suggested a few years ago, but I am told that the General Agreement on Tariffs and Trade has a rule which prohibits subsidies of exports, and we called the Common Market on this a couple of years ago when they deliberately subsidized canned hams and finally were able to get that down.

But as I understand it, we have a policy of conforming with GATT rules, so if we are not going to be able to subsidize exports certainly directly, how are we going to handle this program?

Senator YARBOROUGH. It can be handled. Other nations handle it and they are getting products in their markets.

Senator MILLER. That to me is a terribly important problem for us to resolve in this committee, and I was wondering if——

Senator YARBOROUGH. Well, a few years ago we were having problems with German broiler chickens—my State was suffering greatly by the embargo they were putting on through various devices. We went into debt. I learned at that time the German Government was, despite its high industrialization, paying more, relatively, out of their income to support agriculture than we were, percentagewise, if you weighed their whole economy. And we talked to them about these broiler chickens. They said that they could compete and that they know about automation. They said:

> We could compete with you chicken growers in Arkansas and Texas and the Carolinas, but we don't want to drive our family farmers off the farm. We are not automating. We could put 20,000 broilers or 40,000 out there, too, in order to make this process as you do, processing them but we think a strong agricultural economy is basic to support an industrialized economy so we don't follow policies to drive the chicken farmer off the farm.

That was the German Government's view.

Senator MILLER. Well, my recollection is that one of the points we made and retaliated on was that this was a violation of the GATT rules. Now, you are not suggesting that we violate the GATT rules, are you?

Senator YARBOROUGH. I don't suggest that.

Senator MILLER. Well, I am asking you what would be your suggestion, because you and I recognize the problem? The problem is how to compete more effectively in world markets to improve our export picture and to do this within GATT rules?

Senator YARBOROUGH. Well, of course, we know of experiments with mobile kitchens in Japan, showing them how to cook, changing their diet from rice to flour. We know of experiments in India. I think we have done great work on a voluntary basis. The States have joined in production. I have helped sponsor legislation to achieve this. We finally got legislation passed for the cotton farmers to voluntarily pay a tax to advertise their cotton products in competition with synthetics and sent the cotton over. They have all kinds of merchandising devices. I think they help. I think it is more than the Government dumping a lot of things.

I think that this is a long complicated problem as the Senator knows. I can't answer it all in a few minutes. We have some of the most expert leaders in the farm program in America who devote their whole lives to this who are waiting to testify. I feel like I am impinging on their time.

Senator MILLER. Well, we have pointed up the problem and we agree on the problem.

Senator YARBOROUGH. We agree on the problem. We need to get more products overseas. I think the recent rice acreage cut was unfortunate because we were really selling a lot of rice overseas. It has become one of the most productive crops in the South. And it would take a long day or so on that, Senator, if we were to go into a discussion of rice. My State is suffering and so is the Senator's from Louisiana for that matter. Rice is one of our best moneymakers. We have been selling that rice because of the war in Vietnam and other reasons and there has been a shortage in rice markets around the world.

I feel that I am taking time from people who have greater expertise in this than I have.

The CHAIRMAN. Senator Holland.

Senator HOLLAND. Mr. Chairman, first I want to thank very warmly the Senator for the kind words that he had to say about my handling and his, all of our committee on the agricultural appropriations subcommittee. Of course, our job is to try to supply the funds that carry out the legislative programs, and that is what we have tried to do.

I notice that the Senator lays down his objective as that of increasing farm income by 1.3 to 1.4 billion, of which he says the increase in costs under the price support and other programs in this bill would be about 660 million, which as I analyze the situation would be as follows: The feed grain program by 350 million, the wheat program by 275 million, and the soybeans and flaxseed increase, probably attributable entirely to soybeans, and of 35 million or 660 million.

I think that is very clear and well stated. There are some questions, though, I would like to ask.

First, why is it that the bill supported by the Senator proposes an increase of price supports for feed grains to 90 percent of parity? That is the only increase that I detect that is suggested except for the certificate for export of wheat which I will go to next and which is a different matter entirely?

Senator YARBOROUGH. I mentioned the one area in my State, Senator Holland, where these auctions are being held for the farms. This is a great feed grain area and the people there are suffering drastically. Of course, I point out that this is supported by all of these groups, this bill is endorsed by all of the organizations, not merely feed grain. This is a composite bill supported by all the organizations whose names I read. The wheatgrowers, soybean, cotton, rice, and different ones have found that was a just and equitable provision in the bill. It is a composite and all these organizations working for many months came to the conclusion that it was a fair and just provision.

Senator HOLLAND. Well, without trying to reach any verdict at this time on the matter at all, I just want you to understand, and I am sure you do, that the big fight in this committee and on the floor some years ago was on the question of the retention or an abandonment of the 90 percent price support program for all of the basic commodities. And apparently you are suggesting here now that it be reinstated for only one commodity and that is feed grain. Am I correct in my understanding?

Senator YARBOROUGH. Well, the parity concept is retained in all of the bills.

Senator HOLLAND. At 90 percent?

Senator YARBOROUGH. We have a variable up to 90 percent on another commodity in here.

Senator HOLLAND. You have variables otherwise, but as I understand it you propose to set the feed grain parity figure at 90 percent. I want to find out if I am correct.

Senator YARBOROUGH. I will have to check that, Senator. I would like to recheck that.

Senator HOLLAND. That is all right. If you will supply the answer to that.

Senator YARBOROUGH. I will supply that.

Senator HOLLAND. Because it seems to me from your statement that is the case, and it does seem to me that it involves the practical question as to whether or not we continue the variable price support programs on all other basic commodities or go back to a fixed 90 percent program.

Senator YARBOROUGH. I would like to recheck that and furnish that answer.

Senator HOLLAND. All right, good.

I see here that the gentleman may have the answer.

Senator YARBOROUGH. That is also in corn, Senator Holland.

Senator HOLLAND. Feed grains. That would be all feed grains.

Senator YARBOROUGH. I was thinking just of grain sorghum.

Senator HOLLAND. I notice that the short explanation of this bill given us by the counsel for our committee indicates that that is the situation. Am I correct in that, Mr. Stanton?

Mr. HARKER T. STANTON (committee counsel). That is correct, Senator.

Senator HOLLAND. I just want the record to show how that it seems to me that that is a very large change from the existing program and I wanted to call attention to it now.

The second question, do you propose to have the acreage allotment program or control of acres applied to the feed grain program?

Senator YARBOROUGH. That is my understanding.

Senator HOLLAND. As it applies to most of the others?

Senator YARBOROUGH. That is my understanding. We would not have this 90 percent of parity and no control of acreage.

Senator HOLLAND. Well, I call attention, again, Mr. Chairman, to the fact that I think that that involves practical problems that would be very, very difficult as we try to work out a bill.

Now, the third thing I want to mention is the fact that this bill apparently allows a certificate for export payments.

Senator YARBOROUGH. Yes, sir.

Senator HOLLAND. Senator Miller has already indicated the difficulty there may be in connection with the GATT program, of which we are a part. It seems to me that presents a real difficult there.

Now, the last thing I am going to say is this. I think that the Senator knows as well as every other member of this committee that we have had this battle on limitations of payments every year now for the last 3 or 4 years. And the Senator from Florida has had the unenviable duty of heading up in the Senate the objection to those limitations. He knows something of the difficulty of that problem. Is there any attempt in this bill here to limit the payments to the very large producers, which at least in my opinion have caused much of the trouble that we have had in this field?

Senator YARBOROUGH. I have no intention of including that in the bill.

Senator HOLLAND. I judge not and I think that is a frank answer.

Senator YARBOROUGH. If it is in the bill, I do not support that.

Senator HOLLAND. Has there been any effort to bring about an approach somewhat like that that's been followed in the sugar program under which the price supports will be larger for smaller producers and then on a graduated scale up to the point where the very large producers get a very much reduced support but without fixing a money limitation, overall limitation?

Senator YARBOROUGH. I do not believe we have that in the bill.

Senator HOLLAND. I understand that the Department has been trying to work out such a program. Do you have any information on that?

Senator YARBOROUGH. No; I do not. I do plan to see Bob Poage at noon today. If I were testifying this afternoon, I would be better informed on the progress of that coalition effort.

Senator HOLLAND. The bitter fact is whether we like it so or not, that most of the objection, as at least I have understod it, on this particular question has been to the very large payments made particularly to corporate cotton producers who have received according to my recollection, and I can be corrected, better than $3 million a year in two or three instances.

Senator YARBOROUGH. That is in California, the big producers in California.

Senator HOLLAND. Well, whether it is in California or Florida or Texas, I think the situation is the same, that the trouble has arisen from these very large payments. And you know of no approach to that rather difficult problem that is made by this bill?

Senator YARBOROUGH. Not in this bill.

Senator HOLLAND. I think that is all.

Senator YARBOROUGH. It is a very difficult problem, Senator. If we have a sliding scale such as you have mentioned for sugar, if it would work for cotton, it would be a good thing. I know the small producers in my State are deathly afraid of that because if you put limitations on payments, this turns the large corporate farmers loose to plant all the acreage they want, and the small farmers are afraid that with their unlimited acreage the corporations would freeze the family farmer out of the market and off the farm.

Senator HOLLAND. The Senator realizes that I opposed that fixed limitation about as vigorously as it could be opposed——

Senator YARBOROUGH. I commend the Senator for his leadership.

Senator HOLLAND (continuing). With success through at long last and after a very great delay and long fighting in which many of us joined in both Houses to prevent what semed to us not only a more expensive program being adopted but a program which would immediately begin to rebuild surpluses, stored supluses which we are trying to get away from.

Senator YARBOROUGH. I think, Senator, it would be sociologically, politically, and economically a disaster. I am not thinking of "political" in the sense of any particular party or any particular individual, but we know the family farmer has been the bulwark of American democracy. People from farms of America wrote our Declaration of Independence and the Constitution. I fear that if we lose our industrial and agricultural independence—the individual farmer, the individual businessman—if our system changes so that it is controlled by a few big corporations, it would be a grave threat to the kind and form of government we have. And it causes me embarrassment. I fight the $20,000 limitation. I get petitions from the cities of my State against it. I think the people don't understand that if the payments are limited and the big corporate producers are turned loose to plant as much acreage as they want to, there would be such a glut as to drive the little farmer out of business, the family farmer. I think the preliminary indication is far beyond the glut of agricultural production, far beyond the cost. I think it would create a sociological imbalance and practically eliminating the small farmer would be the end result unless we work out something like you have mentioned, Senator Holland, on the sugar payments. We would have to pay them enough to keep them in a reduced acreage program.

The CHAIRMAN. Well, it is my belief that this is going to be one of the knottiest problems that we will have to consider.

Senator HOLLAND. That is the reason that I brought it up.

The CHAIRMAN. Yes. But personally, I don't see how in a voluntary program you can have a limitation of payments, because the idea is to try to get production in keeping with consumption, both domestic and export. And whether an acre cutback is made on a small farm or large farm makes no difference. What we are trying to reach is a certain amount of production. And unless we have a program wherein you reinstate a support program based on acreage controls, it will be pretty difficult for us to limit the payments.

Senator YARBOROUGH. I think so, too, Senator. That is the reason I have supported you and Senator Holland in opposing the $20,000 limitation.

The CHAIRMAN. Well, that will be discussion for the committee later on.

Senator YARBOROUGH. Thank you very much for your kindness and patience.

Senator HOLLAND. Mr. Chairman, I just want to inject this for the record. It seems to me we are confronted with two very different problems. One is the one of acreage differential. I see no justification for paying less for a diverted acre of given fertility and productiveness that comes from a large farmer than that that comes from a smaller farmer, because there we are paying something to compensate for the loss of production of what is privately owned property. I do see with reference to price support and with reference to Government purchases and Government subsidies the chance to work out something for some of these commodities comparable in some ways at least to the sugar program, which has been successful not only in maintaining a reasonable price for the commodity, for the consumers but in continuing its interests to large and small producers to cooperate in the fullest measure. I hope we can work something out. I am not at all sure that we can.

I want the record at this time to show that as I see it that is one of the major problems we have got ahead of us, and I see that the chairman has the same idea.

The CHAIRMAN. Well, I am sure that if the bill comes out with controlled acreage that we will be able to limit the payments, whereas a voluntary program, which is the case in wheat, corn, and other feed grains, that presents a different problem, in my mind. And that is where we will have a little difficulty in coming to a conclusion, as to limitation of payments on the voluntary program.

Senator YARBOROUGH. I think we have people who benefit greatly from these programs, Senator, in agriculture who don't understand the benefits. For example, I have many cattlemen in my State say we have never been under a support program. We are not for these support programs. We are free of Government subsidies. But their high price of cattle is due to the support programs on feed grains and they are getting the benefit. If we did not have supports for the feed grains those cattlemen would go broke in nothing flat. But, as I say, different segments do not realize the benefits they are getting out of these support prices.

The CHAIRMAN. Thank you very much, Senator.

Senator YARBOROUGH. Thank you.

The CHAIRMAN. The next witness is Senator Mathias of Maryland.

STATEMENT OF HON. CHARLES McC. MATHIAS, A U.S. SENATOR FROM THE STATE OF MARYLAND

Senator MATHIAS. Thank you, very much, Mr. Chairman.

I approach this committee with a great sense of humility, these are the masters of the art in which I have been an amateur practitioner for a good many years.

I have distributed a statement. I believe members of the committee have it, and in the interest of conserving the committee's time, Mr. Chairman, I might just paraphrase it briefly, if that is agreeable to you, and let the statement be entered as written initially.

The CHAIRMAN. Without objection, that will be done, sir.

Senator MATHIAS. I am here, of course, in support of S. 2524, and I have not only a strong legislative interest in this bill, I have a considerable sentiment about it, because it was the last matter with which I worked with our late distinguished minority leader, Senator Dirksen. He and I had a number of conferences in connection with it. He was kind enough to mention my efforts at the time he made some remarks the day the bill was introduced. And so as I say, I have not only a professional but a sentimental interest in the bill.

Basically, of course, the bill addresses itself to the problems as Senator Dirksen saw them from his vantage point in Illinois and as I see them as a citizen of a State on the east coast, which is that the existing program has not proven satisfactory from the point of view of either the farmers or the general public.

The commodities covered, I don't think, have received satisfactory incomes. And in the areas of the agricultural economy not covered, about 60 percent of the farm community, cattle, hogs, eggs, fruits, and vegetables, we see that there has been a somewhat better adjustment.

Of course, at the same time, the taxpayers I think have clearly been doing worse. When Senator Dole and I came to the House of Representatives in the election of 1960, we were confronted with the last Eisenhower budget which provided for about $600 million in subsidies and we are now up to something in the general area of $4.5 billion.

Senator YOUNG. If you don't mind interruption, I just put the figures in the report. The costs of price support and related programs now are about the same as they were 10 years ago. At the same time, all other domestic programs, new ones initiated in the last 5 years and all the others have increased by billions.

Senator MATHIAS. I think that will be an interesting analysis for this committee to make and for the other Members of the Senate to make.

I would suggest that there is a need for a change in approach. I think that that was recognized by the President during the campaign when he said then:

> A new look must be given to Government policy which has brought us to a situation where 21 percent of the farmers' realized net income comes directly from Government. Those who control the purse control the power—and the new programs that are designed should insure a fair return—while reducing this dangerous level of dependency on an arbitrary political power.

And I agree with the President a hundred percent in that statement.

Briefly, the bill, S. 2524, could provide a new direction in family farm policy. It provides for a 5-year transitional program from January 1, 1971, through December 31, 1975. And during this period acreage allotments, marketing quotas, processing taxes and direct payments for wheat, feed grains, and cotton would be phased out.

Senator YOUNG. Would you mind a question at that point?

Senator MATHIAS. No.

Senator YOUNG. Of course, this is the Farm Bureau bill. You would phase out farm programs I understand. Why wouldn't you phase out dairy price supports which are mandatory at 75 to 90 percent of parity or tobacco that is mandatory at 90 percent of parity? Why don't you include these?

Senator MATHIAS. Well, it doesn't include the Wool Act either.

Senator YOUNG. No. Why don't you include those? Do they have too much popularity in the Farm Bureau area?

Senator MATHIAS. Well, let me just say that I got I think the other day a wool subsidy of $45 for the wool I sold last year, and you may put that on the record. I don't want you to think that I have been influenced by my receipt of $45 out of the Wool Act. And while we are talking about that, in 1969, I did receive in total farm subsidies from the Commodity Credit Corporation $459.04. In 1968, I got $288.62. So——

Senator DOLE. You need some help.

Senator MATHIAS. That is what I am here asking for. That is very clear. That is very clear.

Senator JORDAN. You must not have but one sheep.

The CHAIRMAN. At the end of 5 years you wouldn't get anything at all, Senator Mathias.

Senator MATHIAS. And I am asking you to cut it out entirely.

The CHAIRMAN. Sure.

Senator MATHIAS. And I am asking you to cut it out entirely now.

Senator MILLER. The Senator yielded for a question. I notice in your statement that you quote the President's statement that 21 percent of the farmers realized net income comes directly from the Government. Are you suggesting that this $45 payment is 21 percent of all your 1969 income, and if so, I am wondering——

Senator MATHIAS. It might be more than my net 1969 income from sheep, I will say that.

Senator HOLLAND. Are you retiring from your farm interests, Senator, or is this on the same activity that has existed in the years when you got slightly more?

Senator MATHIAS. Well, the Senator recalls to my mind a conversation I once heard between Tic Forrester, a distinguished Representative from Georgia, and Carl Vinson. He said Carl, the only reason you stay in Congress is to support that farm of yours.

But the distinguished Senator from Florida here raised an interesting question.

Senator HOLLAND. My question is whether your farm activities are diminishing and whether or not the smaller income that you spoke of as having been received in recent years is on the same activity as a somewhat larger, but not pretentious income that you received several years ago?

Senator MATHIAS. Well, we are receiving, we are feeling the effects of the agricultural revolution that I think the whole Nation is feeling but which has not been reflected in our congressional approach to the farm problem. Now we had in years gone by in my memory several farm families who lived on the farm and who got their living from the farm, and today it is run on a totally different basis, and we are raising more wheat per acre, for example, than we have ever raised in the entire history of the farm. We are seeing a whole system changing. But the congressional approach to it I don't think is changing with the economy and with the social changes that have come about. This farm and several in the neighborhood are all having to pool their resources in order to provide the labor, machinery that is necessary to operate today. This is a totally different system. And that is

one of the reasons that I am so personally involved in a change of policy. I don't think that this bill does provide for the kind of change of policy that would be so sudden and disrupting as to eviscerate the agricultural economy. I think it proposes a gradual and consistent turn away from the subsidy approach.

And during the 5-year period there would be a gradual reduction in the total Federal funds spent on direct payments. And, of course, we would eventually come to the end of that road.

But during the same transitional period, the bill calls for the improvement and expansion of a cropland adjustment program with the goal of retiring 10 million acres during the 5-year period.

Senator MILLER. Do you mean 10 million more than we are now retiring or a total of 10 million?

Senator MATHIAS. 10 million more.

Senator MILLER. Each year?

Senator MATHIAS. Yes.

Senator DOLE. 50 million total?

Senator MATHIAS. Yes; 50 million total.

Senator HOLLAND. The reason for my question was I wondered if your experience was somewhat the same as mine. When I first came into public life I had either total or partial interest in 50 citrus groves. I didn't get any Government support because there is none, but I have had to gradually sell them, and I now have no citrus groves, and I thought maybe you were retiring from the farm business just as I found it advisable to do so because of the pressure of the public.

Senator MATHIAS. Well, as the Senator from Florida knows there isn't much time to go out and do a great deal in a personal way, but there is a strong emotional tie to the land and that is hard to break. And I am not prepared to break it yet even though I have to farm vicariously.

The CHAIRMAN. Well, the Senator knows that conditions have changed in this period he speaks of. Labor was plentiful, and we had not gotten into the field of mechanization. I have a brother who is now operating a farm my father used to operate, and he does the whole job with seven men. And my father used to use 150. So that in my opinion is what has driven off the small farmers; they cannot compete because they are unable to obtain the tools in order——

Senator HOLLAND. Mechanized equipment.

The CHAIRMAN. Mechanized equipment. This has been our greatest problem.

Senator MATHIAS. I think the chairman is exactly right, that there has been a total revolution in American agriculture and I think we have got to face up to it. Now, I do think——

Senator BELLMON. Mr. Chairman, may I say that the revolution that has taken place in agriculture is also producing almost an armed revolution in the cities and I am curious to know if anyone has anticipated or calculated how many more rural people will leave the farms in terms of this legislation than have left under the conditions that exist now. And what this would mean to the cities?

Senator MATHIAS. Well, I would like to address myself to that general question of where we go in the future.

The President just the other day in his message to Congress on the environment I think opened up one of the important avenues

for the future and for the future of the soil, the American land. I think that there can be a consistent program of recreational development and the utilization of idle farmlands in conservation and recreation far beyond anything that has been conceived up to this time.

I think that in the land retirement program there can be long-term contracts with the farmers for reforestation and improvements to enhance recreational use of retired land, and these are entirely consistent with the bill.

I think the bill recognizes differences between the problems of commercial farmers and other kinds of farmers. And we haven't been very good up to this point in adjusting those differences. But the bill does provide for these very people that Governer Bellmon is concerned about that I am concerned about, by providing special transitional programs for the low-income farmers who can ease their adjustment if they come to the point of adjustment. And I think this is an extremely important concept, and I am glad that the Senator from Oklahoma has called attention to it.

Senator MILLER. Would the Senator yield at that point?

Senator MATHIAS. Yes.

Senator MILLER. It is my understanding that we are retiring upward of 40 million acres now under present programs and that this 10 million acres per year is not intended to be on top of that so that 5 years from now we would have 90 million acres retired, but the intention is to phase out what we have now and phase in this 10 million acres a year so that at the end of 5 years there would be 50 million acres retired as against upward of 40 or 42 million acres retired today, and that being the case, I do not think we would have this mass exodus that you would certainly have if you were targeting in at 90 million acres retired. So I don't think that the exodus that Senator Bellmon is concerned about is here with that understanding, which I have of the bill.

Senator YOUNG. Would you yield at that point? Under the Farm Bureau proposal you would take whole farms out of production and that is a big difference. When you take a whole farm out of production, that farmer is going to leave the farm and go to town.

Senator MATHIAS. I thank the Senator from Iowa for his very accurate comment.

During the colloquy between the committee and the Senator from Texas a moment ago, the question of the competitive pressures around the country for tax dollars was raised, and of course I don't think that we can close our eyes to that struggle. I am going to be very interested in reviewing Senator Young's figures that he just put into the record, because I think that the area of economic competition is going to be very strong in the years ahead. And I think we in the Congress have got to recognize it. Now, just finally.

Senator MILLER. Well, pardon me again. To clear the record. If I could have the Senator's attention, I am advised by staff that under present programs upward of 50 million acres are now retired. And as I understand this bill, 50 million acres would be retired. So we are not talking about any substantial increase in the amount of retired acreage. And I think that that is the point that should be made to Senator Bellmon's question. Taking into account that you will have a different

mix, however. And as Senator Young has pointed out, the mix would consist of more whole farms taken out of production. But I think as far as the total acreage is concerned, it would end up at about the same but with what is regarded as more effective mix.

Senator McGovern. Would the Senator yield. If you are not going to take more land out and you are going to phase out the farm price support system, then what device are you going to use to sustain the price?

Senator Miller. Well, I am sure that Senator Mathias will cover that point.

Senator McGovern. I think that is a crucial point.

Senator Miller. At this point in the record, however, Senator Bellmon was perhaps concerned that there might be 90 million acres retired, whereas that is not the point. It is 50 million acres, about what we have now. And Senator Young has pointed out very aptly that whole farms are involved in this new mix. As I understand it, the mix we now have is not very effective, or not as effective as the mix that would be provided under the bill that Senator Mathias is testifying on.

Senator Bellmon. Mr. Chairman, the question was raised by this statement on page 2.

Loans could be made to ease the transition to more profitable employment. My point is that the cities are already overridden with people and we may push these people off the land and into cities, but what do we do when we get them? They need houses and roads and sewer systems. We have already got pollution in the cities. It looks to me like the impact of this legislation is toward more congestion in the cities.

Senator Mathias. Well, of course if you let the thing go willy-nilly that is a possibility. But there is a rising interest on the part of smaller concerns, even some large concerns looking again at the smaller communities which are rurally based, the possibility of providing jobs in these areas with the encouragement, the economic encouragement of the Federal Government. Maybe we can develop a system where a family can continue to live in the farmhouse but have employment off the farm in which a certain part of the farm environment will be maintained. I agree that this would be highly desirable. And this is the kind of program which I envision rather than simply cutting and running to the city which we have seen all too much of in the last three decades.

If I can address myself to Senator McGovern's question, I would like to refer to a very interesting study that was made by the Iowa State University in 1968, and I am indebted to the distinguished Senator from Iowa for calling attention to this study, Mr. Chairman. I would just like to submit the summary and conclusions from that study as a part of my testimony.

The Chairman. Without objection that will be done.

Senator Mathias. But let me just quote this one statement:

Present programs while providing considerable income support to the 30 percent of farmers who market 85 percent of all farm commodities do not provide—

First—

any means by which agriculture can eventually achieve self-sustaining balance between supply and demand at acceptable price levels without the $3 billion annual expenditure under present programs and—

Second—

provide only negligible assistance to the majority of farmers, particularly those who suffer losses from technological advance and who must shift to other alternatives but lack the necessary training for productive employment elsewhere.

The shift to a long-term land retirement program could facilitate eventual reduction in the cost of Government programs and provide funds to offer retraining programs or educational incentives to labor resources released from agriculture by technological advance. The permanent shift of both land and labor resources to other uses could move the agricultural sector towards a resource balance which is in keeping with the capital-intensive, labor-extensive agricultural economy which industrialization and economic development has brought to the United States.

Senator McGovern. Well, Senator, how in the absence of these price support programs, how does any farmer have any control over what the production is going to be? He doesn't know what other farmers are going to produce. Isn't he at the mercy of a market that he can't control?

Senator Mathias. Well, I think one of the purposes of the bill is to have a market which as the President pointed out in his campaign speech is not solely under the control of the Secretary of Agriculture. And that is very true. I think that the market will not be as controlled if this bill is adopted. I think that that may be a very desirable development. I think that there are a lot of things we can do in the total picture to improve the chances of the American farmer in both the domestic and in the world market. Some things that would be perhaps beyond the jurisdiction of this committee but not beyond the scope of the Federal Government's interest and activity. In our research and development of transportation facilities, our improvement of distribution, matters which I think bound up the future of the agricultural economy are up to a degree perhaps with all due respect more important than anything this committee can do for the agricultural economy.

Senator McGovern. Let me just say, Senator Mathias, it seems to me that the impact on the farmer of removing the price support program which is really what your bill does would be approximately the same as it would be in the labor field if you destroyed the minimum wage and you threw the whole labor force on the market without regard to any kind of minimum wage protection. I just don't see how several million farmers are going to survive in the economy where everything they buy is set. They don't have much to say about the cost of things that they buy to operate those farms. How are they going to survive in a situation where there is no kind of price support protection for them? Other than just trusting to whatever luck they might have in hoping that all the farm producers will just accidentally hit on what ought to be the proper production to keep supply in balance with demand? I don't see how you can predict that?

The Chairman. Suppose you took all tariffs off. How would that affect industry?

Senator McGovern. It is the same situation. I mean if all the rest of the economy were completely unregulated, nobody else had any protection, why the farmer probably would do about as well as anybody. But I don't see how a farmer can survive without any kind of protection over the price that he gets for what he produces when everybody else tells him what he has to pay for the things that he buys.

Senator Miller. Well, would the Senator yield?

The Chairman. Off the record.

(Discussion off the record.)

The Chairman. All right, you may proceed.

Senator Miller. Would the Senator yield at that point? On page 2 of the bill, it is provided, as I see it, that price supports would be available 1971 through 1974 at a loan level of 85 percent of the average price received by farmers. I don't think that that is quite pulling the rug out from under——

Senator Mathias. The Senator from Iowa is exactly correct. And it would set at no more than 85 percent of the previous 3-year average price beginning with the 1971 crop. This would be permanent legislation. And it would provide authority for the continuation of commodity loans after the phaseout of allotments and base acreages and marketing quotas and direct payments. So that it isn't quite analogous to the repeal of the wage and hour laws.

Senator McGovern. Well, would you be willing to set the minimum wage at 85 percent of the present level?

Senator Mathias. Well, I think the Senator is suggesting a hypothesis that simply doesn't exist because we are talking about a number of other programs which should help to support and stimulate the agricultural economy. So that this would not be an isolated act but would be an act taken complementary to a whole phased-out program.

Senator Miller. Would the Senator yield at that point?

Senator Mathias. Yes.

Senator Miller. As a cosponsor of this bill, I want my friend in South Dakota to know that I am not interested in doing what his question might imply. This is not analogous to the minimum wage. I certainly would hope and pray that the average wage certainly vis-a-vis the farm sector in this country would be greatly above the minimum wage. And when we talk about parity we are not talking about a minimum. We are talking about what I suppose would be analogous to an average wage. And so if the Senator would rephrase his question to suggest that we might provide some kind of an adjustment of 85 percent of the average wage, then I think we might be a little more, have a little better perspective of what is trying to be done under their bill than to talk about 85 percent of the minimum wage because I don't think minimum wage is at all analogous to parity.

Senator McGovern. I don't think it really makes much difference in terms of the point which I am trying to make which is the parity concept as a very real and meaningful concept to farmers which is designed to keep them somewhat in balance with other segments of the economy. I don't really care whether the Senator wants to substitute the average wage or the minimum wage. When you talk about reducing to 85 percent of the present level farmer price supports that has the same kind of severe impact on farmers that you would have if you reduced anybody's income level to 85 percent at the present moment.

Senator YOUNG. It won't make any difference whether it is a comparison with a minimum wage or the average wage.

Senator MATHIAS. That is correct.

Senator YOUNG. You have the same situation.

Senator MILLER. I think the Senator's point in that frame of reference is perhaps a valid point. But I just want to make it clear that to me a minimum wage in this country was never envisioned as being what might be called a fair return to the labor segment of our economy. It is a bedrock minimum below which we have decided it is contrary to public policy to go. But I don't think that the minimum wage is at all related to the concept of parity and I am not sure that average wage would be either but I just use that to try to get a better perspective of what is trying to be done here.

Senator MATHIAS. Mr. Chairman, if I may just intervene at this point, I would say I don't think it really is a fair parallel, a fair analogy at all, because, as I say, you are talking about only one step in a suggested agricultural program which has a number of different phases all of which are intended to achieve the goal of a freer agricultural society and a better life for those who are engaged in agriculture. Just to take one step and say that that is what will be the effect, that isolated from all the other steps, is not a comprehensive approach.

Senator JORDAN. Mr. Chairman, would the Senator yield a minute?

There are a great many phases of this whole complex farm problem that are not taken account of in any of this farm legislation. For the last 6 years there has been quite a migration from the farms to small industries that have been stationed all over this country, very small ones, electronics and shoes, and I could name dozens of them. Well, the rapid increase of imports into this country is putting those people out of business. I know several electronic plants that have been built in North Carolina in the last 2 years, which train their own people, and they are out of work. You can't compete with the 60-cents-an-hour wage scale in Japan. Now, the problem has invaded the automobile market here. That is somebody else's ox that is getting gored right now that wasn't affected a little while ago, but they are on short time, too, you know. Unless we do something to phase out this tremendous import problem, we are going to put a lot more people out of business and we may have to go back on the farm and get a mule to make a living.

I wonder if the Senator would want to phase out the subsidy on shipbuilding. It is the same thing. We subsidize the shipbuilding right in your own State. And if you phase that out, you won't build any ships in this country. And you know that as well as I do. You couldn't build one to save your neck. And they were told you go to Japan with that. They already build a lot of them over there.

So we can't phase out subsidies on a great many things. We have got to be subsidized. You can't charge all this up to the fact that you are keeping up a bunch of sorry farmers. Farmers have done mighty well to keep their heads above water all these years, and you can't blame them for leaving the farm. But if you cut off the subsidies, some kind of a guaranteed income, on what land the farmer does keep, he is going to have to leave that farm, and go to the city. I don't know what you are going to do with him there and he doesn't

know either, because the cities have got more of them in them right now than they know what to do with.

Senator MILLER. Would the Senator yield?

Senator MATHIAS. Sure.

Senator MILLER. The Senator makes a point and it is very relevant to what has happened under existing and previous farm programs. We have had 5 million farmers and their families move off the farms in the last 9 years. And this was my question to Senator Yarborough, "What is wrong with what we have now and how can you improve it, because it is not working very well now." And the Senator from Maryland is proposing a new approach. I don't think that there is any lack of will on the part of Members of Congress—we talk about farmers, but I think we should recognize that the agribusiness industry which depends upon agriculture, a healthy agriculture for its viability, employs upward of 20 million people in this country, and that agribusiness industry is in jeopardy if we don't do a better job than what we are doing now. And Senator Bellmon's point about the cities is well taken. We had 5 million people leave the farms, most of them go into the cities but this has been under the programs that we have legislated and appropriated money for. And the point is, how are we going to improve it so we don't keep ourselves in the same rut?

Senator YOUNG. Would the Senator yield there? I would like to make a short statement along that line.

When I came here in 1945 we had price supports at 90 percent of parity. We had good prices but we had surplus problems and program cost problems. But as we lowered these price supports year after year the cash prices followed the price supports to the lower levels. True, the situation isn't as good as it might be, but I think every banker in my State, and almost every businessman realizes now that if you abolish these programs not only the farmers but they too would be in serious difficulty. There is no question about it, you lower these price supports more and you are going to have lower prices.

Now, the price of wheat in Maryland has been less than a dollar a bushel recently. Fortunately, we have better quality wheat in North Dakota so our cash prices have been better. But if you lower price supports more, Maryland wheat prices will go down still more. There will probably be one good thing about it—you will probably quit the wheat business. But you will have some busted farmers in the meantime.

Senator JORDAN. Would the Senator yield at that point?

Senator, I think a great deal of your problem is brought about by automation. Senator Young is from a great wheat-growng State. When I was a very young man I spent 6 years in the State of Kansas in Sumner County, which was about the largest wheat-growing county in America. Well, they cut wheat then with a binder. Somebody came along by hand and shucked it, then they came out with a thrashing machine and they thrashed it. Now, one big combine cuts a whole section in a day. It blows it into a truck as it goes along, and it doesn't stop but goes to the next section. You have seen that.

Well, what put people off the farm to a great extent were those tremendous tractors they got that plow fully as wide as from here over to that wall. Am I exaggerating that at all?

Senator YOUNG. No; not at all.

Senator JORDAN. You can plow quite a few rows with a good tractor.

The CHAIRMAN. Gentlemen, we have quite a few witnesses to hear, and I am wondering if we couldn't relegate our questions to the program instead of arguing with each other at the moment.

Senator MATHIAS. Mr. Chairman——

Senator JORDAN. You have got a good idea.

Senator MATHIAS (continuing). To respond just very briefly to the question raised by the Senator from North Carolina, what he says of course from time out of mind, and the public I think has benefitted when government has properly made an investment——

Senator JORDAN. I don't argue that.

Senator MATHIAS (continuing). In the promotion of some program or some particular item of public need, and I don't argue that a good program that needs subsidy shouldn't have it. I think the public can benefit. I think that we are in a situation here now as I see it of diminishing returns, and it is not that you abolish the principle but that you adjust the practice. I think the committee has a great opportunity. The whole farm economy as we have discussed among ourselves is in revolution, in change.

There is a tremendous dichotomy between what the consumer pays at the grocery store and what the farmer gets on the farm, and there is a challenge to try to bring the farmer into the mainstream of American economy where I think he ought to be and where he clearly isn't today. Mr. Chairman, if there are no further questions——

The CHAIRMAN. Thank you very much, sir.

Senator MATHIAS. Thank you, gentlemen, I appreciate your courtesy and patience.

(Senator Mathias' prepared statement is as follows:)

Mr. Chairman and distinguished Members of this Committee, I appreciate this opportunity to appear before you in support of S. 2524, the Agricultural Adjustment Act of 1969.

In June of last year, our distinguished Minority Leader, the late Senator Everett McKinley Dirksen, discussed with me the need for basic changes in our agricultural policies. As a result, Senator Dirksen and I introduced S. 2524 with 18 other Senators as cosponsors. It was our feeling then, and it is even more true today, that there is a need to develop new, more effective and less costly government programs for agriculture.

The basic farm law now in effect, the Food and Agriculture Act of 1965, has not proven satisfactory either to farmers or to the general public. In the period since its enactment, the prices received by farmers for the major commodities covered by this legislation—wheat, corn, feed grains, and cotton—have not provided satisfactory incomes to farmers. The 60 percent of agriculture not covered by government farm programs, such as producers of cattle, hogs, eggs, and fruits and vegetables, have all been doing much better. At the same time, the taxpayers have been doing worse, since the cost of the programs enacted in 1965 has continued to increase. Neither farmers nor consumers are happy with this situation.

There is clearly a need for a change in approach. This was the spirit which prompted us to introduce S. 2524 last July. This fact was recognized by President Nixon during the 1968 campaign when he said, "A new look must be given to a government policy which has brought us to a station where 21 percent of the farmer's realized net income comes directly from the government. Those who control the purse control the power—the new programs that are designed should insure a fair return—while reducing this dangerous level of dependency on an arbitrary political power."

S. 2524, the proposed Agricultural Adjustment Act of 1969, would provide a new direction in farm policy. It would provide for a five-year transitional pro-

gram to begin January 1, 1971, and run through December 31, 1975. During this period, acreage allotments, marketing quotas, processing taxes and direct payments for wheat, feed grains and cotton would be phased out.

The bill recognizes that it is impossible to make a drastic, sudden change in the direction of policy without seriously disrupting and hurting our agricultural economy. The legislation therefore proposes a gradual but consistent turn away from government subsidies.

During this five-year period, there would be a gradual reduction in the total Federal funds spent on direct payments for wheat, feed grains and cotton. Eventually we would discontinue entirely the use of direct payments to farmers, which have become the target of considerable public and political controversy.

During the five-year transitional period, S. 2524 would improve and expand the cropland adjustment program, with a goal of retiring 10 million acres per year during 1971–1975. No grazing would be permitted on this land. However, I feel that serious consideration should be given to using substantial portions of this retired cropland for recreational purposes and other uses of direct benefit to the general public.

I was glad to see that President Nixon, in his historic message to Congress on the environment, proposed two relevant programs: aid to state and local governments for programs of recreational development and use of idle farmlands, and long-term contracts with farmers for reforestation and other improvements to enhance recreational use of retired lands. These recommendations appear to be entirely consistent with S. 2524 and I hope they will be promptly considered.

Mr. Chairman, one of the important features of S. 2524 is that it recognizes the differences between the problems of commercial farmers and the problems of other types of farmers. To date we have tried, without success, to apply the same remedies to the economic ills of both groups, although their situations are not comparable. S. 2524, recognizing this fact, provides programs for the commercial farmer and at the same time creates special transitional programs for farmers of low net incomes. The bill offers these low-income farmers additional incentives for land retirement, retraining and adjustment assistance. Loans could be made to ease the transition to more profitable employment.

This approach to the problems of low-income, marginal farmers is in accord with many other current efforts to bring new hope and opportunity to rural America. I feel that it should be closely coordinated with other programs for manpower training, adult education and rural and small-town development.

In closing, I believe that we must recognize that, while American agriculture is one of our most important industries, there are other problems also demanding our effort and attention. I think we must consider seriously the amount of Federal money which we can afford to spend on our farm programs. If the current approach were providing effective help and satisfactory incomes to farmers, it could be justified. However, when one looks at the record of the current program against the cost involved, it becomes hard to explain to consumers and taxpayers why we must continue to invest billions in subsidies which do not solve the problems of American agriculture.

Mr. Chairman, the senior Senator from Iowa (Mr. Miller), a distinguished Member of this Committee, has called to my attention a very thoughtful and provocative study of farm policy alternatives, prepared in 1968 by the Center for Agricultural and Economic Development at Iowa State University. I would like to include this study's summary and conclusions in the record of these hearings, and to cite in particular two of the twelve major findings. The study showed:

"Present programs, while providing considerable income support to the 30 percent of farmers who market 85 percent of all farm commodities, do not provide (a) any means by which agriculture can eventually achieve self-sustaining balance between supply and demand at acceptable price levels without the $3 billion annual expenditure under present programs, and (b) provide only negligible assistance to the majority of farmers, particularly those who suffer losses from technological advance and must shift to other alternatives but lack the necessary training for productive employment elsewhere.

"The shift to a long term land retirement program could facilitate eventual reduction in the cost of government programs and provide funds to offer retraining programs or educational incentives to labor resources released from agriculture by technological advance. The permanent shift of both land and labor resources to other uses could move the agricultural sector toward a resource balance which is in keeping with the capital-intensive, labor-extensive agricul-

tural economy which industrialization and economic development has brought to the United States."

S. 2524 embodies a similar approach. I believe it is a program which has the support of farmers as well as the general public. In the long run it will put our agricultural policies on a sounder course, provide a higher net income to farmers, reduce their dependence on government, and continue to provide consumers with adequate food supplies. I urge you to consider this bill.

The CHAIRMAN. The next witness is Mr. Tony Dechant, president of the National Farmers Union.

Now, I wish to say that we will proceed until, let's say 12:15. Would that be satisfactory, and come back at 2?

Mr. DECHANT. Fine.

The CHAIRMAN. All right. You may sit here and we will hear you.

STATEMENT OF TONY T. DECHANT, PRESIDENT, NATIONAL FARMERS UNION

Mr. DECHANT. Mr. Chairman and members of the committee, the Farmers Union is honored to have the opportunity to present testimony concerning farm legislation before this distinguished committee. I want to begin our testimony today, Mr. Chairman, by first of all expressing our thanks to you for your leadership in behalf of agriculture. Particularly, I want to commend you for your address before the U.S. Senate on January 17, in which you warned that the reckless destruction of our farm program might plunge the Nation into a depression. Especially, we appreciated your concluding statement that, "We should all work to improve existing programs, and by all means keep what we have until we are able to discover something better."

I do not believe a better description could be offered of what we are going to propose today. We want to keep what we have by extending and making it permanent. We want to improve existing programs. In some instances, we believe that we can propose something better. But these are all improvements to the 1965 Food and Agriculture Act, as generally embodied in S. 3068, which has 16 sponsors. We do not want to proceed from the known to the unknown but from the known to the possible. One does not correct one's way by throwing away the compass. One does not lift a heavier load by rejecting the principle of leverage.

But as we open our testimony today, our hearts are heavy. I do not believe there has been a time in recent years when renewal of the farm program has faced greater obstacles.

Mr. Chairman, I would like to suggest at this point that the entire statement be put into the record and that as I move through my satement I will be omitting a number of paragraphs in the interest of the committee's time.

The CHAIRMAN. Without objection, that will be done.

Mr. DECHANT. In the face of an attack on the Nation's farm program the issues have never been clearer for farmers themselves. The issues are so clear, in fact, that every major farm organization in the Nation—except one—has joined together to present a package of agricultural legislation for your consideration. They have formed the Coalition of Farm Organizations.

Senator YOUNG. Could I interrupt at this point, Mr. Chairman?

In North Dakota it includes all farm organizations including the Farm Bureau.

Mr. DECHANT. Yes.

Senator YOUNG. And I am pleased that you have with you Ray Strom, a fighter for farmers.

Mr. DECHANT. Thank you, Senator Young.

Senator MILLER. May I make this observation? I don't know what the total membership is of the coalition. I do know that in my own State of Iowa the Farm Bureau probably has far more members than all of the others put together, but I think it might be helpful, since you say every major farm organization in the Nation except one has joined, if we could have some kind of a figure to indicate the total membership of the coalition. I think it would be helpful from a national standpoint. Do you suppose you could supply that for the record?

Senator YOUNG. Mr. Chairman, I would have to object to that kind of statement unless you got from the Farm Bureau what portion of their membership are actually farmers and how many they have because of insurance policies. There is a vast difference. In my State probably half of their members are businessmen and other nonfarmers.

Senator MILLER. Well, I don't know, but I have heard, or I understand that some of the organizations in this coalition have a similar policy. I would like to get a picture, and we could evaluate it any way we want to along the lines of what my friend from North Dakota says, but if you could give us some idea of the total membership, total number of farmers involved in the coalition I think it would be helpful.

Senator YOUNG. And I am sorry, Senator Miller, that I get a little disturbed, but every time they say we represent so many farmers, it always disturbs me because they don't represent that many farmers. A good share of their membership are not farmers at all. They are members because of insurance policies.

Senator MILLER. Well, may I say to my friend from North Dakota I understand that. I still would say so that I think it is generally recognized in Iowa at least that the dirt farmer, the commercial farmer memberships are very heavy in the Farm Bureau, and I am just wondering what kind of a total farm membership we have here in this coalition.

Mr. DECHANT. Senator, the next paragraphs goes on to say that the coalition represents a majority of the producers in this Nation. If I were to toss out a figure, I would say that we are talking about 2 million farmers. The corn producers organization has members from all of the farm organizations including the Farm Bureau. I would have some difficulty getting exact figures that you reqeust because in Senator Young's State, North Dakota, the Farm Bureau is on record as favoring the coalition farm bill and opposed to the phaseout of the farm programs. Texas is another case in point.

Senator MILLER. And you have mixed memberships, I know. You have people that join two or three organizations.

Mr. DECHANT. But the significant thing is that in both North Dakota and in Texas, the Farm Bureau at its State convention, the

delegates of the Farm Bureau at their State conventions voted against the concept of land retirement and a phase out of farm programs.

Senator HOLLAND. I would like to ask a question. What about the National Cattlemen's Association, are they a part of the coalition?

Mr. DECHANT. No; they are not, sir.

Senator HOLLAND. What about the various fruit and vegetable organizations, are they members of your coalition?

Mr. DECHANT. I don't believe so, sir. Excuse me. May I correct that?

STATEMENT OF REUBEN L. JOHNSON, DIRECTOR, LEGISLATIVE SERVICES, NATIONAL FARMERS UNION

Mr. JOHNSON. There is a vegetable association on the list. It is the Vegetable Growers Association.

Senator HOLLAND. Well, the big one of course is the U.S. Fruit and Vegetable Association, and you say that is not a member of your coalition?

Mr. DECHANT. The Vegetable Growers Association is a member of the coalition.

Senator HOLLAND. What about the poultry organizations, are they members of your coalition?

Mr. DECHANT. No, sir. Not directly. There are poultry producers that belong to organizations like the Grange and the Farmers Union that are very much for this concept.

Senator HOLLAND. What about the two large cooperative associations, are they members of your coalition? There's two of them that are nationwide.

Mr. DECHANT. What two do you refer to, Senator?

Senator HOLLAND. They are two of the biggest ones. I can't remember the names of them.

Senator DOLE. Co-op League the U.S.A., the National Federation of Farmer Cooperatives, and the American Institute of Cooperation, are three such organizations.

Mr. DECHANT. The National Milk Producers Federation is a member of the coalition, and it is of course one of the largest of the national cooperatives organizations.

Senator HOLLAND. I understand that the milk producers are a member of this, but I don't understand that the two biggest cooperative organizations mentioned by Senator Dole are members. Maybe I am wrong. Are they or are they not?

Mr. DECHANT. No.

Mr. JOHNSON. They are not but they don't usually take a position in regard to the kind of legislation before the committee.

Senator HOLLAND. Well, I just wanted to explore what is meant by the statement of Mr. Dechant. He has said every major farm organization in the Nation except one is supporting this effort, and I think the American Cattlemen's Association is one of the very largest that we have. I think both of these large national co-op associations are very large and very influential. I think that the U.S. Fruit & Vegetable Association is also very large and very influential. And we have in my State various organizations of fruit and vegetable growers

and in the State of California and otherwise that I am sure are not members of this coalition.

The point I would want to make is this, that I think you are right in your statement if you limit the field of included organizations to those who are interested in the price supported directly and the price supported commodities. I think all then except the Farm Bureau are probably members of your organization. But after all, much more than half of the farm production of the Nation isn't in the field of producing price supported commodities, and I wouldn't want the statement made by you to cover more than it does. I think you are correct in your statement, if you limit it to those who are directly producing price supported commodities. That is really your statement; is it not?

Mr. DECHANT. Well, Senator, when I was referring to farm organizations, major farm organizations I am talking about general farm organizations. I am talking about the Grange, the Farm Bureau, the Farmers Union, and in the recent years the addition of the fourth one, the National Farmers Organization.

Senator HOLLAND. I understand that.

Mr. DECHANT. These are general organizations.

Senator HOLLAND. I understand that perfectly, and I think that your statement is sound when it is understood that it is limited to organizations of that type. But by no means does it include organizations which represent more than half of the dollar production of farm products in the country. And that is what I wanted the record to show.

Mr. Chairman, I am called to the floor, if I may be excused.

The CHAIRMAN. All right.

Proceed, sir.

Senator DOLE. Mr. Chairman.

Senator ELLENDER. Yes, sir.

Senator DOLE. At this point it might be well if Mr. Dechant would put in the record a list of the coalition members. Sometimes we get involved in farm organization politics at the expense of the farmer. I note from your list of organizations, you have Webster County Farmers Organization; you have two or three State organizations. Rather than discuss numbers from 22 to 26, the record ought to show what organizations support the coalition bill, because it is not 26 general farm organizations. One is countywide, two or three are statewide. After having served on the Senate and House Agriculture Committees for about 9 years. I wonder if the leaders of the farm groups sometimes get so involved in their own farm organization politics that they forget about the farmer. And I think it would be helpful to have the list for the record.

Mr. DECHANT. By all means, sir. And we have always tried to be very clear that it represents the majority of the major organizations, all of them but one, and then a sizable number of commodities groups. We do have a list. Currently the correct number is 24 organizations and we expect the coalition to continue to grow.

Senator DOLE. Right. There are some not on there.

Mr. DECHANT. Is this complete?

Mr. JOHNSON. I will see that it is complete.

Senator DOLE. There are only 22 here.

Senator ELLENDER. Well, can you furnish that data later?

Mr. DECHANT. Yes.

The CHAIRMAN. So that it will be put in the permanent record at least?

Mr. DECHANT. Yes.

Mr. JOHNSON. Mr. Chairman, while we are doing this, I notice that there is a statement that the coalition has adopted on the back of the list, and I wonder if we could put this statement in with the list—at the same time—of the coalition?

The CHAIRMAN. Concerning the bills?

Mr. JOHNSON. Yes, concerning the bill.

The CHAIRMAN. Yes. In connection with his testimony.

Mr. JOHNSON. Yes.

(The list follows:)

WASHINGTON, D.C., Feb. 20—The Coalition of Farm Organizations, strengthened by three new member organizations, approved portions of the Administration's farm proposal and reaffirmed full and continuing support of the Coalition Farm Bill (S. 3068 and H.R. 14014).

John Scott, Master of the National Grange, and Chairman of the meeting last night and today said the new members are the Trans-Pecos Cotton Association, the Rolling Plains Cotton Growers, Inc. and the National Association of Farmer-Elected Committeemen.

Members of the Coalition are giving testimony this week and next week before the Senate Agriculture and Forestry Committee in support of the Coalition bill. The bill—co-sponsored by more than 50 Congressmen and Senators—provides permanent legislation to improve farm income: by establishing "Consumer Protection Reserves" of wheat, feed grains, soybeans and cotton, by improving price support for feed grains, adding a wheat export marketing certificate, and extending authority for federal marketing orders to all commodities subject to approval by producers.

The coalition expressed its conditional support of six proposals advanced by the Administration in a bill which has not yet been introduced.

These were:

1. The Administration's "apparent understanding" of the need for a commodity-by-commodity approach to the diversion of acres for supply management purposes, and the need to retain parity as a basis for setting price supports. The Coalition, however, called on Congress to set price support floors in new legislation.

2. Expansion and making permanent the P.L. 480 program.

3. Provisions in the proposed budget to increase funds for food stamps, school lunches, child nutrition, and improvements in food distribution. The Coalition said, however, that the Special Milk Program should be retained.

4. The feature of the Administration proposal that would provide small additional payments to farmers that would encourage further public use of diverted acres for hunting, trapping, fishing and hiking.

5. The Administration's goals for development in rural America. However, the Coalition said this program should recognize that improved prices for agricultural commodities to increase net farm income should be the first step in such a program.

6. The Administration's recognition of the need to extend and make permanent the Class I base plan for milk.

The Coalition elected Mr. Fred Heinkel, President, Midcontinent Farmers Association, permanent Chairman. Mr. John Scott, Master, National Grange, was elected Vice Chairman and Chairman of the Washington-based Steering Committee.

A current list of the Coalition follows:

The National Grange, 1616 H Street, N.W., Washington, D.C. 20006.
National Assn. of Wheat Growers, 1030–15th Street, N.W., Washington, D.C. 20005.
National Assn. of Wheat Growers, 1030–15th Street, N.W., Washington, D.C. 20005.
National Farmers Organization, Corning, Iowa 50841.
Midcontinent Farmers Assn., 201 S. Seventh Street, Columbia, Missouri 65201.

United Grain Farmers of America, Oakland, Illinois 61943.
Natl. Milk Producers Federation, 30 F Street, N.W., Washington, D.C. 20001.
Pure Milk Products Cooperative, Box 350, Fond du Lac, Wisconsin 54935.
North Car. Peanut Growers Assn., P.O. Box 409, Rocky Mount, N.C. 27801.
National Rice Growers Assn., Flying J Ranch, Kaplan, Louisiana 70548.
National Potato Council, 1 Jefferson Plaza, Suite 812, Arlington, Va. 22202.
Virginia Council of Farmer Co-ops, P.O. Box 1034, Richmond, Virginia 23208.
Grain Sorghum Producers Assn., 1212–14th Street, Lubbock, Texas 79401.
Natl. Corn Growers Assn., P.O. Box 358, Boone, Iowa 50036.
Western Cotton Growers Assn., P.O. Box 512, Fresno, Calif. 93709.
Natl. Wool Growers Assn., 600 Crandall Bldg., Salt Lake City, Utah 84101.
Soybean Growers of America, Inc., Rt. #2, La Fontaine, Indiana 46940.
Va. Peanut Growers Assn., Capron, Virginia 23829.
Peanut Growers Co-op. Mktg. Assn., Franklin, Virginia 23851.
Amer. Rice Growers Co-op Assn., Lake Charles, La. 70601.
Webster Co. Farmers Organ., Guide Rock, Nebraska 68942.
Vegetable Growers Assn., 226 Transportation Bldg., 17 & H Sts., N.W., Washington, D.C. 20006.
No. Dak. Feeder Livestock Producers Assn., Ambrose, North Dakota 58833.
Farmers Co-op. Council of N.C., P.O. Box H–1, Greensboro, No. Car. 27402.
Natl. Assn. of Farmers-Elected Committeemen, Pinelawn Newman, Illinois 61942.
Trans-Pecos Cotton Assn., 1122 Meadowbrook, Pecos, Texas 79772.
Rolling Plains Cotton Growers, Inc., Box 1185, Stanford, Texas 79553.

Senator YOUNG. Could I ask one question before you proceed?

The CHAIRMAN. Sure.

Senator YOUNG. Does your membership along with the other general farm organizations and commodity groups produce both price-supported and non-price-supported crops?

Mr. DECHANT. This is true.

Senator YOUNG. The average Farmers Union member is a diversified farmer?

Mr. DECHANT. Yes; and he is in livestock production and many of our producers in the Farmers Union are in vegetable production. This is particularly true in States like Texas, Colorado. So we are involved in production of all the commodities in the country, as are members of the Grange involved in practically every commodity.

Senator MILLER. Well, the NFO is, too, is it not?

Mr. DECHANT. Yes. But I don't know to what extent that they are involved.

Senator MILLER. Well, certainly, involved all of them, in the Middle West.

Mr. DECHANT. Yes; I think that is true, Senator.

The CHAIRMAN. Proceed.

Senator MCGOVERN. Could I just ask one question?

Isn't it a fact that a serious effort was made though over a considerable period of time to get as many farm organizations as possible together so that we would avoid this problem that Senator Dole referred to of each organization going off in a different direction? My understanding is that over a period of several months there were consultations and a serious effort made to find language that as many farm organizations as possible could stand on. Is that not the case?

Mr. DECHANT. This is true, Senator. The master of the National Grange, John Scott, called a meeting about a year ago and sent out rather extensive invitations, and at the first meeting or two all of the farm organization attended. And there was considerable exploration as to what the situation was and how we might proceed. So it started out very broadbased and it did involve nearly everyone.

Senator McGovern. I think it is significant at the national convention that the farmer-elected committeemen, people from all over the country representing all kinds of farm organizations, that they passed a unanimous resolution endorsing the so-called coalition farm bill. That was at their St. Louis meeting a couple of months ago. I thought that was important because every part of the country was represented, and I think every farm organization in the country.

Mr. Dechant. That is true.

Senator Dole. Of course, Mr. Chairman, this is their 1965 bill. These same people supported it then. We are now down to 2.8 million farmers. About a million of whom earn less than $10,000 a year; about 700,000 earn between $10,000 and $20,000, and the rest in excess of $20,000. I certainly am sympathetic with the general program. I voted for it. But aren't there some ways we can improve it? We have tried export certificates before. They were rejected by the last administration and I assume they will be by this administration. The farmer that really is in trouble is that man in the middle, the $10,000 to $20,000 a year man who is suffering from inflation as everyone else is. After reading your statement and noting the four areas where you feel changes should be made, I am generally in accord with what you suggest, if we can work it out some way.

Mr. Dechant. Well, Senator Dole, I think the key in it is that if we had a permanent program, if we had some permanent legislation, then we could devote some time to improving, rather than having to come back to the Congress every year or two to try to work out something. A permanent program would be very helpful. And, of course, one of the key items of the coalition farm approach is to extend the legislation we have on the books permanently, put it on a permanent basis and to make some improvements now, and then hopefully in the months and immediate years ahead we could devote our energy and our time and effort to improving the bill as we went along.

Senator Miller. Would you yield at that point?

You recognize that there is need for improvement in what we have now, and that, as you state, we are interested in probable results, and by that you recognize, and I think it is a reasonable recognition, that whatever we seek to improve might not turn out to meet the objectives we hope to attain so we may have to amend this from time to time. But you don't want to have that sword of Damocles hanging over the farmer if the Congress gets bogged down over farm legislation and can't agree that we are not going to have a fairly substantial farm program to fall back on if the present act shouldn't be achieved. Isn't that really what you are getting at?

Mr. Dechant. I would say that is correct, yes, if the program improved farm prices and income.

Senator Miller. Fine.

The Chairman. Proceed.

Mr. Dechant. The coalition of 24 general farm and commodity organizations, representing a majority of the Nation's farmers has drawn upon the grassroots experience of its members to develop the coalition farm bill. Our members—doing business under the pressure of America's diverse and competitive economy, and under the existing farm program—have the only real evidence available pointing to what is

needed to protect rural America. What we propose is consistent with all that we know is good for America.

Our agriculture program has sought to establish a framework under which farmers could match their production to the needs of the Nation. This program recognizes that agriculture is not a single entity, but many businesses producing a variety of commodities, each with its own growing cycle, each requiring special techniques and resources to produce, and each with its own marketing system.

An important feature of the program, of course, has been price protection—provided through loans, outright purchases and in some instances, marketing arrangements that help achieve fair prices through negotiation, consultation and consideration of the public interest. Another example of price protection is the 65-percent-of-parity price minimum under cotton—provided in the excellent amendment that was authored by the chairman of this committee.

The fact is that assistance and protection levels should be raised to offset the increases in operating costs. Total farm expenses rose about 6 percent in 1969, and predictions are that they will continue to surge upward in 1970.

It is suggested that supply management programs are unnecessary because the market itself can do the job. Low prices, it is said, will discourage production. High prices will encourage production.

I ask: Is there a single piece of evidence that the market is an efficient regulator of production?

It is suggested that price protection is unnecessary, and even costly to farmers because it limits their markets.

Again I ask: Is there a single instance when the market for an agricultural product has been increased enough to improve farm prosperity when the price dropped as a result of overproduction?

It is suggested that there should be no commodity-by-commodity limitations on a farmer's production plans because he should be able to switch to other crops when the market is more favorable.

I ask: Is there a single example when farmers have been able to reap prosperity by shifting quickly to a new crop? One example may occur to you—soybeans. But let me point out that the development of soybeans as a major agricultural commodity in America has taken more than 25 years. The reason is quite simple. A market does not come into existence out of thin air. A market for an agricultural commodity is built over a period of years through an orderly increase in production and the development of uses.

Senator MILLER. Would you yield at that point?

Don't you think it is feasible, however, on the basis of market forecasts for farmers to expand or contract their production of certain crops? We have, I know with a certain amount of error, but we have had pretty good market forecasting sevice through our Department of Agriculture down through the years. It seems to me that some farmers for quite some time, not only in crops but in livestock have based their operations on these market forecasts. Right now there are hog producers out in Iowa who have got their plans laid out on the basis of market forecasts, and I thought this had been going on for quite sometime. Isn't that a feasible thing to do, the same way, in soybeans and——

Mr. DECHANT. Senator, a good case in point is soybeans this last year. And your State is a tremendous producer of soybeans. But the Department of Agriculture felt that there were going to be too many soybeans, that the supply was going to be too large. Therefore, they reduced the support price from $2.50 to $2.25, and then because of shifts in the grade and the quality it went down actually 30 to 31 cents. This was supposed to reduce supply. Producers of soybeans were supposed to take a look at the lower support price and say we can't produce at that kind of price. That didn't happen. The result was that it cost the American producer some $300 million, and it did not reduce supply. In fact, the supply of soybeans in 1969 exceeded that of 1968.

Senator MILLER. It was my understanding on that point that at the time the price supports were reduced, crops had been pretty well planted, and so it was a little bit too late then. And further, it was my understanding that the primary purpose of reduction of price supports was to improve our overseas markets because of the competition that we were meeting from other countries not just in soybeans but in other types of oil-bearing seeds, but I don't want to get involved in that particular thing.

I was just out in Iowa this last week talking to some hog producers and they had been getting forecasts through the extension service of the Department of Agriculture on hog population, and they are basing their production on these market forecasts, and I thought that this had been going on for quite sometime. It seems to me that with the type of service the Department of Agriculture has been rendering for quite sometime that a good many farmers can plan ahead on the basis of these market forecasts, and they can see trends, and they like to follow on those trends.

So I thought we had been doing this for quite awhile.

Mr. DECHANT. Well, Senator, the concept is very fine and you make a good point. But I don't think the farmers of this Nation are yet ready to go on that kind of a program. There is an old rule of thumb that says "every farmer is in favor of cutting back provided the other guy does it." In a situation where one State's—let's say, Iowa—producers might decide to cut back on hog production and the producers of another State take advantage of the situation and raise more hogs.

Senator MILLER. I recognize that. My only point is that they are doing this. They are certainly doing it in livestock and certainly sometimes you have overproduction and the price slides back, but they seem to like it that way. That seems to be the temper of the hog and the cattle producer. And my point is that this is being done.

Mr. JOHNSON. Senator.

Senator MILLER. Yes.

Mr. JOHNSON. If the crop forecasts and the market information were as reliable as you seem to indicate they may be, there wouldn't be any need for a farmer to farm. He could go up and sit down at the Commodity Exchange in Chicago and get rich there.

Senator MILLER. I am not suggesting that it is that accurate. I am suggesting that it is accurate enough so that farmers are doing this and they have been doing it for quite a number of years.

The CHAIRMAN. That is if they could work together, Senator Miller, I presume they might reach a conclusion, but the farmer here who cuts bets that the other fellow—

Senator YOUNG. Mr. Chairman, if I could interrupt there, I think there is a great difference between livestock and perishable commodities and field crops. Farmers will cut down on hog production, cattle production, and fruits and vegetables in response to price declines. He can easily do it. Now, in my area, you can raise hogs or not raise hogs depending on the price, but you very rarely ever see a farmer leave land lay idle because the price is poor. He will shift from one crop to the other, whichever he thinks is the most profitable. But farmers just don't leave land lay idle.

Another problem is that most grains are easily stored. Excess production can be stored for long periods and has a price depressing effect. In the case of perishable commodities, excess production either clears the market or is disposed of in some other way in a short time. This allows normal price adjustment.

Mr. DECHANT. And the main reason for that is that the farmer has not shared in the general prosperity of this Nation and so it is a constant scraping to get more income and he tends to produce everything he can in the absence of a supply-management program.

Senator YOUNG. In hogs, for example, you don't have too expensive an outlay for yards and equipment. If you have expensive cropland laying idle, you cannot afford it.

Senator MILLER. Well, I don't want to prolong this, but as you know, the Secretary of Agriculture has come out with the proposition that farmers should be given more freedom to plant the kind of crops they want to on their crop acreage, and if a farmer who normally would have to plant corn wants to plant soybeans or wants to plant wheat or plant corn for soybeans, he has got that option under the Secretary's concept. And it seemed to me this had a lot of merit. And within that contention I would hope you would recognize that there can be some meritorious features that would enable a farmer to—I am not talking about retired acreage and leave it lie fallow, but I am talking about acreage he can plant on—switch to more productive crops depending upon these market forecasts.

Mr. DECHANT. What frightens me some there, Senator Miller, is the price supports would be at zero to 90 percent of parity as determined by the Secretary, based on exportability. The farmers' ability to shift to another commodity doesn't mean much if the price support is based on zero to 90.

Senator ELLENER. Off the record.

(Discussion off the record.)

The CHAIRMAN. The committee will stand in recess until 2 o'clock.

(Whereupon, at 12:20 p.m., the committee recessed, to reconvene at 2 p.m., this date.)

AFTERNOON SESSION

The CHAIRMAN. The committee will come to order.

I am sure that other members will walk in soon. We are about to have a vote on the Senate floor, and I presume that is retarding some of them.

You were on page 4, I think, of your statement.

Mr. DECHANT. Yes.

The CHAIRMAN. Will you proceed, sir?

Mr. DECHANT. It is suggested that there should be no commodity-by-commodity limitations on a farmer's production plans because he

should be able to switch to other crops when the market is more favorable.

I ask: Is there a single example when farmers have been able to reap prosperity by shifting quickly to a new crop? One example may occur to you—soybeans. But let me point out that the development of soybeans as a major agricultural commodity in America has taken more than 25 years. The reason is quite simple. A market does not come into existence out of thin air. A market for an agricultural commodity is built over a period of years through an orderly increase in production and the development of uses.

It is now said that price minimums—established through loans, purchases, and payments—should be set below levels that would "encourage" exports.

We are shocked that it is being seriously suggested that American farmers must be placed in direct competition to the poorest nations of the world.

I ask: What would be the reaction of American workers if they were told their wages must match those of the most exploited peoples of the world? What would American manufacturers say if they were asked to produce for prices that would fit the pocketbooks of people in the most backward nations?

I have not tried to answer all of the criticisms that have been made of our Nation's farm program. Frankly, I do not believe the logic of most farm program critics will be found acceptable. The most alarming possibility, however, is that they may muddy the water so deeply that efforts to extend and improve the program may fail.

Our testimony today will concentrate on the improvements we recommend. I have with me a number of my associates—members of the board of directors of the Farmers Union and presidents of State farmers unions—who will assist in the presentation of our testimony. However, before presenting them to the committee, we would like briefly to answer the question: What kind of programs would be available to farmers in the absence of legislative action for the 1971 crop and beyond?

As you know, of course, we would return those elements of our agricultural policy that were in effect prior to 1965. The Secretary of Agriculture would determine whether the supply of wheat is excessive, and if he found it to be so, this would set in motion a marketing quota program, subject to grower referendum. Under the feed grains program, there would be no diversion or direct price support payments. For cotton, the responsibility of the Secretary would be similar to that for wheat, subject to some minimums established by the law.

In all cases, including that for wool, however, the Secretary would have broad latitude in establishing price protection programs—but less authority to deal with overproduction. The old law is singularly long on responsibility for the Secretary of Agriculture, but it is short on the leverage required to fulfill that responsibility. The Secretary's job is difficult enough, because he is beset on all sides by political forces that seem willing to reduce American farmers to serfdom. He does not want this, of course. America—with its cities already too full, and consumers dependent on agriculture for plentiful food and fiber—would not tolerate it.

With the recommendations that my associates will make to the committee, we believe the Food and Agriculture Act will better serve farm families and will be a step toward correcting the inequities between agriculture and other sectors of our economy.

Mr. Chairman, I am available for any questions that the committee may have. And if there are none, I would like to present the president of our North Dakota Farmers Union who will discuss the wheat provision of Senate 3068. Mr. Smith?

The CHAIRMAN. You may proceed, Mr. Smith.

STATEMENT OF E. W. SMITH, CHAIRMAN, EXECUTIVE COMMITTEE, NATIONAL FARMERS UNION, AND PRESIDENT, NORTH DAKOTA FARMERS UNION, JAMESTOWN, N. DAK.

Mr. SMITH. Mr. Chairman and members of the committee, there are some major differences between the Farmers Union's policy on wheat and the recommendations of our farmer coalition committee, and in a coalition you always sort of end up with the lowest common denominator. But since this 24 member—as of February 19, 27 organizations—organization committee did agree on improving amendments to the wheat program, I shall limit my remarks to setting forth the recommendations of the coalition committee.

Mr. Chairman, I would like to commend you on your January 27 speech on the floor of the Senate in which you did articulate well, I thought, the position of agriculture and its relation to the rest of our economy.

The group has called for the following changes in the present wheat program:

1. An export certificate. Wheat accompanied by export certificate to be supported at between 65 percent, which is $1.81, and 90 percent, which is $2.51 of parity.

2. National average support price loan value of $1.25 per bushel at harvest time rather than at loan maturity time.

3. No reduction of projected yield for any farm by over 5 percent of the preceding year by reason of natural disaster.

4. Payment of at least 50 percent of value of domestic and export marketing certificates at time of program signup.

There are no proposed changes in the domestic certificate, the substitution clause, the overseeding privilege or any other of the 1965 Farm Act provisions pertaining to wheat.

In way of explanation and justification for these four proposed changes, I will comment briefly:

1. Export Certificate:

Despite desirable features of the wheat portion of the 1965 Farm Act, the commercial wheat farm economy is deteriorating rapidly. The domestic certificate assuring 100 percent of pariety on domestically consumed wheat has been an important bulwark against the cost-price squeeze the farmer is suffering. However, even the domestic certificate has been unable to hold wheat returns at a survival level. In the 3 years since the certificates program went into effect, the blend price for compliers (national average market price per bushel plus returns for certificates) has been: in 1966, $2.22; in 1967, $1.87; in 1968, down to $1.79.

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In addition to this disastrous drop in blend prices, the wheat farmer has had his allotment cut 32 percent and has seen his input costs raised by 15 percent.

Senator CURTIS. May I interrupt right there? You cited those prices for 1966, 1967, and 1968. During that period the law did not change, did it?

Mr. SMITH. The blend percentage——

Senator CURTIS. No, but I mean the basic law that you were operating under.

Mr. SMITH. No.

Senator CURTIS. There was no change in that?

Mr. SMITH. Basically no changes in that.

Senator CURTIS. There was no action of the Congress.

Mr. SMITH. That is right.

Senator CURTIS. What did bring it down?

Mr. SMITH. The production capacity of the farmer and the percentage of the use domestically and foreign made the changes, the drop in the foreign shipments.

Senator CURTIS. The drop in foreign shipments. Was that in any way affected by our transportation difficulties?

Mr. SMITH. Well, I think they would add something to it, sir, certainly.

Senator CURTIS. The boxcar and the dock strike?

Mr. SMITH. I do not believe so.

Reuben, would you think there were——

Senator CURTIS. I will not say the result of it.

Mr. JOHNSON. Well, actually, the percentage of the crop on which the Secretary makes available a domestic certificate is a determination that is left up to him. And I believe in 1969 that was 43 percent of the crop. I cannot recall what it was for those years of 1967, 1968, and 1966. But obviously there must have been some difference in the provisions of the program.

The CHAIRMAN. Is it not a fact that one of the main reasons for this change is that—I think there was a miscalculation as to world production 3 years ago, and as a result of that miscalculation the acreage was increased considerably, and it turned out later that the world production of wheat was much, much greater than what the Department anticipated, and that is what caused this drop.

Senator CURTIS. The acreage was increased in 1966.

The CHAIRMAN. Yes.

Senator BELLMON. Mr. Chairman, there is another factor, and that is that up until 1966 we had not had the wheat certificate program so that the elevator price was substantially higher than it was before it went into effect, so part of the 1966 year was marketed under the old program. As soon as the certificates went in, the elevator price for wheat went down by about——

The CHAIRMAN. I think it was in the 1965 act, the, the certificates——

Senator DOLE. But in 1966 the market price in Kansas was still around $1.70 per bushel.

Mr. JOHNSON. I think that accounts for the $2.20 and the $1.87. The market price was higher.

Senator DOLE. Everybody was waiting for it to go to $2, and they are still waiting.

The CHAIRMAN. Right. And we also had—before the 1965 act we had an act that we passed and renewed it from year to year until we got to pass the 1965 act. So there was no protection there, almost in the same manner as you had in the 1965 act.

Senator DOLE. Mr. Chairman, the figures reflect the drop in market prices more than anything. The situation in Kansas in 1966, 1967, and 1968 didn't have any bearing on the certificates—in 1966–67 it was an average price of $1.63; in the 1967–68 year, $1.39; and in 1968–69, $1.24.

The CHAIRMAN. Well, that was partly due to the large amount of wheat we had on hand before that.

Senator DOLE. Right.

The CHAIRMAN. We had produced just about what the domestic and foreign markets would take in. And then by the increase of acreage and better crops all over the world, why that changed the picture.

Senator DOLE. But we are back up now to almost where we were in 1961 as far as carryover. It was about 1.1 billion then, and now we are about to 900 million, so I do not know whether we have made any headway or not. The farmer has not.

Mr. SMITH. Large wheat stocks throughout the world have depressed prices to or below loan level. Relief is desperately needed.

Senator CURTIS. I do not want to delay it too long, but we have never been successful in any international agreement to get foreign countries to take part of their acreage cut. It has always fallen on the American farmer.

If there was too much wheat in the world, the American wheat producer had his acreage cut. But we have never been successful in any agreement or negotiations of any kind to get that spread around.

Mr. DECHANT. Well, Senator, I think the record would show, however, the Canadian farmers certainly have a form of supply management. I think some progress has been made this last year with the Australians. I took occasion in November at a meeting of the International Federation of Agricultural Producers in Tokyo to quite explicitly tell our member countries—there are 32 countries involved—tell the farm organizations of these countries that they, too, have to face up to doing something about supply management, that they cannot expect the American farmer to carry this burden alone. But Canadians have a form of supply management.

Senator BELLMON. Theirs is not supply management. Theirs is a market.

Mr. JOHNSON. They cannot market it.

Mr. DECHANT. I said it was a form of management.

The CHAIRMAN. But they have no program there.

Mr. DECHANT. They have no program like ours.

The CHAIRMAN. That is right.

Since we have mentioned the price support and the season average prices for the years 1966, 1967, and 1968, I would like to put in the record at this point, "The Wheat Situation," a document that was printed by the Department in February 1970. I will ask that that be placed in the record as well as the projected price for 1969 so we will have the whole picture.

(The table is as follows:)

WHEAT PRICE SUPPORT AND PRICES RECEIVED

Item	Year beginning July				
	Average, 1964–68	1966	1967	1968 [1]	1969 projected
	Dollars per bushel				
Price support:					
National average loan rate	1.26	1.25	1.25	1.25	1.25
Average certificate payment	.50	.59	.48	.55	.65
Season average price received:					
By nonparticipants	1.39	1.63	1.39	1.24	1.23
By program participants	1.89	2.22	1.87	1.79	1.88

WHEAT SUPPLY AND DISTRIBUTION

	[Million bushels]				
Supply:					
Beginning carryover	643.6	535.2	425.0	539.4	819
Production	1,401.9	1,311.7	1,522.4	1,576.2	1,459
Imports [2]	1.2	1.7	.9	1.1	1
Total supply	2,046.7	1,848.6	1,948.3	2,116.7	2,279
Domestic disappearance:					
Food [3]	513.1	501.9	519.2	519.8	525
Seed	67.8	78.4	7.15	61.6	55
Industry	.1	.1	.1	.1	
Feed (residual) [4]	110.2	98.9	57.0	172.5	200
On farms where grown	(40.1)	(26.1)	(42.9)	(58.6)	
Total	691.2	679.3	647.8	754.0	780
Available for export and carryover	1,355.5	1,169.3	1,300.5	1,362.7	1,499
Exports [2]	728.4	744.3	761.1	544.1	600
Commercials, including barter	(322.6)	(438.8)	(366.9)	(293.2)	
Total disappearance	1,419.6	1,423.6	1,408.9	1,298.1	1,380
Ending carryover	627.1	425.0	539.4	818.6	899
Privately owned—"Free"	(194.5)	(223.7)	(216.2)	(202.9)	

[1] Preliminary.
[2] Imports and exports are of wheat, including flour and other products in terms of wheat.
[3] Used for food in the United States and U.S. territories, and by the military both at home and abroad.
[4] Assumed to roughly approximate total amount used for feed, including amount used in mixed and processed feed.

Source: U.S. Department of Agriculture, Economic Research Service.

The CHAIRMAN. You may proceed, sir.

Mr. SMITH. All right.

We are requesting, therefore, an export certificate which would, in effect, make a three-price program for wheat.

Using this year's parity price and also this year's domestic certificate percentages, a complying farmer would receive: Domestic, $2.79 per bushel for 43 percent of his normal yield; export, $1.81 per bushel for 40 percent of his normal yield; noncertificated, $1.25 per bushel for 17 percent of his normal yield—if minimum 65 percent of parity was used.

The blend price to farmers would be $2.15 per bushel for the normal yield on allotted acres.

Second. National average support price loan value of $1.25 per bushel at harvest time rather than at loan maturity time.

It is now the practice to subtract 10 cents per bushel storage cost from the support loan price if the wheat is in commercial storage. We urge that the full loan rate be paid when the wheat is put into storage at harvest time and then make the farmer responsible for paying his own

storage liability when his wheat is either sold or turned over to the Commodity Credit Corp. This would have the effect of setting the market price floor, which is dependent on the loan level, 10 cents higher at harvest time.

Senator CURTIS. I apologize for interrupting. I am interested in that point there, and I think it would raise the price at harvest time, but I wonder will it create individual hardship if the Commodity Credit Corp. has to take over the wheat and at that time the farmer has to raise the money for the storage?

Mr. SMITH. Well, in some cases I would suspect this is true. It is like managing money with any other group of people; some of them will have problems and some will not. However, my personal experience is that these farmers generally have an overrun in the grain and are able then to pay off the loan charge.

Senator CURTIS. I see.

The CHAIRMAN. Let me ask you this question.

What bothers me here is simply this. Here you are more or less fixing the price of wheat, giving to all producers a guarantee of so much per bushel. Do you not think that that would encourage large producers to plant without complying with the act? In other words, as you know, this is a voluntary program.

Mr. SMITH. Yes.

The CHAIRMAN. There is no way it is controlled. And if you fix the price high enough, why the larger wheat growers will doubtless plant all they can and not get into the program. And I am just wondering what effect that will have on the wheat that will be produced over and above what we can use.

Mr. JOHNSON. Senator, actually, this change that we just referred to here giving a farmer 10 cents more a bushel at harvest time would only be getting him up to $1.25 loan level. The spread between the $1.25 and $2.79 parity is what the complier in the program would receive in the form of a certificate payment, or combination of certificate—payment. This amounts to $1.54. It would seem to me to be considerable incentive to encourage that large producer to stay in the program.

The CHAIRMAN. Now, on the export, the price would be $1.81 per bushel for 40 percent of his normal yield. I am just throwing that out to you——

Mr. JOHNSON. He would still be getting a blend there that would be——

Mr. SMITH. It would bring it to $2.15.

The CHAIRMAN. All right, that would be $2-some odd cents that would be guaranteed or would be the support price to any producer who followed—who joined the program, who is in the program. But now, if you make it that attractive, it would strike me that larger farmers could make money on producing larger acreage because he could sell his wheat in the markets just a few cents below what the Government would pay for it for those who complied. That has been our trouble in the past.

Mr. JOHNSON. We do not anticipate, Senator, giving the man who grows an unlimited quantity of wheat any export certificate. If he is not in the program, he does not get either the export or the domestic

certificate. In fact, he does not even get the loan. He gets the market price, whatever that is.

The CHAIRMAN. Well, he would take a chance though and produce and cause a surplus that will keep on dangling on the market, and it will depress the price.

Mr. JOHNSON. Senator, he would not have any more incentive under our proposal that he has currently.

The CHAIRMAN. Than what?

Mr. JOHNSON. He would not have any more incentive to produce additional quantities of wheat, the noncomplier, than he has had in the past.

Senator DOLE. In effect he would have less.

Mr. JOHNSON. He would have less because the export certificate would give him more income and he would be looking for that.

The CHAIRMAN. Well, what I would like to see in a bill is something whereby we could, in a measure, not exactly force, but make it attractive enough that he will come into the program.

Mr. JOHNSON. Well, Senator, what we would prefer in the Farmer's Union and what our program makes very clear, our first choice is having a program like you run down in Louisiana for rice, and like we still have for cotton and peanuts and tobacco. That would be our first choice.

The CHAIRMAN. You mean you would want acreage control?

Mr. SMITH. Mandatory program.

The CHAIRMAN. An acreage control program which you voted out, and I do not think you would oppose that today.

Mr. JOHNSON. Well, sir, that is a pretty generally held conclusion, I think.

The CHAIRMAN. I am sure of that.

Mr. SMITH. Reduction of the projected yield by national disaster. Here we should not ask for more than a 5-percent deviation if it were a natural disaster.

Senator DOLE. Why should you ask any?

Mr. JOHNSON. If you wanted to have no reduction, I do not think our organization would argue with that.

Senator DOLE. I raise the question since I am on a disaster subcommittee. We are doing everything for people who have disasters except for the farmer, and we ought to include him.

Mr. JOHNSON. We would be for that.

Mr. SMITH. Yes; we surely would.

Senator DOLE. I just ask mainly for this reason.

Senator CURTIS. We got that point settled now.

Mr. DECHANT. Thank you, Senator. We will count on it.

Mr. SMITH. Advance payment. This request is base on the fact that the program is immediately benefited by the farmer indicating his intention to comply. A precedent in other commodities is also available. Obviously, need is the third factor—farmers need operating money at time of signup, and high-interest commercial loans are the only alternative.

Senator DOLE. With reference to that, there have been advance payments under the Federal grain program.

Mr. SMITH. Yes.

Senator DOLE. In fact, I, along with others, authored a bill which got through the House a couple years ago but we could not get it

through the Senate at that time. Now, hopefully we can get it through the Senate but maybe not through the House. I agree with you, it does not cost any more except the administrative cost. It does make some money available to the farmer when he needs it.

Mr. DECHANT. That is right.

Mr. SMITH. And we think when he signs the contract that this is when they ought to pay for the contract that he signs.

Senator DOLE. The Government is not going to lose any money. If he does not raise any wheat they are still going to be protected.

Mr. DECHANT. Senator Dole, we appreciated your efforts on that when you were working in the House on this front.

Senator DOLE. I tried to get over here in time to catch it, but did not.

The CHAIRMAN. Well, I do not think you will have any difficulty making it uniform. If others have not, I do not see why we should have.

Senator DOLE. That is the point we raised. It was for feed grains, and in the cotton program it was not applicable.

Senator BELLMON. The farmer's big expense comes at seed time when they have to buy fertilizer, and it would really be good efficiency to have this money available. Right now most farmers are paying 12 to 18 percent interest on fertilizer expenses.

Mr. SMITH. He is put under tremendous economic pressures and anything like that might help to keep that rural-urban balance would be helpful.

Mr. Chairman and members of the committee, with your permission at the risk of being a bit provincial perhaps, may I in closing submit as briefly as possible one more recommendation. It is not new. It has been submitted to the Secretary of Agriculture at his meeting in Pullman, Wash., April 23, 1969. It is being suggested again as a resolution adopted by eight farm groups meeting in Helena, Mont., last July 17.

We request adjustment in loan rates to fully reflect the $1.25 figure on wheat. We suggest this may be done by one or a combination of the following changes in setting various loan rate levels:

1. The $1.25 loan rate at all locations, regardless of distance from so-called "terminals."
2. Adjustment of loan rate to reflect actual value on quality of wheat rather than "the dominant wheat class produced in the area tributary to an individual terminal market."
3. Varying the value of the wheat certificates to fully reflect 100 percent of parity.

We recognize that price cutting under the International Grains Arrangement is not a matter that can be corrected through legislative action. However, we want to clearly record our continued strong support for a workable IGA and urge the committee to lend its support toward this objective.

Farmers have the most at stake in the failure of IGA-member governments to abide by the price schedules set out in the arrangement.

Senator DOLE. With reference to that, is this not an area where Canada has given us some problems in the past? Have they been one of the violators of the arrangement?

Mr. SMITH. I think that debate goes back and forth. They claim we are the first violators and we claim they are the first. The other member countries have made some sales before the minimum.

Senator DOLE. But there have been some concessions made. At the meeting last year in Washington there was some effort made to strengthen the IGA because there is a feeling that, again, our farmers take the rap; we hold up the umbrella and everybody in the world gets under it and there is no room for the American farmer.

Mr. DECHANT. Well, Senator, if I may add to Ed's comment, we were pleased when the President met with Prime Minister Trudeau and they issued a joint statement saying that they were going to strengthen the IGA and hold to the price line. And of course we were then quite disappointed when there is now considerable evidence that we led the parade in making the cuts as early as last September, or last summer.

Senator DOLE. But this was done, at one time, to serve notice on the other countries that we are going to be competitive. It was serving notice on some other countries to the agreement that we were going to do business and not be the patsy all the time.

Mr. DECHANT. Well, regardless of how it was done, I think it was in error. I think that at the highest level possible—and this involves President Nixon and Prime Minister Trudeau and Prime Minister Pompidou and the various countries, I think at that kind of level we ought to have a treaty that is ratified by the Senate, be a meaningful operation and should be observed, should not be violated.

Mr. SMITH. Just in closing, might I say, Mr. Chairman, I appreciate the dialog this morning and your statement on the floor of the Senate on January 27 in which you said that every dollar invested in agriculture returns $3.33.

Now, I do not think our city cousins really understand how important this agricultural program is to their total economic situation, because farmers are in a very peculiar position. It appears every time they do a tremendous job in efficiency in producing more they get penalized for it, and this is not true in any other industry except agriculture, it is always put upon the block of efficiency. Nobody else is put on this altar. And I say very candidly I think that the dollar invested here is by far a greater return to the economy than any other since the chairman here just said that the dollar in the nonfarm sector only brings back $1.46, I think this is a very good illustration of what agriculture programs have done for this country.

Senator DOLE. Is there not one theory that a dollar brings back $7 in agriculture? Maybe that has changed.

The CHAIRMAN. $3.33.

Senator DOLE. $3.33.

Mr. SMITH. Out of your Kansas study they said in 1960 it would be about $3.

The CHAIRMAN. According to one study that was made in Kansas.

Senator MILLER. May I ask a question?

The CHAIRMAN. Yes.

There is one question I would like to ask first.

Mr. SMITH. Yes.

The CHAIRMAN. You are advocating here that the loan be at least $1.25.

Mr. SMITH. Yes, to every farmer whether he lives so far from the terminal or not. There should be no penalty.

The CHAIRMAN. Well now, so as to get more people to cooperate in this program, do you think we could attain the same results by making a bigger direct payment to those who comply rather than raise the loan because I am just scared of that? We have had trouble in the past as to quite a few commodities where the loan rate is, let us say, in corn or feed grains in particular, where the loan rate was, say $1.25, or $1.30. The large producer would keep out of the program and just sell theirs at about a cent or two below the loan rate.

So what we did was to lower the loan rate and make a greater payment to the compliers. And in that way we obtained, I think, more cooperation.

Mr. SMITH. This is the only way you can make a program like this work.

The CHAIRMAN. Well, the idea is, although this is a voluntary program, it strikes me that we ought to put into the law as much incentive as possible so that you will have a larger number to cooperate.

Mr. SMITH. Yes.

The CHAIRMAN. So that the production would be in keeping with what the Department states is needed in both domestic and export sales.

Mr. SMITH. That is right.

Mr. JOHNSON. Senator, I think you make a very key point here, and I would like to say that with $1.55 coming to the complier in wheat in the form of a certificate, we have attracted him into the program. I think the figures might be well put in the record here that would show the percentage of participation of wheat acreage in the program as well as the percentage of farmers. I do not have that with me, but with your permission I would like to put it in the record.

The CHAIRMAN. Get it, and we will put it in the record at this point.

(The material referred to follows:)

FEED GRAIN AND WHEAT PROGRAM PARTICIPATION

	Feed grain		Wheat	
	Farms (number)	Base acreage (Mil. Ac.)	Farms (thousands)	Allotted acreage (Mil. Ac.)
1965:				
Total	3,179	127.1	1,715	53.3
Participation	1,424	83.2	820	43.5
Percent	44.8	65.5	47.8	81.6
1966:				
Total	3,171	128.2	1,703	51.5
Participation	1,404	79.0	809	42.1
Percent	44.3	61.6	475	81.7
1967:				
Total	3,027	109.3	1,692	68.1
Participation	1,308	66.4	769	56.8
Percent	43.2	60.7	45.5	83.4
1968:				
Total	3,022	110.1	1,692	59.3
Participation	1,427	72.1	803	50.2
Percent	47.2	65.6	47.5	84.7
1969:				
Total	3,182	129.4	1,692	51.6
Participation	1,588	88.5	953	45.2
Percent	50.0	68.4	56.3	87.6

Corn and sorghum only.
Source: USDA.

Mr. JOHNSON. I am using the loan and the price of wheat is pretty close to the loan. But your point is especially well made in the other programs that are voluntary. In the feed grain program if we had a wider spread between the loan and the total price that a producer would get through a combination of the support and the payment; if we had a wider spread there, we would attract more people into the feed grain program and make that program work better in terms of managing supply.

Now, here comes the crux of the matter. If you widen the spread with an increase in the payment, you increase the amount of income that a producer gets by the route of payment. Therefore, you increase the cost of the program. And that is one of our difficulties getting additional budget for farm programs.

The CHAIRMAN. Well, as you recall, the Secretary had flexibility there in reducing the loan, I think, as low as 90 cents a bushel for corn.

Mr. JOHNSON. He can go as low as 65 percent of parity.

The CHAIRMAN. Or whatever it was. But he was permitted to increase the direct payments to the compliers. And of course that had the tendency of having more people, more farmers to comply with it, come into the program.

Senator?

Senator MILLER. Thank you, Mr. Chairman.

I am troubled, as you undoubtedly learned this morning in my questioning of Senator Yarborough, about the impact of the loan rate on our export position, our competitive position in world markets. How do you answer that problem?

Mr. JOHNSON. Senator, farmers are interested in maintaining exports all right, but not in effect having forced on them prices that reflect living standards of other countries that are lower than ours as a price for getting these exports.

Now, we would rather, I think, share with consumers generally the cost of this expanding trade.

For example, if it is good to have this country sell 600 million, 700 million bushels of wheat a year overseas, then it ought to be good for everybody, not just for farmers; especially if we have to compete in a kind of an international cartel that continues to try to drive the price of wheat down to the producer.

We have done this in the past through the use of an export subsidy. We have shared—we have let the consumer share in helping us increase trade. And I think we are justified as a nation in doing that because nearly everybody, I think, agrees that trade is wonderful for our balance-of-payments position. But especially those people who have a vested interest in it. The exporter has a way to extract his profit margin on every bushel sold. He wants that farmer, therefore, to keep on growing the product he exports at the lowest possible price. This makes it possible for him to pressure others who export in other countries for a larger volume of sales or what he considers a fair share. There is no limit to what our exporters consider a fair share.

That is the whole idea behind the International Grains Arrangement—to try to bring some order into this business of trade. It ought to be extended in our opinion to crops like feed grains and other commodities that enter importantly into world trade.

Senator MILLER. Well, I do not want to get into the International Grains Arrangement because I do not need to tell you that I opposed it in the first place. Warnings I sounded came true. And I am very much opposed to it, especially in the way other nations have violated it. But I agree with you about the sharing of the cost with the general taxpayers of this country. And I am not interested in the farmer picking up the tab.

But what I want to know is what mechanics can we use if we have a fairly high loan rate that is above the world market price, what mechanics can we use that will enable us to conform with the GATT rules. And my understanding is that a direct subsidy is a violation of the GATT rules. I am wondering what is the answer to that.

Mr. JOHNSON. Senator, if you look at the price supports on the commodities within the Common Market countries—let me ask you, how do they support wheat over there at whatever they do? It is $3 or something, is it not?

Mr. SMITH. $4 something.

Mr. JOHNSON. They are members of the GATT. They are paying their farmers two or three times more for the commodities they grow than we receive in this country.

Now, there must be a way then to comply with the rules of GATT and at the same time reward farmers on some kind of basis of equity for their productive efforts in this country.

Senator MILLER. I am very must aware that the Common Market holds up the price of wheat, for example, for their farmers. I do not know the mechanics they are using to get around the GATT rules.

But I want to know what you suggest the United States use as the mechanism for us to see that there is this sharing of costs as you put it, which I agree with, and at the same time comply with the GATT rules.

Mr. JOHNSON. Well, sir, I think it would be consistent with GATT rules for us to have an export certificate on wheat. This in effect, Senator, is obviously a direct payment to the wheat producer. You can call it a wheat certificate. We called it that. But if you take it out of the Treasury of the United States, it is a direct payment. We use this device to bring down—hopefully bring down prices to the consumer. In behalf of the consumer we use the direct payment more widely than we have never used it before. And certainly paying a direct income payment to a farmer is not an export subsidy and is not subject to any violation of the GATT rule.

Senator DOLE. Do you think it would be possible to shift there to obtain the money for the export certificates, instead of the Treasury?

Mr. JOHNSON. Well, Senator, you are more familiar, I am sure, with the amount of money that we would be putting back into our Treasury if we protect the IGA minimum. It is not a big amount of money. But the higher that minmum price is in the International Grains Arrangement, the more we get back in inverse subsidy in our exports.

Senator DOLE. I refer to the domestic program. Presently the Government pays about 50 cents a certificate and the processor pays 75.

Mr. JOHNSON. Well, it is about 75–75 and going up on the payment side.

Senator DOLE. Right. Now, could we have the processors pay $1.25 and then use that for the export certificate? Do you think that would pass the House if we passed it on to the processor?

Mr. JOHNSON. What we would in effect be doing here would be passing it along to the consumer through that certificate route.

The CHAIRMAN. That is right. That would be the trouble.

Mr. JOHNSON. And Senator, in all candor, I would say that we would have extreme difficulty. We possibly could do it in the Senate, but in the House we would have extreme difficulty.

Senator DOLE. The consumer ought to pay the bill.

Mr. JOHNSON. Well, sir, he would be paying the bill either way and you would be more honest with him just to go ahead and give us a direct payment. I would not be for the subterfuge.

Mr. SMITH. For clarification, Senator, what is the exact definition of a subsidy in the GATT regulations? Does it say subsidy or tariffs?

Senator MILLER. I don't know. I think it says subsidy. But I do know this, that when they put a subsidy, an export subsidy on canned hams over on the Common Market a couple years ago, I was advised that that was in direct conflict with the GATT rules and eventually they compiled.

By big problem was that it took too darned long for the administration to make them comply, and I think that is part of the problem that you have brought out today. But Senator Ellender, I think, made a suggestion which might be one of the solutions, and that is a lower loan which might enable the price for export to be competitive and a higher payment. That would be one approach. I am just wondering if there are other approaches because I am deeply concerned about not just maintaining our export trade, but expanding upon it.

Mr. SMITH. I would think that with the price relationship between feed grains and wheat, if you lower wheat not the feed grains. Is that right, Senator Young?

Senator YOUNG. I would like to comment on that when you are finished.

Senator MILLER. Let me ask a couple more questions, then I will let Senator Young go ahead on that point, if I may.

Do you have any target as far as to total crop acreage to be retired is concerned?

We were talking this morning that we have nearly 50 million retired acres today. The bill that Senator Mathias appeared in behalf of referred to a 50-million acreage retirement target. Do you have a target?

Mr. SMITH. Well, the Farmers Union position is that it be left to the Secretary of Agriculture to decide on how many acres are really necessary, but retirement of acreage would be done on an equitable basis by every producer of that product so that it would not take out whole farms. This is the position of the Farmers Union.

Senator MILLER. But you don't have any particular target—30, 40, 50, 60 million acres, in mind?

Mr. JOHNSON. Well, Senator, no, because our approach is to rifle-shot the diverted acres that we need commodity by commodity. That way we feel that we can make the programs work better in terms of coming out with a right balance between use and production.

Senator MILLER. Well, do you have a breakdown by commodity of a targeted retirement acreage?

Mr. SMITH. No, sir.

Senator MILLER. So much cotton, so much wheat, so much corn.

Mr. JOHNSON. The program we support gives the Secretary some flexibility above a price support floor to run the program and to set the acreage and to set payment rates at levels he thinks will attract the needed participation. We believe that this commodity-by-commodity approach is a much superior way to take out the acres that we need to take out, because we are rifle-shooting in on commodity and not trying to run a blanket-shotgun kind of an overall retirement program.

Senator MILLER. Now, a third question. There is no provision in the bill which you are supporting for payments limitation. I don't need to tell you that there has been a lot of criticism of the fact that there is no payment limitation and that, so to speak, the rick get richer and the poor get poorer, the low-income farmer, the small farmer gets relatively little. Do you have any policy on payments limitation and, if so, could you tell us what you recommend?

Mr. DECHANT. Well, Senator, we do have a policy within the Farmers Union, and we had planned to present it. It is a little bit later in the statement. Now, if the chairman prefers, we can do it now or we can wait until we get to that point of the program.

Senator MILLER. Yes; I am sorry if I anticipated what you were bringing up so I will just waive that question.

Mr. DECHANT. We do have a position.

Senator MILLER. Thank you.

The CHAIRMAN. All right.

Senator YOUNG. Mr. Chairman.

The CHAIRMAN. Yes, Senator.

Senator YOUNG. I would like to comment on the point you were discussing a little bit ago about lowering loan rates for wheat to be more competitive in world markets. That is one of the points that will create a lot of controversy and one which the administration draft bill dealt with. If I thought that lowering the loan price—and it would mean, lowering the cash price—would increase exports, I would be for it.

All of the wheat importing countries, every one that I know of has a fixed price far higher than the U.S. price. The world price is a sort of a rigged price. It is established largely by Canada and the United States and to some extent other wheat exporting nations. It doesn't make any difference how low the price gets here; it doesn't seem to increase exports. At one time less than a year ago, our price was lower than the world price. At that time, exporters had to make inverse payments to the Commodity Credit Corporation of about 12 cents a bushel. Now the export subsidy is about 12 cents a bushel. This doesn't seem to make much difference at all. If we could take advantage of the higher price of wheat in all of the big importing nations, I say meet that competition, but there is no such thing. The only world price there is is one that was pretty largely agreed upon, a negotiated price set by the major wheat exporting nations.

So I think this is one of our most difficult problems to deal with. It is a very controversial one, and to me, I would rather have no program at all than to get price supports down to, say, 90 cents a bushel in the

hope of it gaining more exports—you aren't going to gain them. That is my own opinion on it.

The CHAIRMAN. Well, what I had in mind was to attract more cooperators by giving them more payment, more direct payments. That was my idea. It is not with the idea of increasing supports.

Senator YOUNG. Of course, we would gain more opposition from those who are opposed to the program on the basis of the costs of the program. I don't think the costs are excessive, but whenever you up the cost of the program, and we would be doing it by this method, it would mean more opposition.

Senator MILLER. May I ask a question at that point? Why would it necessarily mean more cost? If you have a high loan rate, I can see the Government acquiring those stocks, the Commodity Credit Corporation having a deficit because of the lower price it sells them for especially on export. I am not sure that I understand why Senator Ellender's proposal would cost more.

Senator YOUNG. Well, your loan rate to a farmer really fixes his price, and this is for all the wheat he produces. We export a little over half of our wheat production so the farmer would be receiving a whole lot less for his entire crop. If we gained very much in exports, it might be worthwhile. But I really can't see this argument of meeting a world price when there is no such thing as a competitive world price.

The CHAIRMAN. But under the law as it now stands, and I presume it won't be changed, on domestic, I mean wheat produced for domestic consumption, he gets full parity.

Senator YOUNG. Under the present law, if we keep that, farmers are assured full parity for domestic consumption.

The CHAIRMAN. If we keep it.

Senator YOUNG. Some proposals would change that.

The CHAIRMAN. Now, my idea is that in order to invite or make it more attractive to get more farmers in, let the payments be direct, make a larger direct payment and lower the loan, not with the idea of selling the wheat abroad, but of getting more farmers to cooperate so that we can reduce production.

Senator YOUNG. If you didn't have any limitation on payments, it would be a little more workable. But if limitations are put on payments, of course, they would reduce the effect on increased payments. What you are suggesting, would get more farmers bumping that ceiling of 20,000 dollars that was proposed or whatever it may be.

Mr. JOHNSON. Mr. Chairman, could I ask Senator Young a question?

Senator YOUNG. Yes.

Mr. JOHNSON. Senator Young, don't you feel that the fact that a complier now gets $1.55 a bushel on 43 percent of his production, that that is pretty good incentive to get in the program, in the wheat program? Would you agree to that?

Senator YOUNG. It is. But wheat doesn't have a diversion payment as feed grains do.

Mr. JOHNSON. That is correct.

Senator YOUNG. You could, if you wanted more participation, give the wheat producer an acreage diversion payment the same as feed grains.

The CHAIRMAN. All right, sir. You may proceed.

Senator DOLE. With reference to exports particularly in wheat 1967–68 was 761 million, in 1968–69 it dropped to 444 million and it may have increased 60 million in 1969–70. Do you have any ideas how we are going to get the exports back up to where they were a few years ago?

Mr. SMITH. Well, I think what really happened in the world was that they all had tremendous crops, which was not true many years ago, and I suspect their technology is rising with ours and could cause us some real problems ahead if this is what we are banking on.

Senator DOLE. In fact we increased the wheat acreage twice one year and jumped our carryover from 400 to 800 million bushels.

In some of the PL–480 countries, India in particular, the demand is less. Maybe we ought to take a look at the structure of the PL–480 program. We ought to be pushing it a little harder. The program has the ability of alleviating our surpluses at the same time it's helping some recipient nation. PL–480 is not a dumping program, because it also is beneficial.

Mr. SMITH. Senator, this is where the Farmers Union feels then that we need an export certificate because the farmer has been carrying this load of, you know, conventional sales and things that maybe the State Department has had something to do with in relationship——

Senator DOLE. It has been one of our most important foreign policy weapons.

Mr. SMITH. Yes; I think so and I think we ought to continue it.

Senator DOLE. But getting back to my earlier question, during the wheat program debate there was a big bread tax discussion. This was the red flag, and as you know, someone organized a group of bakers, millers, even labor unions. I can't remember the name of it, it was some coalition group. You weren't a part of that.

Mr. DECHANT. No.

Senator DOLE. Their cry was "we can't pay the bread tax," and that is how the Treasury came to pick up 50 cents of it. Since that time the millers are satisfied apparently with the program. The bakers are satisfied with the program. And I wonder if you would meet that same resistance today. I am just trying to find some additional revenue for the farmer. It is going to be hard to find it in the Treasury. What is so objectionable, to increasing the processors' portion? You say it might be difficult, but——

Mr. JOHNSON. Senator, I guess, Tony, you would accept almost any route that added some income to the farmer's pocketbook, wouldn't you?

Mr. DECHANT. Our problem——

Senator DOLE. Even if it is only 10 cents.

Mr. DECHNT. Our problem on the farm front is one of income and dealing with the problem that Senator Bellmon raised several times this morning, how do you stop this senseless migration off the farms and out of our rural towns?

Senator DOLE. Well, they are closely related, of course.

Mr. DECHANT. They are related. And so we talk a lot about the main problem. We have got to get more income out in rural America.

Senator DOLE. Have you talked with the millers or this group that were violently opposed to the "bread tax" initially about a possible increase?

Mr. JOHNSON. No, I haven't.

Mr. DECHANT. I haven't; no.

Senator DOLE. It is something we ought to explore because it might be better to get this——

The CHAIRMAN. Well, you will hear from them before these hearings are over.

Senator MILLER. Mr. Chairman.

The CHAIRMAN. Yes.

Senator MILLER. Mr. Dechant just stated the truism that the farmers' problem is one of income, and I am sure he is talking about net income, not gross, and he is indirectly referring to the cost price squeeze. And we have been talking prices here but I know that you are concerned about the increases in the cost of production, and I know you are concerned about the inflation which has helped increase those costs of production. So I trust that you are strongly in favor of your Federal Government and the Congress in particular following a prudent fiscal policy so that we keep a stable dollar, are you not?

Mr. DECHANT. I have no argument, just so it isn't at the expense of the farmer.

Senator MILLER. Well, we are talking now about inflation, and it is not going to do the farmer any good or anybody else any good, except a few big investors, if we can't stop this inflationary move, so you want the Federal Government to follow a prudent fiscal policy, I trust. And a prudent fiscal policy would not be to take it all out of the hide of the farmer. We understand that.

Mr. DECHANT. It is not only a question of not taking it out of the hide of the farmer, we need to increase the farmer's income so that he can start sharing in some of the general prosperity.

Senator MILLER. That is right, but he is never going to share as long as you have this inflation pushing up the cost of his production.

Mr. JOHNSON. Yes, but Senator, do you concur with at least one member of the Council of Economic Advisers that keeps giving the President all kinds of advice about how to cut farm programs? Now, that part of it didn't worry us so much. But when the President took the advice and cut the 1971 budget by $969 million for agriculture, that begins to concern us.

Senator MILLER. Well, why should it? Where did he cut?

Mr. JOHNSON. Well, a big part of the 1971 budget reflected advance payments that we didn't get—about $400 million—in 1970 fiscal year.

Senator MILLER. Well, I am talking about total money now. Now, on the advance payments, I grant you that the advance payments were cut out, but you also must agree that the acceleration of the balance of the payments was in the picture. To my knowledge there is no cut in the total amount of payments. As a matter of fact, I believe that the President's budget proposes an increase in payments.

Mr. JOHNSON. Well, there are some fancy shenanigans that went on in this budget.

Mr. Chairman, rather than prolong this dialog, I would like to request your permission to put in our analysis of just what this 1971 budget does to agriculture in the way of cutting the budget.

(The information is as follows:)

ADMINISTRATION USDA BUDGET

Few documents have come out of the U.S. Department of Agriculture with a greater potential for confusion than the agency's proposed budget for 1971.

Three confusion factors are introduced to conceal a cut in income-protection program for farmers.

1. Advance feed grains payments ($400 million) were transferred out of fiscal 1970 into fiscal 1971 to create an apparently lower figure for fiscal 1970. Thus, for comparison purposes anything short of a $400 million cut in fiscal 1971 would appear to be an increase.

2. $1.3 billion in Farmers Home Administration loan funds are to be transferred from the government budget into the private sector through the sale of bonds on the open market. This raises two serious questions:

(*a*) Can private-sector funds be properly counted as government-sector funds? If so, will market receipts for farm commodities be counted at some future time as farm program expenditures?

(*b*) Will not the sale of Farmers Home Administration bonds at currently inflated interested rates freeze in inflation for years to come to the detriment of farmers and consumers?

3. Real increases in U.S. Department of Agriculture expenditures proposed for fiscal 1971 occur mainly in the areas of agricultural research, federal extension service, and food programs. The Farmers Union has an interest in all these programs, of course. But it must be recognized that they are not income-protection programs in a direct sense. In the context of the current cost-price squeeze on farmers, direct income-protection programs should receive the highest priority.

Some increases in income-protection programs are proposed. These are in cotton, dairy, and rice—all of which have mandatory price-support minimums under the present law.

Real cuts are readily apparent in ASCS, REA, and P.L. 480 funds in the amount of $219 million. Considering the postponement of feed grains payments, the real cut in CCC funds is evident in the amount of $267 million.

The transfer of government loans to the private sector and the juggling of payments out of one fiscal year into another conceals somewhat the budgetary intent. But the intent is clear. It is to make cuts in the budget for commodity programs wherever possible.

Future evdence as to the intent of the Administration to cut future budgets for farm programs is to be noted in their proposed farm bill. Examples are as follows: (1) the substitution of 0–90 percent of parity for current price-support floors in cotton, feed grains and wheat programs; (2) the recommendation that payments cannot be made unless subjected in advance to the approval of the Appropriations Committees and the Senate and House; (3) the removal of the requirement of present law that price support for cottonseed and soybeans be kept at a competitive level; and (4) the removal of the requirement of present law that oats, grain, sorghum, barley and rye be supported solely on the basis of their feed-value-equivalent to corn.

Senator MILLER. At this point I want the record to show that that amount of money that the budget is reduced by results from an increase in the amount of sales by the Farmers Home Administration of Farmers Home Administration securities, and that is it. So I am not worried about the——

Mr. JOHNSON. Senator, my comments were related not to any part of the Department budget except that part of it that relates to commodity programs.

Senator MILLER. Well, then you have no problem, because when I first saw the budget and I saw that the agriculture budget is cut by upward of $900 million you can be quite sure I was concerned, but my concern was alleviated when I found that it was not cut in the commodity programs and it represented an estimated $900 million more sales by Farmers Home Administration of its securities than in the previous year.

Senator BELLMON. Mr. Chairman.

The CHAIRMAN. Yes, Senator Bellmon.

Senator BELLMON. May I ask you a couple questions.

It seems to me that there is a big factor that agriculture has to offer that is very much in demand in this country and that should be attractive to the Congress. In the President's state of the Union message he spent a lot of time talking about environment and how we can increase the quality of life and need for more open spaces.

What would be the Farmer's Union position if we were able to put in this new farm bill some incentives for farmers to make the areas they control accessible to the public for outdoor recreation, hunting, fishing, camping, this sort of thing?

Mr. SMITH. Well, I think our position has been that there are certain areas in the United States that should go back into certain things.

Mr. BELLMON. Well, now wait. I am not talking about selling the land to the Government or using it for scenic purposes. I am talking about a farmer who operates a ranch or a wheat farm or a feed grain farm who is willing to let the public come in and use his land compensating him for this service.

Mr. SMITH. I think our program does specify that we are for adopting——

Senator BELLMON. Where is this? I haven't heard it.

Mr. SMITH. That is in our national policy.

Mr. DECHANT. In the Farmers Union position we have been for rural development.

Senator BELLMON. Where is it in your statement?

Mr. SMITH. It is not in here, sir.

Mr. DECHANT. Well, Senator, we have confined our—with the exception of one item which we will get to in response to Senator Miller's comment about limitation of payments, we have pretty well geared our presentation here today to the coalition farm bill. In other words——

Senator BELLMON. But why doesn't the coalition take note of this fact, that here is a resource that is available and it is attractive to the urban dweller and the urban Congressman and it is very salable.

Mr. DECHANT. Well, I don't think there would be any great objection on the part of the coalition, but it concerned itself primarily to income programs and to coming to grips simply with the extension and the improvement of the 1965 Farm Act.

Senator BELLMON. Well, wouldn't you consider this to be an improvement of the farm bill and wouldn't it help the farmer's income if we could get some payment for opening up his acreage to the public?

Mr. DECHANT. Well, Senator, I would guess offhand that the coalition would welcome any amendments on the floor from the committee to do anything to increase the income side.

Senator BELLMON. Well, could we get from the coalition an expression as to how they would stand on an open acre approach?

Mr. DECHANT. Well, most certainly the Master of the National Grange, John Scott, is going to have the coalition back in session, and we would be delighted to raise this matter, Senator.

Senator YOUNG. I think if you better understand Senator Bellmon's position you would favor it. Let me expand on it a little bit.

For example, on retired land, if the farmer was paid a little extra money to grow some feed grain for wildlife and permit hunting on that land, he would get a little extra payment.

Senator CURTIS. Nonfarmers.

Senator YOUNG. Yes, farmers. I think this is a program that would make the whole program much more popular and I think more acceptable.

Mr. DECHANT. Senator, we will certainly raise it with the coalition. I might say that many of our established organizations take a very enlightened view on working with their city and townspeople, and many of our States advocate programs to make hunters welcome, for example, out in the Midwest.

The CHAIRMAN. Well, along with Senator Bellmon's suggestion there, it strikes me that we ought to include in this bill that on any diverted acres, idle acres that the farmer would be permitted to plant crops not in surplus or crops that could be grown on which a profit could be made and thereby reduce the payments from the Government.

That in a large measure would certainly relieve the Government of these high direct payments.

Now, whether we can find enough crops to, not in surplus to grow on that remains to be seen. But a lot of people talk about planting castor beans as one example. We don't have much of that grown here. And it might be profitable to do it in some areas on these diverted acres, let the farmer plant that and thereby reduce the direct payments from the Government.

Senator MILLER. Would the Senator yield at that point?

Senator BELLMON. Mr. Chairman, may I proceed with my question just a moment?

In the proposal that has come from the Secretary of Agriculture on page 53 he has a lot of language that gets to this point I am talking about. If this committee or if the Congress could agree that opening up privately owned lands to public use is a service that the Government ought to pay for, I think it would relieve this great pressure that private owners now feel from urban dwellers to use private lands for recreational purposes. It would, I think, give the Congress reason to increase funding for agriculture. And at the same time I think it would increase farmers' income substantially.

Senator MILLER. That goes beyond just retired acres.

Senator BELLMON. That is right.

Senator MILLER. That includes operating farm——

Senator BELLMON. Yes; total acres of the farm.

Senator MILLER. Yes.

Senator BELLMON. But it is not a matter of buying up land. It is a matter of making multiple use of privately owned lands. And I would like to recommend that the Farmers Union at least look it over and if you like it, endorse it. And if you don't, perhaps we could agree on some amendment.

Mr. DECHANT. Senator Bellmon, we will take a look at it and we will see that the coalition has a chance to look at it, too.

The CHAIRMAN. The idea would be to make use of the property in some way so as to reduce the payments from the Government and thereby reduce the overall cost of the program. And whether you do that through permitting some to be used for recreation or what have you, I think we could also attain by permitting the planting of crops not in surplus on some of this.

Senator MILLER. Would the Senator yield at that point? I hope he means not in surplus or substitutes.

The CHAIRMAN. Well, whatever. I don't care, just so long as we don't aggravate the program any more than it is now.

Senator MILLER. Right.

Senator BELLMON. May I ask an additional question, please?

The CHAIRMAN. Surely.

Senator BELLMON. As I understand the statements that have been made here by the representatives of the coalition, you are talking about a three-priced program for wheat. Now, there would be one price for wheat that is used for food domestically, another price that is used for wheat for export, and a third price for wheat that is for all other purposes, for feed or whatever——

Mr. SMITH. Seventy percent of it would be for——

Senator BELLMON. Then as I understand our present wheat demand, roughly 40 percent of the wheat we grow in this country is used domestically for human food.

Mr. SMITH. Forty-three, I think.

Senator BELLMON. And roughly the same amount used for export.

Mr. JOHNSON. A little more, hopefully.

Senator BELLMON. A little more. It depends on what you use?

Mr. JOHNSON. Yes.

Senator BELLMON. And then the balance of it is for feed and that goes into this carryover. What would the three prices do to this relation? Would it reduce the amount of wheat that we need or what would happen under your proposal?

Mr. SMITH. Well, on the basis of last year's formula or the one proposed for this year 1970, 43 percent of the wheat yield would be domestic.

Senator BELLMON. Domestic for human food or does that include wheat we feed our cattle?

Mr. SMITH. No; that is——

Senator DOLE. That is all domestic use; isn't it? That is everything?

Senator CURTIS. That's the amount that is subject to the certificate.

Mr. SMITH. Yes.

Senator DOLE. That is certificated?

Mr. SMITH. Forty percent is expected to go to export and then 17 percent would be the balance left over for feed, seed, and other.

Senator BELLMON. Well, now it seems to me that the great hope for the wheat business, and I am a wheat farmer, lies in increasing the amount of wheat that is fed to livestock. The feed grain value charts I have seen recently show that when corn is worth a dollar a bushel, wheat is worth $1.43, and as more cattle and hog feeders learn that wheat is a good feed grain, it seems to me that there is an opportunity for this purpose, and I would hate to see us do anything to the farm bill that would hurt it.

Now, if we were adding to feed grain I don't think it would go any higher or lower. And, therefore, it seems to me there is an opportunity now to grow wheat for feed.

Mr. JOHNSON. Senator, you feed some livestock, too, I take it.

Senator BELLMON. Sure do.

Mr. JOHNSON. Well, some of these North Dakota farmers that just grow wheat, they are not so sure they want feed grain price for it. But to get back to the basis of your question——

Senator BELLMON. Now, wait a minute. They won't have to take feed grain prices. If they choose not to take wheat at that price they can——

Mr. JOHNSON. Well, you raised the question as to what our program would do to increase the production of wheat. It wouldn't have anything to do with that. Actually, the Secretary of Agriculture now is authorized to base the national allotment on estimated domestic and export requirements, and he has control over the wheat acreage and what is produced.

Now, the program is voluntary, of course, but he has got the national allotment divided up all the way back to the farm and spells out the details of the program and gives the participants in the program certain advantages, the domestic certificate and, in the case of our program an export certificate, and so our program has absolutely nothing—it would do nothing to either increase or decrease production because that is handled in a different way.

Senator DOLE. The only change you are asking is for the export certificate; right?

Mr. JOHNSON. And it wouldn't make any difference, also—that the farmer got export certificates on 40 percent of his wheat. It doesn't mean that amount necessarily would be exported at all. This is just a mechanism for deciding how to reward the farmer for his production. That wheat could go out into the feed use if economic conditions were such that they would attract wheat into such use.

The CHAIRMAN. Well, under your program, though, the exports—the payment would be made whether wheat is exported or not.

Mr. JOHNSON. Well, yes, sir. Basically, when the farmer gets his domestic certificate, he doesn't know whether that wheat was consumed domestically or what happened to it. He just gets a certificate on 43 percent.

The CHAIRMAN. All right. You may proceed, sir.

Mr. DECHANT. Well, Mr. Chairman, if I may then I would like to present the president of our South Dakota Farmers Union who will discuss the feed grain provisions of S. 3068, Ben Radcliffe.

The CHAIRMAN. You may proceed, sir.

STATEMENT OF BEN RADCLIFFE, PRESIDENT, SOUTH DAKOTA FARMERS UNION, HURON, S. DAK., ALSO REPRESENTING THE NATIONAL FARMERS UNION

Mr. RADCLIFFE. Mr. Chairman, members of the committee, our organization recognizes that the economic welfare of both feed grains and livestock producers are irrevocably tied together.

In many Western States, such as South Dakota, livestock now accounts for a bigger percentage of income than any other commodity. It is difficult to view the feed grains program separately because it relates directly to the livestock sector of agriculture in an economic sense.

We fully recognize the assistance of livestock producers and feeders that the feed grains program has provided particularly in regard to stabilizing the price of feed.

The Nation's farmers badly need legislation giving them stronger supply control as well as bargaining power rights such as labor possesses. However, the worsening of the price-cost squeeze brought on by increasing prices for almost everything that the farmers buy calls for immediate improving amendments to increase the income of feed grain producers and to underpin recent increases in cattle and hog prices. Therefore, we recommend that title III of the 1965 act be amended to (1) increase the price-support loan rate on corn to $1.15 per bushel, with the loan rate on grain sorghum increased in the same ratio to $1.57 per hundredweight; (2) we further recommend that the payment for corn and grain sorghum be increased to reflect full 90 percent of parity price and that the payment be made on the full amount of the projected yield on base acres.

If these changes were made, the payment for corn would be increased 12 cents per bushel to 42 cents, bringing the price on the projected yield on corn base acres, together with $1.15 loan to $1.57 per bushel, which would be 90 percent.

In the same ratio, the payment on grain sorghum would be increased 26 cents per hundredweight to 79 cents, bringing the price on the projected yield on grain sorghum base acres, together with the $1.75 loan, to $2.54 per hundredweight. Corresponding price support loan benefits would accrue to the benefit of producers of barley, oats, and rye and would raise the income of the producers of these commodities.

We should also like to recommend that in no event should the farm-projected yield for any crop of feed grains for any year be reduced by more than 5 percent below what it was for the immediately preceding crop if the actual yield from such farm was reduced as the result of drought, flood, or other natural disaster.

In closing, Mr. Chairman, in behalf of the feed grain producing members of Farmers Union, we would like to express our support of the coalition farm bill, S. 3068.

The CHAIRMAN. Any questions?

Senator YOUNG. Yes, Just one. Would you raise the price support loans for barley, oats, and other feed grains?

Mr. JOHNSON. Yes.

Senator YOUNG. You would raise the price support to its equivalent value of corn?

Mr. RADCLIFFE. I believe that is right.

Mr. JOHNSON. We have a statement here to the effect that corn price-support benefits would accrue to the producers of barley, oats, and rye, Senator.

Senator YOUNG. You say "benefits" but you don't spell out the complete proposal.

Mr. JOHNSON. Well, we mean that whatever you did for corn, the other commodities would be carried along the current way that adjustments are made in setting the price-support level.

Senator YOUNG. That is all.

The CHAIRMAN. What do you think would happen to our production if you made a loan, if you raised the loan rate from, say, 90 cents, which the Secretary can do now, to $1.25?

It strikes me that if we raise it in that manner, you have less participation and more corn than you could use.

Mr. RADCLIFFE. Yes, Senator. I think there is a balance, peculiar balance that you have to try to keep in mind here to encourage participation of the program. And yet, I think we are going to be running into trouble if we are not indeed in trouble now, with the fact that you can buy corn for about $1 a bushel out in the country and hogs are selling for 28 cents, and too cheap a feed grain is going to encourage too much production of livestock, and so there is a double-pronged proposition here. You have to bear in mind you have to keep participation and yet not encourage too much livestock with cheap grain.

The CHAIRMAN. Well, this is a case in which we could invite, in which we could use the formula of lowering the loans and increasing the direct payments.

Mr. RADCLIFFE. Except for the danger of encouraging too much livestock production if corn prices are too cheap. This is a basic concern.

The CHAIRMAN. Well, I doubt that it will become that cheap, unless of course you get the big farmer to produce all he can at maybe a penny or two below your loan rate. That has been our trouble.

Gentlemen, we have a vote. Suppose we go and vote.

Off the record.

(Discussion off the record.)

(Short recess.)

The CHAIRMAN. The committee will please come to order.

You are through?

Mr. RADCLIFFE. Yes, I am.

The CHAIRMAN. Yes. Who is next?

Mr. DECHANT. Mr. Chairman—Mr. Naman.

The CHAIRMAN. All right.

Mr. DECHANT. We would like next to present our views on cotton and rice, and I am going to ask the president of our Texas Farmers Union, Jay Naman, to address the committee.

STATEMENT OF JAY NAMAN, PRESIDENT, TEXAS FARMERS UNION, WACO, TEX., ALSO REPRESENTING THE NATIONAL FARMERS UNION

Mr. NAMAN. Mr. Chairman and members of the committee, in the interest of time, I think I will summarize the statement on cotton, and I only have one paragraph on rice.

I would like to say that because of the cotton farmers weak position in the marketplace, we need the one-price system which we now have for cotton. We can have this one-price system through the payments. We have supported this traditionally.

In contrast, the textile industry tends to administer the prices, and they seldom pass on their increases and spread to the consumer, and they certainly don't give the farmer credit for higher priced gray goods.

There is considerable slippage between the mill and the farmer as well as between the mill and the consumer.

A recent publication from the Department of Agriculture shows that gray goods have gone to, the spread between raw cotton and gray goods reached an alltime high. The fact remains that farmers badly need the supply management programs and direct payments. The direct payments are most necessary.

Various ideas have been promulgated recently to enable farmers to produce more cotton. One of these proposals which we feel is fallacious is the idea that we can spread the payments over the entire acreage. We think this is defective because it would thwart supply management and stimulate production of more bales and therefore further depress the markets.

Also, we question the idea that the restrictions on transfers of allotments by lease and sale should be liberalized. We have no problems with shortages, production of cotton should, we think, remain in traditional growing areas. It is uneconomical to move the production of cotton and the industry surrounding the production from area to area. A recent administrative decision by the Department of Agriculture repealed the intent of Congress in the provision of the 1965 Agriculture Act relating to the allocation of projected yield. This is causing extreme hardship in the counties affected by adverse weather. We feel that the projected yield concept which is in the present program should be retained in future programs and consideration should be given for abnormal weather factors.

The present cotton legislation, if adequately funded and properly administered, is as near an ideal commodity program as ever conceived. It would operate better if the Secretary of Agriculture would exercise his prerogative to restrict production through mandatory diversions and to increase the payment for voluntary diversions. The production payments to that cotton which is consumed domestically should be increased to the maximum authorized under law.

Mr. Chairman, we wish again to express our appreciation to you for your leadership in protecting the income of cotton producers under the Ellender amendment. We hope that you will continue to steadfastly adhere to this concept in future legislation.

Now, very briefly, I would like to touch on the rice program.

The CHAIRMAN. One minute about cotton. Any questions on cotton?

Senator MILLER. I had one, Mr. Chairman.

The CHAIRMAN. All right.

Senator MILLER. Do I understand that you support the present price support on cotton?

Mr. NAMAN. Yes.

Senator MILLER. That is 65 percent of parity.

Mr. NAMAN. No—well, under the Ellender amendment the price support plus the payment on permitted acres cannot be less than 65 percent of parity.

Senator MILLER. Could not be less. Well, now, this morning there was some colloquy around the table about the 90 percent of parity figure as being comparable to a cut in the minimum wage. And if you were here I really said possibly you might analogize it to an average wage but certainly not a minimum wage. I take it you don't agree with that analogy.

Mr. NAMAN. No. Well, I think——

Senator MILLER. Especially when you couple it with payments.

Mr. NAMAN. You are talking about a minimum and you are talking about price support plus payments.

Senator MILLER. Well, I mean the analogy that was drawn was the minimum wage, nobody is advocating the cutting the minimum wage back to 90 percent of the minimum wage or 65 percent of the minimum wage, but to me that is not an analogy to price support, and certainly the 65 percent of parity with the payments could be analogized to a minimum wage under the same theory, if you agreed with it.

Mr. NAMAN. Well, as I understand the discussion, it was related to a program that was based on a sliding scale of 85 percent of previous market price, which would reduce the price support 15 percent a year. Someone indicated that they felt that this was comparable to a reduction, could be comparable to a reduction in the minimum wage. Well, I would agree with that.

Senator MILLER. You what?

Mr. NAMAN. I would agree with that.

Senator MILLER. You would agree with it. Well, then, if you would agree with it, then how could you support something which would provide for 65 percent of parity in the form of payments and——

Mr. NAMAN. I am talking about a minimum. That is the floor.

Senator MILLER. That is right, but it could be that.

Mr. NAMAN. Well, it has been that.

Senator MILLER. Yes. And it has been that. But you still support that.

Mr. NAMAN. We support higher payments——

Senator MILLER. I know but you support that as a minimum.

Mr. NAMAN. That is correct.

Senator MILLER. And even though that it is in the law now and that's been the way it's been working, you still support it because it gives the opportunity for an improvement later especially, but that is a sort of a floor, is it not?

Mr. NAMAN. Well, we were hoping that the Secretary of Agriculture in his wisdom would increase it above that.

Senator MILLER. That is right, but in any event you have the assurance that that is a floor.

Mr. NAMAN. That is correct, and we want to keep that.

Senator MILLER. And you know that amounts to 65 percent of parity. You wouldn't analogize it to the minimum wage, a cut in the minimum wage, would you?

Mr. NAMAN. I think we are talking about two different things, Senator.

Senator MILLER. I think we are, too, and that is why I say I don't think this is analogous.

Mr. NAMAN. You asked me if I agreed with this other hypothesis, and I said I did.

Senator MILLER. Yes, but I was thinking that perhaps you didn't because of your position on this cotton program.

Mr. NAMAN. Well, I don't get the relationship between these two issues that we are talking about.

Mr. DECHANT. In fact, Senator, I would like to say as the chairman knows from our longtime testifying before his committee the

Farmers Union traditional position is 100 percent of parity for all commodities.

The CHAIRMAN. The difficulty was to keep the parity concept.

Mr. DECHANT. Yes.

The CHAIRMAN. That is why I put that in this.

Mr. DECHANT. That's the idea. It is a floor.

The CHAIRMAN. That's right, as a floor.

Senator MILLER. I so understand. But it would be my thought that if we were to analogize it to the minimum wage—and I don't think we can—that you would have to emphasize 100 percent of parity, but since you don't emphasize 100 percent of parity, since you would like to have it but you understand that 65 percent is a floor, that the analogy to the minimum wage is really out the window. We would like to have everybody have the average wage in this country, but—well, I wouldn't say we would like everybody. We would like to have no less than the average wage in this country. But to suggest that the minimum wage, which is way down below that, is analogous to 65 percent of parity I don't think stands up. That was the point I wanted to make.

Senator CURTIS. May I ask a couple of questions?

The CHAIRMAN. Yes, Senator.

Senator CURTIS. I don't know anything about your cotton program. Do you have mandatory acreage limitation?

Mr. NAMAN. Yes, sir. It tends to be a voluntary program because there are some excess acres that can be planted for export only, but we do have marketing quotas and we do have a mandatory program for cotton.

Senator CURTIS. All right. Now, what percent of your total production is used domestically?

Mr. NAMAN. Well, theoretically, it is supposed to be 65 percent. At least this is what is considered, this is what has been considered traditionally as what we hope to export. Unfortunately, we have not been able to do that. This past year we exported a little over 2 million bales, the lowest in history. We use domestically, about 8.5 million, I believe, something less than nine. This is very bad. And of course the reason for this is——

Senator CURTIS. Is that because of carryover?

Mr. NAMAN. No. The reason for this has been world production plus the accelerated use of synthetics.

The CHAIRMAN. Well, as I recall for the first time in our history, I think 3 years ago there was more man-made fiber used by textile mills than cotton. This last year it was —now this last year, in 1969, only 40 percent of cotton is used and about 60 percent man-made. So the program that we have now hasn't worked out as we anticipated. As a matter of fact, I opposed that, if you recall, and did all I could to give the—to let the program go on as it was; that is, the one-price system—two-price system.

Mr. NAMAN. Two-price system.

The CHAIRMAN. So that textile mills would carry more of the load. Well, of course, I got beat on that badly, and the use of cotton today with the one-price system, world price system has decreased instead of going up as the millers said it would. And the cost to the consumer has gone up. And the one holding the bag is Uncle Sam. And

frankly speaking, I don't know how we can justify maintaining the same minimum acreage we have got now with the high cost of this program. We are going to have to take some cut somewhere as to cotton. Now, where that is going to be I don't know, but I want to be perfectly frank in saying that the minimum acreage we now have of 16 will have to be cut somewhere. And reduce the 16 million to probably 15 million or maybe 15,500,000 acres.

Mr. NAMAN. Well, of course, we are hopeful that we can turn this thing around, compete better with synthetics, and increase our utilization.

The CHAIRMAN. How? How are you doing it? You are going down and down and down. Last year, as it was just said, only 40 percent of the——

Mr. NAMAN. Here is a chart right here.

The CHAIRMAN. Well, we will put the chart in the record. But it shows a continuous decrease of the use of cotton even though we had the world price, you see.

Now, here we have had—the record will show that the proponents of this one-price system said that the usage of cotton would be from 900,000 to a million bales higher but instead it has gone down to 8,100,000 bales. It has not worked.

Mr. NAMAN. Price has not been the factor because I think it is generally conceded we could give the cotton——

The CHAIRMAN. Why, you could give it to them, certainly.

Of course, the price has gone down also, and this program is costing the Government now around a billion dollars a year. And I don't know that we can justify that. I am perfectly frank in saying that, although I come from a cotton State, we can't afford such an expensive program with the textile mills not cooperating more than they are.

Mr. NAMAN. Well, I think that we have got to decide whether or not we are going to have a cotton industry in this country and whether it is worth the $901 or so million that it is costing. There is no question but what farmers can't produce it and sell it profitably on the world market at world market prices.

The CHAIRMAN. I agree with that.

Senator CURTIS. Excuse me, Mr. Chairman.

The CHAIRMAN. And the idea that I have, can we afford to continue a program that is so costly? In my opinion, we are bound to cut back on the minimum acres.

Mr. NAMAN. Mr. Chairman, if we don't, these cotton acres will be utilized in some other crop. They are going into Federal grains; they are going into soybeans, and this creates problems, too.

The CHAIRMAN. Well, I understand that, but——

Senator MILLER. Well, this ties in, Mr. Chairman, I think with the textile imports, too.

The CHAIRMAN. Well, yes, but imports—the imports are not as——

Senator MILLER. If Senator Jordan were here, I think he would be able to reflect the position of the textile mills, some of which are closing down because of textile imports.

The CHAIRMAN. Well, there are very few of them, maybe the old mills are closing down, but what has happened is that the new mills have been constructed. And the only real competition that the tex-

tile mills have is here in our own country among themselves. That is where the real competition comes. And I feel that the textile mills, since we gave them this one price system, should certainly cooperate with us in using more cotton. That is what they ought to do, but they haven't done that. They are using synthetic instead.

Senator?

Senator CURTIS. I guess we have to vote but I will just clear up the one question.

When your experts fall below what you anticipate, what happens to that cotton? Do you have a carryover? That was my question.

Mr. NAMAN. The carryover this year will be 6 million bales. That is I think considered the lowest carryover in history. It is the lowest carryover——

The CHAIRMAN. Oh, no, no.

Mr. NAMAN. Six million bales, down one-half million from last year.

The CHAIRMAN. When this program——

Mr. NAMAN. Smallest carryover since 1953.

The CHAIRMAN. When this program went into effect, we had a carryover of over 16 million bales. And the idea was to reduce the carryover and we succeeded in doing that at quite large cost to the Government.

Senator CURTIS. Are we going to resume after this vote?

The CHAIRMAN. Yes. But it strikes me that something will have to be done with the minimum acreage. I don't believe that the Congress will go for it. But in any event we might consider some alternatives in probably making use of the diverted acres by planting crops that are not in surplus. And if that can be done, and let the minimum acres remain but all of it can't be planted in cotton. Something will have to be done, because if you don't do it, our surplus will just go on up and up and up until we will have so much we simply can't carry it.

Senator MILLER. Can you tell us what percentage of total cotton production is from noncompliance operators?

The CHAIRMAN. None.

Mr. NAMAN. Well, yes, there was, I think out of 250 million export acres, there was some planted last year. I don't remember. It was very little.

The CHAIRMAN. That is only sold abroad but I mean on the domestic you don't have.

Mr. NAMAN. No, none.

The CHAIRMAN. None. Because it is all controlled. You see this is——

Senator MILLER. Yes, but for export——

Mr. NAMAN. Bonded for export I think there was a small acreage.

The CHAIRMAN. We will be right back.

(Short recess.)

Senator DOLE (presiding). Let's proceed, gentlemen. I will stand in for the chairman.

We will save some time if we proceed. We will reserve the right for every member to question the witness.

Mr. NAMAN. I was just going to make a statement for rice and that was at the conclusion of my statement.

Senator DOLE. Fine.

Mr. NAMAN. The farmers union favors continuation of the present rice program with increasing price support to 100 percent of parity. We recommend that the export market be preserved and necessary export payments.

In addition, we want to protest the 15-percent reduction in rice acreage which was ordered for 1970 without compensating improvements in price supports.

And, Mr. Chairman and members of the committee, we have greatly appreciated the opportunity to appear before you today. If there are any questions on this, I would be happy——

Senator DOLE. Since there may be some questions on the rice and cotton provision, we will proceed.

Mr. NAMAN. Yes, sir.

Senator DOLE. We can ask questions on any portion of your testimony. You will still be present?

Mr. NAMAN. Yes.

Mr. DECHANT. Mr. Watson is president of our Illinois Farmers Union, Mr. Chairman.

STATEMENT OF RAYMOND J. WATSON, PRESIDENT, ILLINOIS FARMERS UNION, SPRINGFIELD, ILL., ALSO REPRESENTING THE NATIONAL FARMERS UNION

Mr. WATSON. Mr. Chairman, members of the committee, my name is Raymond J. Watson, president of the State of Illinois Farmers Union. I am a grain farmer. I own 240 acres and I farm another 140 acres. I plant all the grain and I harvest it all myself.

We would like very much to commend the action of the Farm Coalition Committee in recommending a program of acreage diversion for soybeans and flaxseed when oversupply threatens to weaken market prices.

It is our recommendation to the committee that the Food and Agriculture Act of 1965 be amended to authorize the Secretary of Agriculture to administer an acreage diversion program for any year that the combined stocks including meal and oil bushel equivalent (CCC owned farm resale and commercial) exceeds 150 million bushels as of August 31 or 15 percent of the previous year's utilization whichever is less. Such a provision would provide that an acreage diversion program would be in operation only if it is needed. The Secretary should be authorized to make acreage diversion payments comparable to feed grain program payments so as to reduce acres by such an amount as will result in holding flaxseed and soybean stocks for the succeeding year to within the above limits.

The amendment to the 1965 act should authorize the Secretary to establish the procedure for individual farm diversion, including the setting of base periods, relating to acreage, yield, and other productivity factors as necessary to maintain production within the limits set forth above.

We recommend that the amendment also provide that in any year when an acreage diversion program is in operation the Secretary shall

set the price support level for program participants at not less than 75 percent of parity.

We need supply management on soybeans because we need to raise farm income. We have an oversupply of soybeans. We have over 9.5 times as much soybean carryover as we had 4 years ago. In 1966 the soybean carryover, as of September 1, was 36 million bushels. The September 1, 1970 carryover is estimated to be 347 million bushels.

Thank you very much for the opportunity to appear.

The CHAIRMAN. What is your solution?

Mr. WATSON. Supply management for soybeans.

The CHAIRMAN. Are you advocating acreage controls?

Mr. WATSON. Yes, sir.

The CHAIRMAN. I predicted that would happen unless something was done. I don't see how we could give price supports, continue price supports unless you have some kind of acreage controls.

Mr. WATSON. Right.

The CHAIRMAN. Yes, sir?

Senator BELLMON. Mr. Chairman, I have a question of Mr. Naman that I didn't get to ask before we left him.

Really, there are two questions. In the first place in our State very often we don't get our cotton out until after the first of the year and these loans mature the first of July. Is there any feeling on your part about arranging an anniversary loan?

Mr. NAMAN. Yes, Senator. As a matter of fact, we support the anniversary loan concept. We think that this will permit farmers to market their crop in an orderly manner and avoid catalog sales on the Commodity Credit Corporation. We are for at least a 14-month anniversary sale program.

Senator BELLMON. OK. Now, then, the other question. In our State we have a lot of historic cotton areas where the cotton farmers, I think to be candid, would like to get out of the business. These are dryland cotton areas where production is low and insect control is expensive Do you have any suggestions as to how we can help these people phase out of the cotton business?

Mr. NAMAN. Of course, we have a program, transfer of allotments by lease and sale. We think it has been a good program. It hasn't created any hardships. It hasn't caused abrupt movements, but at the same time it does permit farmers to vote in a county to transfer their acres by lease or sale and this by and large has worked satisfactorily in Texas.

Senator BELLMON. Do you propose that they might transfer these allotments back to the Government, sell them back?

Mr. NAMAN. We like the release and reapportionment program very well. In fact, we weren't the champions of this concept of transfer of allotments by lease and sale. We thought that the release and reapportionment program was good.

Senator BELLMON. Well, now, since we have an oversupply of cotton from the other testimony you have given, why should we apportion them? Why not turn them back——

Mr. NAMAN. Sell them?

Senator BELLMON. Sell people back to the Government.

Mr. NAMAN. You mean just sell the allotments?

Senator BELLMON. And get rid of them.

Mr. NAMAN. Well, we don't have any strict policy on this. I would have no objection in those counties that vote for sale. The theory is, the principle is that if a county is going out of the cotton business, which means that the processor or the ginner is no longer there, the compress, the supply is inadequate for the compress, then the farmers have the opportunity to vote to move the cotton out of the county.

We think that it should be done by referendum, and it might be well for us to consider a system which—if the farmers in the county vote for transfer out of the county, that they might also have the privilege of selling it to the Government as well as to farmers in another part of the State.

The CHAIRMAN. Going to the rice, going to the rice program——

Mr. NAMAN. Yes.

The CHAIRMAN (continuing). Did you suggest any change in the minimum acreage?

Mr. NAMAN. No; I didn't, Senator. I suggested that this 15 percent cut was very damaging and created some hardships for us, particularly since we just had an increase. And farmers tooled up for the increase. Then they were cut and there were no assurances of maintaining income in terms of higher price support.

The CHAIRMAN. But you are still 200,000 acres over the minimum acres provided in the law.

Mr. NAMAN. Yes. I didn't touch on that in my statement.

The CHAIRMAN. Now I understand you are also providing for a hundred percent parity——

Mr. NAMAN. Right.

The CHAIRMAN (continuing). On all production.

Mr. NAMAN. Well, we feel that the—in the past we have used the export subsidy and the Public Law 480 to move rice out into the world markets. We think this is very helpful, and we think this program should be funded adequately so we can do this.

The CHAIRMAN. Well, is it a hundred percent domestic consumption or all of the rice produced?

Mr. NAMAN. Well, our proposal is that this hundred percent of parity be included on all rice. Of course, what is put into export will have to be done through subsidy or through Public Law 480.

The CHAIRMAN. Well, since we consume only about 40 percent of our production, have you figured out the additional cost to the Government of your proposal?

Mr. NAMAN. No, I haven't. I don't know——

The CHAIRMAN. Well, I think it might be important to do that, and if you can put it in the record.

Mr. NAMAN. Yes.

Mr. DECHANT. We will have something for the record, Mr. Chairman.

ESTIMATE OF COST OF PARITY FOR RICE

Based on 83.5 million hundredweight production in 1970; 35.5 million hundredweight for domestic consumption; 48 million hundred-

weight for export; the cost of the rice program at the designated levels of parity is estimated as follows:

Support price [1]	Level of parity (percent)	Cost
$4.80	65	$140,000,000
$5.20	70	160,000,000
$5.55	75	180,000,000
$5.95	80	200,000,000
$6.20	85	220,000,000
$6.65	90	240,000,000
$7.00	95	260,000,000
$7.40	100	280,000,000

[1] Rounded.

The CHAIRMAN. All right; any further questions?

Senator MILLER. I would like to ask a question.

The CHAIRMAN. Senator Miller.

Senator MILLER. Mr. Watson, in your testimony you say that this provision regarding soybeans and flaxseed as far as the acreage diversion program would be in operation only if it is needed. The Secretary should be authorized to make acreage diversion payments and so on. But the bill itself says that whenever the total combined stocks of soybeans and flaxseed of the Commodity Credit Corporation exceed 150 million bushels or exceed by 15 percent or more the number of bushels of such commodities utilized in the immediate preceding year, he shall formulate and carry out. So it is mandatory, not just authorizing him, but it is mandatory. And I am wondering to gear your language in your statement in with the bill if instead of making it mandatory on him it should read: "He shall be authorized to formulate and carry out," because I can understand how it is difficult to draw a line. You have drawn the line at 150 million bushels or the 15 percent, but certain market forecasts might indicate that perhaps the line should be drawn higher. And I am wondering if it wouldn't be better to authorize him rather than to mandate him to put a program like this into effect.

Mr. WATSON. Well, we have, Senator, 9.5 times as many soybeans as we had 4 years ago. I think there is a real need that maybe it should even be lower, down to a hundred million bushels.

Senator MILLER. Well, whatever you determine the line to be, why wouldn't we authorize him rather than to mandate him to do that? I would think that with his finger on the pulse beat so to speak of the market he might better be given the discretion rather than the direction to put such a program into effect. Suppose instead of 150 million bushels, it is 152? I understand the difficulty of drawing a line. My only point is that perhaps the language ought to read he shall be authorized which is about what your language in your statement was rather than mandate him.

Mr. JOHNSON. Senator, there used to be an administrator around Government about 20 years ago, that one day said to a group of folks that were visiting his office that he would prefer to have some congressional anchor points in the legislation that he administered than to be given so much latitude that he would have to shoulder so much responsibility, responsibility that might get him in trouble with the Congress and with the people served by the agency.

If the level of the acreage diversion program here is in the wisdom of this committee in need of some adjustment, why we—not speaking for the coalition but speaking for the Farmers Union—we would be guided by your good judgment in this matter. But we feel that it is doing the Secretary an injustice to hand him a package of legislation that shoulders upon him and his Department all of these decisions that have to be made in regard to farm programs. We think we would be doing him a favor if we gave him a little direction and we would hope that you would concur with that conclusion.

Senator MILLER. Well, you see the position that would put me in would be that I do believe in a certain amount of flexibility for the Secretary of Agriculture, because I think we all understand that there are many, many different factors involved—the outlook for exports, the outlook for substitutes, the outlook for other types of feed, and in order not to mandate him to do something which might be undesirable it would seem to me you would almost have to set a very high ceiling and then authorize him to do something at a certain ceiling, mandate him to do something at another ceiling. As I say, I understand how difficult it is because we have been through the problem of drawing lines, and it is one of the most controversial things we have to do in the Congress. My point is that for a trial we might authorize him rather than mandate him. And, of course, I think we ought to find out what he has to say about it, too. I don't know whether this particular Secretary would want to be mandated or would rather have a little discretion in the matter. I think we ought to take that into account, too.

Mr. JOHNSON. Well, Senator Miller, this program that was presented here by Mr. Watson is the program that the coalition came up with after much thought, and we submit it to you on that basis for whatever you would like to do with it, sir.

Mr. DECHANT. May I speak to that for a moment?

Senator MILLER. Surely.

Mr. DECHANT. We were somewhat concerned that in putting together the proposals that were sent up by the Department of Agriculture there were 82 explicit authorizations left to the discretion of the Secretary. We can't remember any bill ever that asked for a Secretary to be burdened with having to make 82 decisions if the proposal were to be enacted. This is a very difficult situation for any Secretary of Agriculture, whoever he may be.

The CHAIRMAN. Any further questions?

Who is next?

Mr. DECHANT. Mr. Chairman, I would like then to introduce the president of our Nebraska Farmers Union, Mr. Elton Berck, to discuss the consumer protection reserves, the need for bargaining authority, and the cropland adjustment program.

Senator CURTIS. Mr. Chairman, may I be recognized briefly? I would like to have the record show that Mr. Berck is one of our very highly respected citizens and farm leader in Nebraska. He is well respected by farmers in and out of his organization. And by other organizations and other leaders as well as the nonfarm community, and I am delighted that he can be here and present his testimony.

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STATEMENT OF ELTON BERCK, PRESIDENT, NEBRASKA FARMERS UNION, LINCOLN, NEBR., ALSO REPRESENTING THE NATIONAL FARMERS UNION

Mr. BERCK. Thank you, Senator.

Mr. Chairman and members of the committee, I recollect with pleasure the courtesy and longsuffering patience with which the chairman and members of the committee have listened to my presentations in times past. And I will proceed with your permission by summarizing as rapidly as possible three separate titles of S. 3068.

The first one has to do with the consumer protection reserves.

The Farmers Union supports the consumer protection reserve title for all of the reasons set out in the bill. We support it for an additional reason. Such reserves of wheat, feed grains, soybeans and cotton would make the supply management features of the proposal work better: We should add parenthetically that Farmers Union has joined with other producer groups in recent months in expressing a mutual concern about the announced decision of the Department of Agriculture to make drastic cuts in loan funds available for purchase of on-farm grain storage facilities.

This is not specifically mentioned in the bill. However, it does have a very close relationship.

Senator Curtis joined Senator Hruska in introducing S. 2488 which would liberalize the loan authority for such facilities.

I was visiting with the Senator just awhile ago about this bill and I understand some action is being taken or considered to liberalize the loan authorities for grain storage facilities. And also parenthetically, there are millions of bushels of grain still on the ground at rail heads in Nebraska, grain which moved in so fast it couldn't be moved out. Our new methods of harvesting piles up the grain and there is a considerable amount of loss.

Now, going on to the specific proposals for the consumer reserve section, we do have an exhibit B here which we would like to have added to the record which spells out in detail the proposals carried in the bill. And I will add this to the record.

The CHAIRMAN. Without objection, that will be done. That gives it as to each crop?

Mr. BERCK. This spells out, yes, in detail the proposals that are carried in S. 3068.

In brief, they provide for a total reserve of 500 million bushels of wheat, 300 million bushels of feed grains, and 75 million bales of cotton.

The CHAIRMAN. You mean that would have to be carried by the Government?

Mr. BERCK. I believe this is the meaning, yes, Senator, under the consumer reserve.

Is this correct, Reuben? Some on commodity and some on farm storage and so on?

Mr. JOHNSON. We have more than the levels referred to in this proposal on hand now. What this would propose to do is to protect us at the level specified here so that we don't get any lower than

these amounts. And we do that with a price mechanism which in effect holds the grain in reserve through farm reseal producer contracts and in CCC stocks. There are three postures.

The CHAIRMAN. Well, have your carryovers differed from the amounts you suggest here? Let's say for wheat, we have in excess of 800 million bushels now, and under your proposal it would be possible for the Government to have on hand at all times 500 million bushels. Is that right?

Mr. JOHNSON. That is correct, sir.

The CHAIRMAN. Under storage?

Mr. JOHNSON. Yes, sir.

The CHAIRMAN. And that wouldn't affect the normal carryover, would it? This would be in excess of your normal carryover?

Mr. JOHNSON. It wouldn't be in excess of normal carryover. When we reduce the carryover in Commodity Credit Corporation, for example, to this amount, we wouldn't take it down any further. We would keep that as a reserve. That is our objective.

The CHAIRMAN. Well, this would be then in excess of your normal carryover?

Mr. JOHNSON. Well, assuming you have additional carryover, yes it would, sir.

The CHAIRMAN. Well, that is what it would mean.

Mr. JOHNSON. Well, the point is Senator, we have in the pipeline now enough of these commodities, more than enough of these commodities to enable us to set up a reserve. Now, some of us have felt in the coalition that the time to set up a reserve is to do it when we have the commodities. We never have been able to do it when we didn't have them. So we are hopeful now that we have them that we can protect these minimum amounts to hold in reserve.

The CHAIRMAN. Well, now, in the case of feed grains, the carryover, the reserve I mean would be 30 million bushels.

Mr. JOHNSON. I believe that is correct, sir.

The CHAIRMAN. Yes. And as I recall when the act of 1964 was put into effect, we had 81 million bushels, which was far in excess of our requirements. Now, would this 30 million bushels be in addition to your normal carryover?

Mr. JOHNSON. Part of it.

Senator BELLMON. Mr. Chairman, are we talking about tons?

The CHAIRMAN. Yes, tons.

Senator BELLMON. Of feed grain?

The CHAIRMAN. That is what we had on hand.

Mr. JOHNSON. Tons.

The CHAIRMAN. Did I say bushels?

Oh, excuse me. Change that to tons; 81 tons that we had and because of this huge amount dangling over the market caused prices to be depressed. And I have also opposed such large carryovers. And I wish you would make a good case for this because it will be a program in which there will be quite a bit of debate affecting it.

Mr. JOHNSON. Senator, we recognize this is a controversial program, but frankly we farmers who have come up with this, see more benefit to the consumers than we do for farmers, and that is the reason why we call it a consumer protection reserve.

The CHAIRMAN. But you will just be producing that much more, though.

Mr. JOHNSON. No, Senator, we wouldn't be producing this much more. We wouldn't let our normal carryover go below the level specified here. That is all it means.

The CHAIRMAN. Under what conditions could these reserves be sold? Is it 110 plus——

Mr. JOHNSON. You have the conditions there on the summary Mr. Berck submitted for the record.

Mr. BERCK. Page 20, I believe.

The CHAIRMAN. I don't have it here, but what is it, 110?

Mr. JOHNSON. For wheat when CCC stocks are below the above level of 200 million bushels, the minimum resale price would be 100 percent of the current parity price adjusted for class, grade, and location—less the current cost of the market certificate charged to the processors. Currently, this would mean about a $2 per bushel resale price.

We use the price mechanism to in effect protect the prescribed level.

For feed grains, when CCC stocks are below the level of 15 million tons, the retail price would be the parity price adjusted for class, grade, and location, less the current price-support payment rate. This would be about a $1.40 per bushel resale. And then for soybeans, the parity price would prevail. And for cotton the same as soybeans.

The CHAIRMAN. Well, what about the storage costs? Would the Government assume that?

Mr. JOHNSON. Well, the Government is paying storage costs on these amounts plus all the other stocks it has now and so this wouldn't mean any additional storage cost.

The CHAIRMAN. So this would increase the cost of this program considerably, wouldn't it?

Mr. JOHNSON. Only when the stocks, normal carryover would get down to the prescribed reserve levels would any additional cost be involved. In other words, if normal carryover of wheat, say, would go below the 500 million bushel level we have here, and the prescribed reserve levels prevented it from going below that, then whatever additional cost is involved in keeping the reserve at 500 million bushels would be an increased cost. But under current conditions there would be absolutely no increase in cost of this program.

The CHAIRMAN. Well, taking the case of cotton, you say CCC publicly owned will be 3 million bales. You have a carryover now of 6. Would that mean——

Mr. JOHNSON. That would mean that when we work this 6 million bale carryover down, we couldn't be lower than 3 million bales.

The CHAIRMAN. But it could be 9 million, though, the normal carryover of 6 plus the 3?

Mr. JOHNSON. Well, it wouldn't be due to this bill. It wouldn't be due to this provision, if we had 9 million bales. Other factors would be affecting that, not this reserve provision.

The CHAIRMAN. Well, these carryovers I think under the bills we have had in the past have worked fairly effectively, been very effective. Now, to have a provision for what you call consumer safety

reserve, I think that this would be just so much, so many commodities there locked up and would have a very bad effect on the price structure.

Senator BELLMON. Mr. Chairman, may I make a comment?

I don't understand exactly how it would work on feed grains or soybeans or cotton, but on wheat there is a problem. And that is that the fact that there is a large carryover, much of it in private hands, serves as a damper on the price because no miller wants to mill wheat on the 15-day basis; right after that the new crop starts coming in and it is immediately worth a year's storage less than it was before the harvest began. And I believe that part of the theory of this is if there was a reserve, consumer reserve from which wheats could be drawn under certain conditions that it would help relieve the market of the depressing effect that we presently have.

The CHAIRMAN. Well, under all programs I ever dealt with here I don't know of any time that we had a severe shortage.

Senator BELLMON. No.

The CHAIRMAN. And we never had any reserves this way. But the problem——

The CHAIRMAN. The thing is with so much cotton and so much of other crops dangling over the market it is bound to affect the price as it did in the past.

Senator BELLMON. The problem is that at the present time someone has to pay the costs of carring these reserves.

The CHAIRMAN. Uncle Sam will.

Senator BELLMON. Well, under the terms of this he will, but at the present time much of these commodities are owned by either the millers or the producers. And the thought behind at least as far as wheat is concerned, that is the only one I know very much about, is if this grain is being held for the safety of the consumer, that then the consumer should share the cost of having this insurance.

The CHAIRMAN. Well, let us take the reseal on the farms, 150 million bushels. Who is going to pay for the storage of that wheat held on the reseal and who is going to pay for the farmers' contracts to hold back 150 million?

Mr. JOHNSON. The Government. And they are paying for that amount today, Mr. Chairman.

The CHAIRMAN. Of course. Sure. That is what I am saying. It will simply increase the cost to the Government.

Senator BELLMON. But this would mean when the Government takes title to those grains, which they do on the first of April, they are immediately available for sale. It is the same with cotton, at the market price, the loan price.

Senator MILLER. Could I ask a question?

The CHAIRMAN. Yes.

Senator MILLER. On page 24 of the bill, there is a provision in there for increasing the amount of the reserve.

Mr. DECHANT. Of the bill?

Senator MILLER. My question is this. You have a consumer reserve of 500 million bushels authorized but this particular provision on page——

Mr. BERCK. Senator, this figure really should be 200 million bushels.

Senator MILLER. Well, I am looking at this schedule that you gave——

Mr. BERCK. Are you talking about wheat?

Senator MILLER (continuing). Senator Ellender on wheat. You have 150 million on farms, 150 million under contract, and 200 million CCC. That is 500 million.

Mr. BERCK. All right, sir. I stand corrected.

Senator MILLER. All right. Now, my question is, under the provisions on page 24 this can be increased by another 100 million bushels for wheat in any marketing year for which the Secretary determines that the estimated production from such crop will exceed estimated domestic consumption and exports during such marketing year by more than 10 percent.

So let's say that in 1969—or let's say that in 1970 we establish the reserve of 500 million. In 1971 the Secretary did so determine. That would increase the reserve up to 600 million. Suppose in 1972 you have the same determination by the Secretary. Would that go up to 700 million bushels or would it stay at 600 million?

Mr. BERCK. It would go up 10 percent each year that these conditions exist where we exceed domestic consumption and exports by more than 10 percent.

Senator MILLER. So that if that happened year after year, this 500 million bushel reserve could go on up a hundred million bushels a year from then on out. Is that intended to be that way or did I detect that the intention was that the 600 million bushels would be the top ceiling regardless of what happened?

Mr. BERCK. Well, my interpretation of the language would be that if we kept exceeding our usage by more than 10 percent, we would increase the amount of the reserve.

Senator MILLER. A hundred million bushels a year. Don't you think that that ought to have a lid on it? Because it seems to me that that's just adding to the cost. So necessarily if this is indeed a consumer protection reserve——

Mr. BERCK. Well, sir, again, in your judgment, if that would appear to make this program more acceptable—our objective here is to attempt to establish some kind of a minimum level at which we will not go under, will not go below.

Senator MILLER (continuing). Well, may I say just from my own standpoint, it would seem to be a lot more desirable to establish that minimum rather than to go adding to it year after year.

Now, there is one other question I had on page 23, line 21.

In setting up this consumer reserve the language is that the Commodity Credit Corporation may purchase. This leaves it to the Commodity Credit Corporation as to whether they are going to purchase. And if you are going to have a consumer reserve, it seems to me that "may" should be "shall." Or is it your thought that there be discretion in setting this up?

Mr. BERCK. Well, this is really kind of superfluous language, Senator, because obviously we wouldn't need to purchase any to establish the reserve, And if we gave the Secretary discretionary authority as to whether to purchase, I doubt whether he would exercise that. He

would merely lock up—he would merely administer the program so that he would see that we didn't reduce our normal stocks or the levels spelled out here and not do any purchasing at all.

Senator MILLER. Well, you are right, it would be superfluous today, but looking down the road 2 or 3 years if he gets in a position where these conditions are met, you only said he may purchase. You haven't said he shall purchase.

Mr. BERCK. If in your judgment that would help the bill, I wouldn't have any objection, and I can see no problem.

Senator MILLER. Well, was it your intention to have a mandatory reserve or a discretionary reserve?

Mr. BERCK. Well, it was our intention to leave it to his discretion as far as purchases are concerned. We do have on hand the necessary stocks.

Senator MILLER. I see.

Mr. BERCK. I am sure that was our intention. But we would have no objection to making that mandatory if in your judgment that would be a better procedure.

Senator MILLER. I haven't exercised my judgment yet, but I want to find out what your thinking is on it, because, as you know, we have had these suggestions from time to time, and most of them have generally been on a mandatory basis. And I don't recall any that were on a discretionary basis with the Secretary.

The CHAIRMAN. We fixed it.

Senator MILLER. We mandated it.

The CHAIRMAN. Fixed the amount.

Senator MILLER. Yes.

The CHAIRMAN. That is my recollection of the way it was done.

Senator MILLER. Thank you.

Mr. BERCK. That's all on VII.

Title VIII. This is bargaining power authority for farmers, title VIII of S. 3068.

Of course, bargaining power is an old, old subject so far as agriculture is concerned. Farmers Union in 70-odd years of its history, or near 70 years at least, has been trying one or another methods to improve farm bargaining power. We did it first with the use of the farmer-owned cooperative, and we have tried to use various and sundry governmental authorities to increase this bargaining power.

As yet it is weak, the history carries the story of many attempts to do this by law, and it also carries the revelation that it is difficult to obtain this much-talked about bargaining authority for farmers. But we regard bargaining authority not as an answer in itself but as a supplement to the other farm programs that we are speaking about here. And extension of bargaining power, of course, is under a condition where prices would be agreed upon by both producer and handler under the terms of a nationwide bargaining system for a particular commodity, and it should be recognized in law as the legal minimum by which public trading may take place.

Are there any questions on that particular section?

The CHAIRMAN. Well, we have had quite a few proposals made which this committee turned down. Is this more attractive than others that we have turned down?

Mr. BERCK. I don't know whether this is more liberal.

Do you have the section of the bill?

The CHAIRMAN. Remember Senator Mondale had one——

Mr. BERCK. Yes. We supported that.

The CHAIRMAN (continuing). We turned down.

Senator MILLER. Do I understand that this takes the marketing order approach?

Mr. BERCK. That is correct. It expands the marketing order approach to other products.

Senator MILLER. Yes.

Senator CURTIS. And it would have to begin within individual commodities?

Mr. BERCK. This is correct. And their vote, as I recall, which would call for a—for the bargaining process to begin.

Senator MILLER. Would this include livestock?

Mr. BERCK. I don't know that livestock has been eliminated. It would include any product where the producers themselves desired this thing to be done.

Senator MILLER. My recollection is we had very strong objection from the livestock people to this aproach.

Mr. BERCK. This is true. But this is why the bill says that only those commodities wishing this type of approach and signifying so by majority vote could commence this process.

Senator CURTIS. In other words, the turkey producers market their product in the manner the milk producers market.

Mr. BERCK. Yes, this is right.

The CHAIRMAN. Well, could you be specific in giving us an example of how this would work, let's say, in the turkey market? How would you apply it? Who would establish this, and what part would the turkey grower play in it?

Mr. BERCK. We would have to quote right from the bill itself there.

Reuben, do you have the bill?

Mr. JOHNSON. Well, Senator, this gets to be kind of a complicated thing, because the Mondale bill has in it two titles. In one of the titles in that bill there was set up a national agriculture bargaining board of five members. This board would set up the mechanism. They have some latitude. They have some specific direction in bringing together producer groups who seek to bargain with their handlers. The board can bring them together for the purpose of negotiating over price. Provided also are various steps of mediation that the board would engage in if there was no agreement between the producer groups and the processor groups. The second title provides for the Secretary of Agriculture to be involved in helping to set up supply-management programs subject to the producer referendums under marketing orders.

The provisions of title II amends the Agricultural Marketing Agreements Act in such a way that producers would bargain with handlers subject to the purview of the Secretary of Agriculture, and the Secretary of Agriculture would retain the same control over the provisions of marketing orders as he currently has.

The CHAIRMAN. What is your definiton of handlers there?

Mr. JOHNSON. The term is very broad. In the second title of provisions of the agreement regarding minimum prices would not take effect until agreements are reached between the producer committee and handlers representing 50 percent of the production of the commodity.

The CHAIRMAN. Well, handlers—are those the buyers, those who deal with and handle——

Mr. JOHNSON. Processors or handlers.

The CHAIRMAN (continuing). The processors?

Mr. JOHNSON. Yes.

The CHAIRMAN. How about a concern like A. & P. or Safeway? Would they be in there, too?

Mr. JOHNSON. Well, to the extent that they were doing direct buying from farmers, yes.

The CHAIRMAN. And the idea would be to fix a minimum?

Mr. JOHNSON. Get an agreement between processors and handlers over some agreed upon minimum price, and other terms of sale such as quality, time of delivery, etc. It could be any phase of the decision-making that goes on constantly between producers and their outlets.

Senator CURTIS. This would have to be limited to those products that are ready for consumption.

Mr. JOHNSON. No, sir.

Senator CURTIS. I have not stated it as I should. Feed grains could not be affected by this at all.

Mr. JOHNSON. Yes, sir.

The CHAIRMAN. Yes, they could—any product.

Mr. JOHNSON. Any commodity could be.

Senator CURTIS. Well, I mean from a practical standpoint. I can understand how there are certain things that go into the channels of trade and to a processor and then to the consumer.

The reason I raise the question about feed grains is that farmers buy and sell those among themselves, and they consume, they use it themselves. It would seem to me that you would run into some very practical problems.

Mr. JOHNSON. The bill does not provide for any bargaining between farmers themselves. It would be between the farmers and the direct buyer, the processor or handler.

Once an agreement on price was agreed to, there are certain sanctions that could be taken if a price would not prevail, but the actual bargaining would take place between the handlers and producers.

The CHAIRMAN. Are there any penalties attached for violation?

Mr. JOHNSON. Yes, sir. I believe there are criminal penalties for violation against the handlers and civil penalties against producers who violate the terms of the agreement in title II of the Mondale bill.

The CHAIRMAN. Well, suppose a producer desired to sell under the minimum. Would he be punished if he——

Mr. JOHNSON. The Secretary of Agriculture could take civil action against him.

Senator BELLMON. Mr. Chairman, may I ask a question.

The CHAIRMAN. Surely.

Senator BELLMON. Take the case of the wheat farmer who presently grows 43 percent of his production for domestic consumption and 40 percent for export. How would we work out a bargaining arrangement that would keep us from losing our export markets?

Mr. JOHNSON. Well, let me look at title I now in the concept of this example.

If the processors of wheat in the United States, looking at the whole country—wheat is not a good example but as long as you raise it I guess we will just talk about it a minute—the National Agricultural

Bargaining Board could appoint a representative group of processors unless they themselves would select their bargaining committee. But if they did not select such a committee, it could be selected by the Board. The processors' committee is required to sit down wtih a representative group of producers and work out the price for wheat, including the price for export.

The CHAIRMAN. Well, even though you had a minimum law? or a floor of 100 percent parity? What would be the necessity for that?

Mr. JOHNSON. Well, if we had a floor of the 100 percent of parity, I don't think there would be much pressure on the bargaining board for any negotiations.

The CHAIRMAN. Well, you do have in the bill for all wheat domestically used 100 percent of parity is the price, or is the support price.

Mr. JOHNSON. Yes, sir. That is correct.

The CHAIRMAN. So I am just wondering, I am just wondering why commodities that are under price support should be included in the bargaining.

Mr. JOHNSON. Well, Senator, as a practical matter, as long as we have price support programs that are effective in protecting the prices to farmers, I don't think there will be very much interest in negotiating over the price of wheat. So that is not a good example.

Senator BELLMON. You don't know wheat farmers very well. They are not at all happy with the price of wheat.

Mr. JOHNSON. I said as long as we have had effective programs, and that is what we are here talking about how to get. But one of the basic reasons why we have given attention to bargaining is, well, it relates to the kind of testimony that Senator Mathias gave here this morning. If we should ever lose the farm programs we have, and we consider these, as President Dechant has said many times, as similarily to basic legislation for labor, minimum wage, unemployment compensation, et cetera. Our farm programs provide the same kind of protection for farmers as these programs do for labor. But if we should ever lose these kinds of programs for agriculture we are certainly going to be looking to strengthen our bargaining in the marketplace through such legislation as the Mondale bill.

The CHAIRMAN. Well, this program you are speaking of is in the bill that gives you protection. It fixes the floor. It gives you protection to the extent of 100 percent of parity as to wheat and so much for cotton, so much for other commodities.

Mr. JOHNSON. If we could ever get present programs funded that would bring them up to the level that Congress has authorized, I don't think there would be the interest in bargaining that currently exists. Frankly, we have been kind of alone in supporting this legislation. We have been first before in sponsoring legislation that finally got attention of the Congress.

The CHAIRMAN. So you would not feel badly if you would get another mauling?

Mr. JOHNSON. How is that, sir?

The CHAIRMAN. You would not feel badly if you were to get another mauling?

Mr. JOHNSON. Another mauling.

Senator BELLMON. Another mauling.

Mr. JOHNSON. Well, we might look better 10 years from now than we would look today, and we may have been mauled many more times in that period.

Mr. BERCK. Mr. Chairman, there is much said about providing bargaining power for farmers. This is an auxiliary effort, as we said, a supplementary effort. The farm programs are working well. If a product is bringing 100 percent of parity, or near that, there is no question that this program would ever be thrown into gear. But it does provide authority that can be used. And it is partly, I think, because there has been this history-long attempt to get better bargaining power for farmers without government intervention of one kind or another and so this is a part of it.

Mr. DECHANT. Mr. Chairman, several times this morning questions were asked, how come these programs we have aren't good enough? You know, why haven't they done something incomewise?

Well, the truth of the matter is that they have never really been moved up to the level that the Congress authorized. We have been working hard to get all of the programs moved up to the level that the Congress in its wisdom decided they should be authorized for, but we have not been able to get them. We have not been able to get funds appropriated to effectively manage the supply.

Senator BELLMON. Mr. Chairman, let me make two comments.

First of all, the same Congress who authorized them is the Congress who appropriates, so it is where you spend the money that we get down to brass tacks.

The other point is on this matter of bargaining which we were talking about. I don't know a lot about what is happening in Canada, but it is obvious that the Canadian wheat farmers have themselves in a jam, and we don't have to have the same situation ever develop here.

Senator MILLER. I would like to ask a question.

How would this impact on cooperatives?

Mr. BERCK. The impact on cooperatives—of course, the cooperatives have been questioned a good deal by the cooperatives themselves. There is no getting aside from that point. But I think we are talking about a minimum or a floor price here on products to be set by the bargaining process.

Senator MILLER. Well, I understand. But I am talking about the referendum and all of that. What do you do if you have some cooperatives that figure they are getting along pretty well by themselves and they don't want to get into this, into this marketing order? In fact, they say that the reason why those who may be voting to get in under it are the ones who should have joined the cooperatives a long time ago.

I was wondering if this could have a tendency to undercut cooperatives.

Mr. BERCK. Well, the question——

Senator MILLER. And I am sure you don't want to do that.

Mr. BERCK. No, we certainly would not. But the question relates itself to what is happening to dairy products under the marketing order. The cooperatives, as I understand it, have been doing very well under the marketing order provision for dairy products.

Senator MILLER. It seems to have worked pretty well in the dairy area. I just wonder how it would do in areas of turkeys and farmers' cooperative grain elevators and things like that.

Mr. BERCK. Well, I have no answer for that, really.

Mr. DECHANT. I would hope it would be as successful as we are on the dairy front.

Senator MILLER. Well, I would hope so, too, but I think we would have to be very careful to make sure that our co-ops not be undercut, because I think you know, if anything, I want to see them strengthened. And in that connection——

Senator CURTIS. Wouldn't they be the bargaining agent in most instances?

Mr. DECHANT. Well, not on these national referendums.

Senator DOLE. Mr. Chairman, we have an expert from Kansas who will testify next who can assist on this subject.

Senator CURTIS. Fine. One other question on this point.

Can you tell me, Mr. Dechant, whether or not Farmers Union has taken any position on the matter of modifying our antitrust laws to exempt producer associations?

There is a bill, I think, pending on that subject right now, and I was wondering how—you see, this is a part of the problem of bargaining power.

Mr. JOHNSON. Yes, sir; I do.

Senator CURTIS. And what is your position on that?

Mr. JOHNSON. The Mondale bill—title I would exempt farmers from the antitrust action under existing law.

When the Marketing Agreements Act is expanded as title II provides, there is exemption from prosecution under antitrust statutes or we couldn't be doing what we are doing now under marketing orders. Many who look at this whole picture of bargaining say that maybe it is more realistic to go the title II route, because you do not need to amend this area of law any further.

But in title I it did not make sense until we included a provision to protect farmers from antitrust action.

Senator CURTIS. Well, if there is nothing done on this particular aspect of your bill, what would be your feeling about liberalizing the antitrust laws, I mean amending the antitrust laws to protect farmer associations? Do you think that should be done?

Mr. DECHANT. Yes. We have some concern that the present law does not give the cooperatives as much protection as they need. And we have done quite a bit of research on this, Senator.

Senator CURTIS. Well, the NFO, as you know, feels pretty strongly, one of your coalition, and they feel pretty strongly about this in view of Secretary Freeman's action under the antitrust laws 2 or 3 years ago. And this all fits in with the concept of bargaining power, bargaining power is going to be undercut if you are going to be faced with an antitrust suit.

Mr. DECHANT. And there are a number of court cases that have been, that have run against cooperatives.

Senator CURTIS. Yes.

Mr. DECHANT. There are some in Minnesota, in Texas, where the decisions were adverse to the cooperatives.

Senator CURTIS. You support that kind of legislation, too, I take it?

Mr. DECHANT. Yes, by all means.

Mr. BERCK. Mr. Chairman, we have some bargaining power flow sheets put together by our staff, and with your permission, I would like to have them included in the record of the testimony.

The CHAIRMAN. Without objection, that will be done.

Mr. BERCK. All right.

(The information referred to above follows:)

FARMERS UNION

THE NATIONAL AGRICULTURAL BARGAINING ACT

S-812 AND HR-6774*

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Narrative to Accompany Flow Sheet on the National Agricultural Bargaining Act, S. 812 and H.R. 6774 Title I

(This is designed to be an aid to Farmers Union leaders for use in explaining the National Agricultural Bargaining Act. Numbered paragraphs correspond to numbered boxes on attached Flow Sheet. Flow Sheet can be enlarged to poster size or duplicated and each participant provided with a copy.)

1. Any group of commodity producers may petition the National Agricultural Relations Board for the opportunity to bargain for adequate prices for their production.

2. Producers would petition at any time that prices were low because of a weak bargaining position and would call for a producer referendum to be held.

3. The National Agricultural Relations Board referred to hereinafter as NARB will be composed of 5 members, appointed by the President with the advice and consent of the Senate.

At the outset one of the members would be appointed for a term of one year, 2 members for a term of 3 years, and 2 members for a term of 5 years. Successors to the original members would be appointed for 5-year terms.

The NARB will provide administrative, technical and supporting assistance to the Farmer-Elected Marketing and Purchasers Committees. It is an independent board. It does not represent either farmers or buyers. It would (1) administer farmers referendums, (2) decide upon qualifications for voting, (3) set up dates and places of bargaining meetings and (4) mediate disputes between the Producer Marketing and Purchasers Committees.

4. The NARB is provided with an executive secretary and staff.

5. NARB is authorized to call upon the USDA for information and technical assistance, including the services of USDA employees.

6. On receiving a petition from the producers of a particular agricultural commodity which indicates that market prices are below adequate levels, the NARB shall conduct a referendum among producrs, the result of which shall determine whether (1) bargaining will take

place and (2) a Marketing Committee will be established. In other words, in the same referendum producers vote on whether to bargain and will elect a Producer Marketing Committee. NARB supervises and administers all phases of the referendum. The expenses of conducting the referendum may be paid for out of funds appropriated to carry out the work of the NARB.

7. Candidates whose names appear on the ballot will be named by ASCS County Committees, who will submit twice the number of candidates as will be elected by producers voting in the referendum.

7-A. No person shall be eligible to represent producers on any marketing committee unless he receives more than 60 percent of annual gross income from farming or ranching during each of the three preceding calendar years. And the commodity for which he bargains must constitute a "significant portion" of his farming or ranching operations.

If a majority of the producers voting in the referendum does not favor bargaining NARB will not take further action to establish a marketing committee for the commodity during the current marketing year or season. However, NARB is authorized to hold another referendum of producers of the commodity the next marketing year. If producers fail to vote to bargain the second year, NARB may hold a referendum the third marketing year. However, if producers fail to vote in favor of bargaining three successive years, NARB will take no further action in regard to the commodity unless 20 percent of the producers petition the NARB in a subsequent year to hold another referendum.

Let us assume that in a referendum on "X" commodity, producers voted to bargain and elected a Producer Marketing Committee.

8. The NARB will then notify buyers of "X" commodity to establish a Purchasers Committee. The buyers are notified that such a committee is needed for the purpose of negotiating a minimum price for the commodity and other nonprice terms of sale.

9. If the buyers do not select a Purchasers Committee within 30 days after being notified by NARB such a Committee will be appointed by NARB.

10. The NARB is authorized to call a meeting of the Producers Marketing and Purchasers Committees at whatever time and place

it decides. Good faith bargaining is called for. Additional meetings may be called at the discretion of NARB.

11. Producers Marketing Committee will invite the Chairman of the President's Advisory Council on Consumer Problems to represent the interest of consumers in the bargaining meeting of two Committees.

12. Agreement could conceivably be reached at this point.

13. If no agreement is reached after a reasonable period of negotiations in good faith, NARB shall offer to mediate.

14. Agreement could possibly be reached at this point.

15. However, if no agreement is reached within 30 days after NARB offers its conciliatory and mediation services, the issues in dispute will be submitted to a Joint Settlement Committee. This Committee will consist of one member selected by the Producer Marketing Committee; one member selected by the Purchasers Committee; and one member selected by the members representing the Producers Marketing and Purchasers Committees. If the third member cannot be agreed upon by the producer and purchaser members, the NARB will make the selection. The Joint Settlement Committee shall attempt to resolve points of disagreement.

16. If no agreement is reached, the NARB is authorized to seek appropriate action of the Federal District Court which could result in daily fines or other penalties. The decision of the Joint Settlement Committee will be judicially reviewable by Federal District Court.

17. To provide for full compliance with agreements in connection with which there is no supply-adjustment program, the Producers Marketing Committee is empowered to recommend to NARB that injunctive or related action of the appropriate court be instituted -- such action to prevent buyers from purchasing or producers from selling the commodity at less than the minimum price established in the agreement or any violation of nonprice terms of sale established in the agreement.

18. Once an agreement is reached if over-supply threatens the terms of the agreement, the Producer Marketing Committee in consultation with the NARB and the Secretary of Agriculture will

develop a supply-control program. The supply-control program will be submitted to producers in a referendum.

20. If a majority of the producers voting in the referendum approve the program, it will immediately be put into effect. The United States Department of Agriculture will administer the supply-control program including fixing reasonable penalties for violation of the producer-approved program.

All Producers Marketing Committees will be dissolved by NARB three years after the date of the first meeting, unless during the third year of the life of the Committee a majority of the producers voting in the referendum favor its continuation.

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NARRATIVE TO ACCOMPANY FLOW SHEET
ON THE
NATIONAL AGRICULTURAL BARGAINING ACT, S. 812 and H.R. 6774 - TITLE II

Numbered paragraphs correspond to numbered boxes on attached flow sheet.

1. Any group of commodity producers may petition the Department of Agriculture for the opportunity to decide by referendum whether or not that particular commodity should be eligible for a marketing order. A special Advisory Producer Committee may be established by the Secretary of Agriculture to help focus producers' efforts in this direction.

2. A producers referendum would then be held to decide if a particular commodity shall become eligible for a marketing order (majority of producers voting decide). Commodities already covered under the Marketing Agreement Act of 1937 do not require this initial referendum.

3. Producers devise the various terms of the marketing order. The Advisory Producer Committee may assist in this. A marketing order may contain terms implementing:

   a. Bargaining between elected producer committees, and handlers and groups of handlers, for minimum prices and other terms of sale. The producer bargaining committee would be elected at the time of the referendum on whether or not to accept the order.

   b. Various market supply control programs ranging from grading standards to marketing allotments, binding on all producers and handlers of the particular commodity.

   c. Pooling of sale proceeds where the commodity is sold on a use-classification basis.

   The marketing order may contain any combination of these terms that the producers so desire -- e.g., price bargaining and quality control; only quality control; price bargaining and marketing allotments, etc.

4. Public hearings are then held on the proposed marketing order. Producer groups, processors, and any others having an interest in the order may participate.

5. A tentative marketing order, based on the hearing record, is issued by the Secretary of Agriculture.

6. Producers vote in a referendum whether or not to accept the order. The marketing order becomes effective if it is approved by 2/3 of the producers voting.

7. The various terms of the marketing order are then carried out, including bargaining over minimum price and other terms of sale, if that is part of the order. With respect to bargaining, agreements must be reached between the elected producer bargaining committee, and handlers or groups of handlers that represent at least 50% of the volume, before the minimum price and other terms become binding.

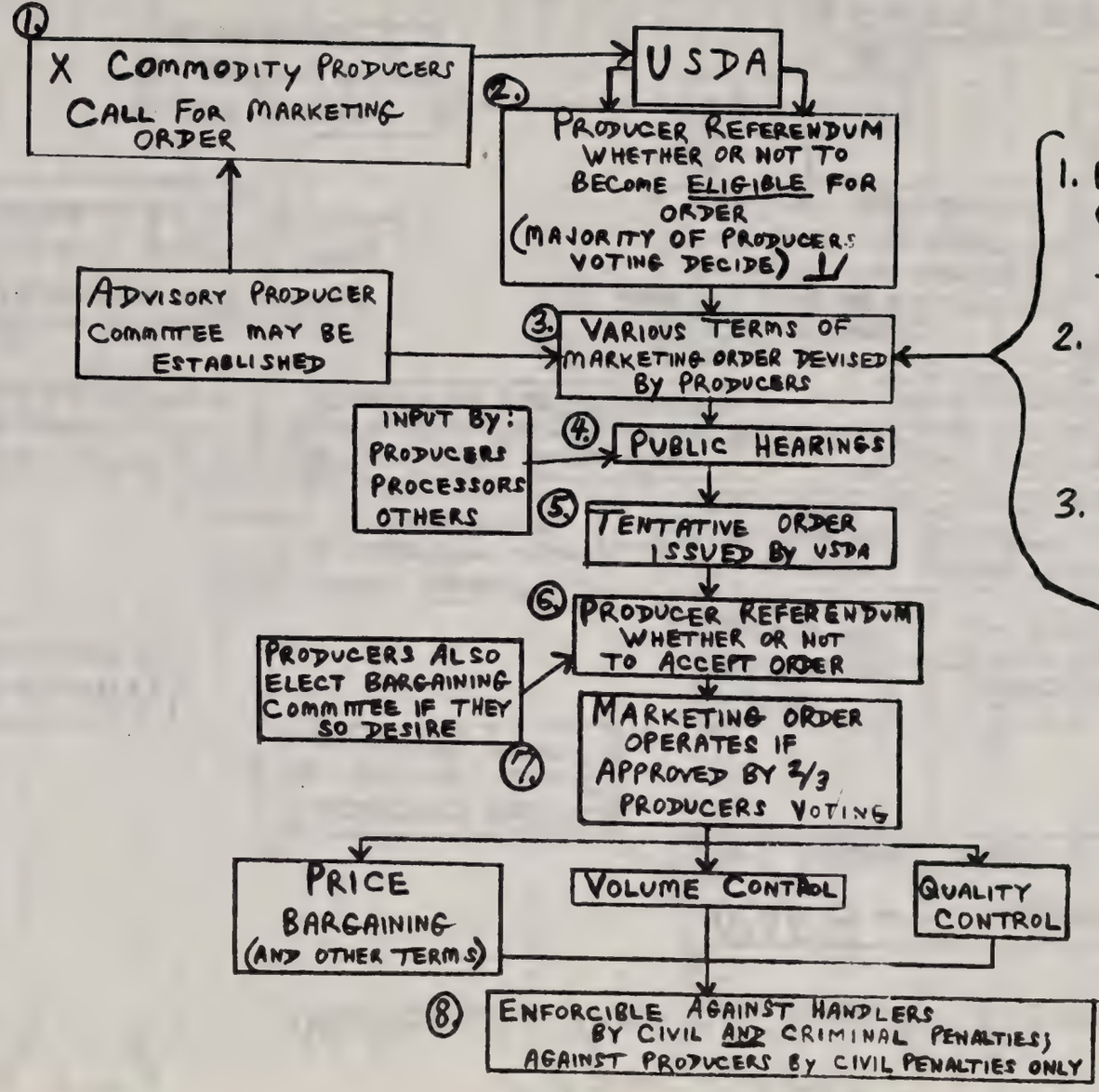
8. Marketing orders are enforceable against handlers by civil and criminal penalties, and against producers by only civil penalties.

Prepared by Reuben L. Johnson

HR-6774

NATIONAL AGRICULTURAL BARGAINING ACT : TITLE II

S-812



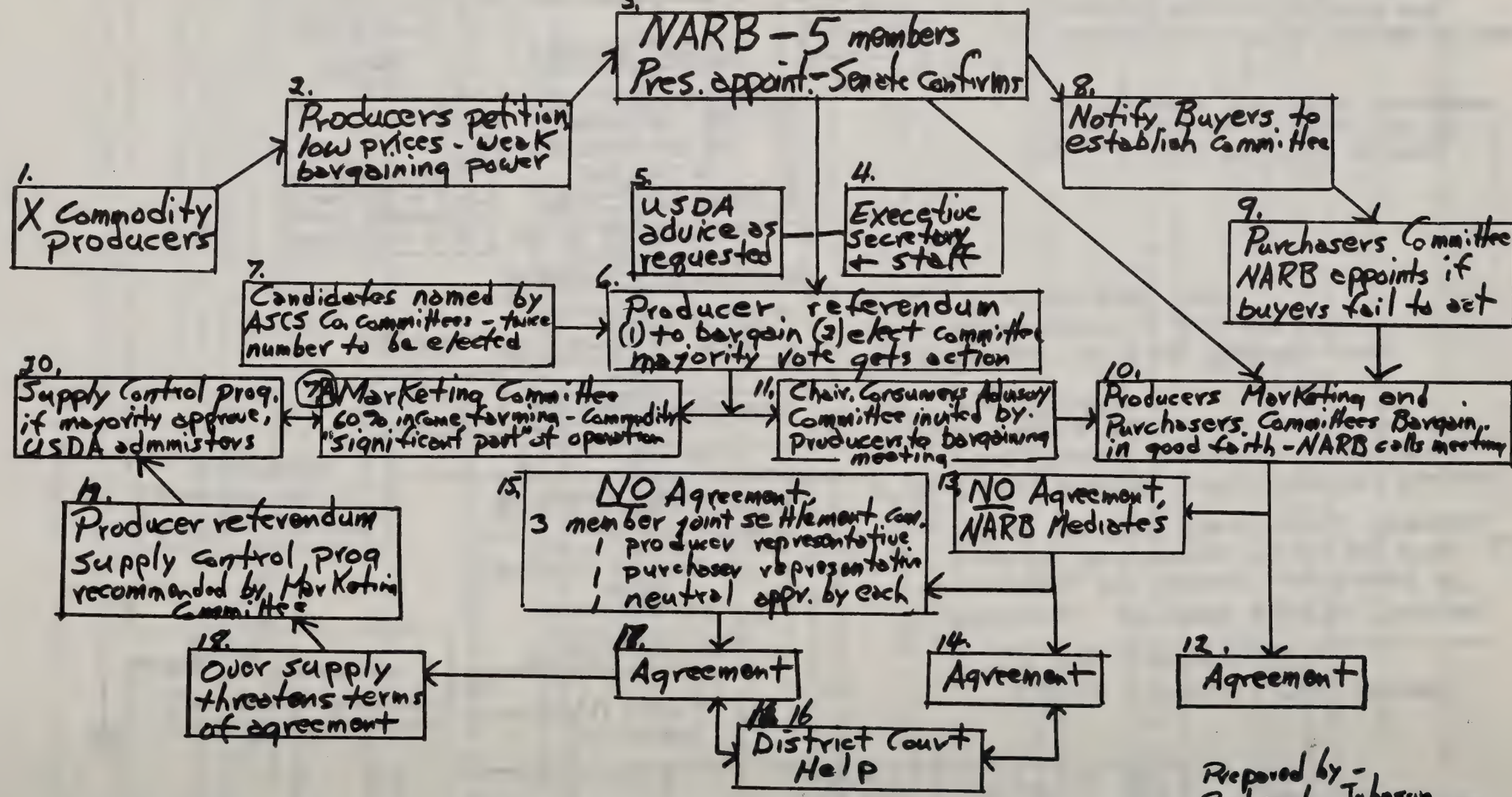
ORDER PROVISIONS MAY INCLUDE (IN ANY COMBINATION):

1. BARGAINING BETWEEN ELECTED PRODUCER COMMITTEES, AND HANDLERS AND GROUPS OF HANDLERS FOR MINIMUM PRICES AND OTHER TERMS OF SALE, BINDING ON ALL PRODUCERS. 2/
2. VARIOUS MARKET SUPPLY PROGRAMS, RANGING FROM GRADING STANDARDS TO MARKETING ALLOTMENTS, AND BINDING ON ALL PRODUCERS AND HANDLERS.
3. POOLING OF SALE PROCEEDS WHERE COMMODITY IS SOLD ON USE-CLASSIFICATION BASIS.

1/ COMMODITIES PRESENTLY ELIGIBLE UNDER MARKETING AGREEMENT ACT DO NOT REQUIRE THIS INITIAL REFERENDUM.

2/ AGREEMENTS MUST BE REACHED BETWEEN PRODUCER BARGAINING COMMITTEE AND HANDLERS REPRESENTING 50% OF THE VOLUME, BEFORE MINIMUM PRICE AND OTHER TERMS BECOME BINDING

HR-6774 Flow Sheet - Title I National Agricultural Bargaining Act - S-812



Prepared by -
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Mr. BERCK. Any further questions on this title?

The CHAIRMAN. How many more have you there?

Mr. BERCK. Just one.

The CHAIRMAN. All right, proceed.

Mr. BERCK. And this was discussed at length this morning It is the cropland retirement program as a supplement or auxiliary part of the total farm program. It wouldn't replace our commodity programs. As you refer to the paragraph at the top of page 25, it points out that there is a cropland retirement program that is a part of our present legislation. And the point made is that it hasn't been as successful as it might have been because it has never been adequately funded.

Senator DOLE. That is the cropland adjustment program.

Mr. BERCK. They call it cropland retirement here. They call it cropland adjustment. It never has been well funded as it might.

The question is asked here, why not improve on the programs and the experience we have at hand?

We therefore support a removal of the limitation on appropriations that the act now provides. This is a part of S. 2068, I believe, title IX, and that concludes my testimony if there are no further questions.

The CHAIRMAN. Have you a limitation on the number of acres to be retired?

Mr. JOHNSON. No, sir. We figured, Mr. Chairman, that as long as there is all this attention given to cropland retirement we would just let the Appropriations Committees and the Budget Bureau fight out how much money they want to put into the program.

The CHAIRMAN. Well, now, what about the time element. Is there a limitation as to the number of years?

Mr. JOHNSON. No, sir.

The CHAIRMAN. Ten years, as we had in some programs, or five?

Mr. JOHNSON. No, sir. The key point here is that we are considering our rifleshot acreage commodity programs.

The CHAIRMAN. As provided in the present program.

Mr. BERCK. Amending basic law.

Senator DOLE. Amending the 1965 act is all we are talking about.

Mr. BERCK. Yes.

The CHAIRMAN. Any further questions?

Senator CURTIS. Just one observation.

In that connection, I think the Secretary of Agriculture has had something to say about it informally, that in any additional land retirement they might give consideration to the area immediately around great metropolitan cities, say, those that are half a million or more, because while they need the elbow space there they have more demand for recreation, and so on, and it would not have the serious economic impact that it has on small towns and county seats and county areas if there is great retirement of land.

Mr. BERCK. This is correct.

I would add, in Nebraska, which we both well know, Senator, there has been a great deal of apprehension lest the massive retirement program would put a good deal of this land into grazing of livestock. The livestock people, feeding industry, which has done quite well by itself in the management of supply is alarmed lest there be a tendency to greatly increase livestock production, and that's why there is a fear

from the livestock industry spoken to me by representatives and mainstream businessmen the same thing. They are worried about what might happen.

Senator CURTIS. That is why I think that if this idea is ever pursued to take out more land, that they take it out right around the great metropolitan cities and let it be used for open space by the cities. And it does not ruin smalltown businessmen who are wholly dependent upon agriculture.

Mr. BERCK. Thank you very much.

Senator CURTIS. Disruptive of their community.

Mr. BERCK. Thank you very much, Mr. Chairman; members of the committee.

The CHAIRMAN. All right.

Mr. DECHANT. Thank you, Mr. Berck.

The chairman has reminded that the time has gone.

The CHAIRMAN. Well, no, no. We have had quite a discussion here and I would like to ask that we not be repetitive.

Mr. DECHANT. No. 1 agree. And, Mr. Chairman, we just have one witness left here, and Mr. Johnson is our legislative services director here in Washington, and I am going to rely on his usual fine judgment to summarize very, very briefly the remainder of our statement here.

Mr. JOHNSON. Senator, I can do it in 2 minutes.

The CHAIRMAN. Good.

Mr. JOHNSON. The wool program expires as it was made a part of the 1965 act that year. The coalition took a strong position in favor of extending the Wool Act.

I was really surprised recently to find out that an official of the Department of Agriculture had apparently overlooked the fact that the Wool Act does expire.

And for that reason I don't believe it is included in the administration bill. We certainly want to call that to your attention.

On dairy, we fully support the language worked out on the class 1 base plan in the House Agriculture Committee.

The CHAIRMAN. The same one reported to the Senate.

Mr. JOHNSON. Right.

Senator DOLE. Right.

Mr. JOHNSON. They made a few changes over in the House, but they seem to be acceptable to everybody.

The CHAIRMAN. We can iron out those differences in conference.

Mr. JOHNSON. Now I would just like to file our statements here on wool, livestock, dairy, and payment limitations and other matters and defer to the Senator if he has a question.

Senator MILLER. Well, I would appreciate it if Mr. Dechant or you would explain your payment limitation approach.

Mr. JOHNSON. All right, sir. Our formula would affect only diverted acreage and direct payments. It would affect those payments applicable only to wheat, feed grains and cotton or a combination of these programs.

Our delegates prescribed that the graduated formula would apply to farm operators as defined by the ASCS.

Now, the formula works like this: up to 25,000 the producer would receive 100 percent; between 25,000 and 35,000 the producer would re-

ceive 75 percent or $7,500; between 35,000 and 45,000, the producer would receive 50 percent, or $5,000, making the maximum limitation which would apply at the $45,000 level, $37,500.

Now, that would save the Government about $180 million. It is surprising how little money it would save. I can't remember exactly how many people would be affected, but I have information at the office. I believe it is around 200 farm operators that would be affected by this formula.

Senator MILLER. You mean in all the commodity programs?

Mr. JOHNSON. In all the commodity programs referred to.

Senator MILLER. And the limitations are not by commodity but they are by any program that you referred to?

Mr. JOHNSON. Right.

The CHAIRMAN. And the maximum would be—what, you said?

Mr. JOHNSON. A recipient of a $45,000 payment under our formula would be entitled to $37,500.

Senator MILLER. And that is the ceiling?

Mr. JOHNSON. Yes, sir.

Senator MILLER. Now, how would this affect a family farm corporation, father and two sons? They have 1,200 acres. They are in a corporate setup. Does this——

Mr. JOHNSON. Well, we leave this strictly up to the ASCS determination of the definition of a farm operator. I suspect that an operator in that category would be dividing down into family units pretty fast.

Senator MILLER. Yes.

I have no further questions.

The CHAIRMAN. Thank you very much.

Senator BELLMON. Mr. Chairman, may I ask a question.

The CHAIRMAN. Surely.

Senator BELLMON. I am new in the Congress, of course, but it occurs to me that a great deal of the opposition to farm programs comes because of the large payments made to a relatively small number of operators. Why did the coalition not go with the $20,000 limitation which has been proposed, and passed the House? When you said a $35,000——

Mr. JOHNSON. This is not a coalition position.

Mr. DECHANT. Senator Bellmon, I want to make it clear that the position that has been spelled by my associate, Mr. Johnson, is a Farmers Union position which has been held for many years.

Senator BELLMON. At this level?

Mr. DECHANT. No. This was adopted just a year ago down in Hot Springs, Ark., but we have for many years favored some type of limitation program. Last year we spelled it out specifically. But it is not part of the coalition bill, because at this good hour I think we are the only farm organization that supports a payment limitation. I do not know of any of the commodity organizations—that are supporting a limitation of payments.

So here today we have supported fully and wholly the coalition farm bill, and then, as an addition, we indicated some of the long-time positions of Farmers Union.

Senator BELLMON. Well, answer my question about 20,000. Do you feel this is cutting back too much?

Mr. DECHANT. Well, we have been opposed to a flat limitation, Senator. We are concerned about the matter that Mr. Naman talked about earlier in cotton. We would like to keep the cotton producers in the cotton business, and this is why some of our State organizations, for example, have taken positions asking for fault limitations as low as 10,000 or 15,000.

In Minnesota, for example, there are only 11 producers in the entire State that get over $20,000, so a resolution that comes out of a State like North Dakota or Minnesota generally is on the low side. We have felt that to make the minimum too low might move people out of cotton production into livestock production, into wheat production, competing with producers in your State, into livestock, competing with livestock producers in Senator Curtis' State. And this is why our delegates after considerable debate and discussion, and some heated discussion, decided on a graduated formula that would keep the overall operation of the farm programs at a successful level.

The CHAIRMAN. Well, since the wheat program, as well as corn and other feed grains are on a voluntary basis, don't you think that a limitation of payments will make it almost impossible to get the large growers to join in the program? Because, as I pointed out earlier today, when the Secretary of Agriculture states what is necessary for domestic needs and export, he states in effect that so many acres must be out of cultivation in order to produce so much corn and so much other feed grains, and so much wheat.

Now, if you make the payments such that the large producer will not join, become a part of this program, aren't you destroying the effectiveness of the program?

Mr. DECHANT. Well, Senator, there seems to be a feeling in the Department of Agriculture—at least I have heard of the studies that they have put on—that this might not necessarily be the case. We, of course, feel that if the farm program that hopefully can be enacted is good enough, that it will receive participation.

This means a good program and funded adequately to provide the kind of income and that we will get the participation.

The CHAIRMAN. Well, I hope you are right, But in my opinion, you will have to change the philosophy of the bill if we put limitation payments in, because, as I understand the bill, or what we are trying to do is to give the Secretary of Agriculture much latitude in saying what is needed in various commodities we are dealing with. And whether the curtailment of acres comes from a large or a small farm makes no difference. The idea is to get the acres out of cultivation.

And if you make it so that the large producer will not participate, not be part of the program, why I fear we are headed for trouble.

Mr. DECHANT. Well, Senator, I hope the program will be attractive enough, and I hope they will participate.

Well, Mr. Chairman, you have been very generous with us.

The CHAIRMAN. Well, now, that's the whole committee. Don't just blame me for it.

Mr. DECHANT. Yes; and all members of the committee. We appreciate the fact that so many members of the committee stayed through the entire day. We are highly complimented and honored that we have had this hearing.

In closing, Mr. Chairman, I would like to introduce your long-time friend and admirer and supporter from Virginia, Jack Hall, president of Virginia Farmers Union.

Thank you very much, Mr. Chairman.

The CHAIRMAN. All right, sir.

(Mr. Johnson's prepared statement is as follows:)

WOOL AND LIVESTOCK

Mr. Chairman and Members of the Committee, the Wool Act was incorporated into the Food and Agriculture Act of 1965, and since it expires this year with the other commodity programs, we urge the Committee to make it a permanent legislative program as S. 3068 provides. In this connection, I should like to set forth other Farmers Union recommendations in regard to livestock marketing:

1. We favor legislation to prohibit feeding of livestock by meatpackers, feed companies, and retail chain stores.

2. We urge, as we do for other commodities, that wool incentive payments be adjusted to reflect 100 percent of parity price to the producer.

3. We urge the Secretary of Agriculture to institute livestock committees which are representative of family farmers and ranchers.

4. We urge passage of legislation which would require bonding of packers, however we do feel that the regulations should not be so stringent that it discourages the smaller buyers. The Secretary of Agriculture should have the authority to prevent irreparable damage, provide severe penalties for those refusing to compensate producers, and clarify the jurisdiction in regard to the Packers and Stockyards authority relating to food chains.

5. We strongly urge that any further increase in grazing fees be held in abeyance pending completion of the recommendations of the Public Land Law Review Commission on grazing fees.

DAIRY

And now, Mr. Chairman, I would like to move to the dairy provisions of the bill.

First, I wish to sketch briefly the economic situation in dairying.

National milk production fell to 116.2 billion pounds in 1969, the lowest level since 1952.

Milk cow numbers declined 2.7% in 1969 and the decline was not entirely offset by a less than 2% increase in productivity per cow.

As of January 1, 1970, we have some 400,000 farms selling milk or cream in the Nation. This is a decline of 240,000 dairy farms since 1964 and an 80% decline since 1950.

We have about 300,000 farms which would presently be classed as commercial dairy farms and perhaps only about 220,000 of those are grossing $10,000 in sales.

Authoritative projections are that, unless there are significant changes in existing dairy policies, the steady decline in dairy farm numbers, dairy cow numbers and total milk production will continue during the 70's.

Although there has been some improvement in dairy price levels during 1969. dairy costs have continued to spiral upwards at a very distressing rate.

Dairymen have been subject to the same cost-price pressures as other farmers, with taxes advancing 10% in the past year, interest payments up about 8%, wage rates up about 10%. Dairy feeds now range $2 to $4 per ton higher than a year ago.

National Farmers Union, as you know, has pressed at every opportunity for dairy price support increases and adjustments in federal milk order prices.

To illustrate how the existing $4.28 price support level has failed to maintain dairy farmer purchasing power, it can be noted that this figure represented 90% of the manufacturing milk parity equivalent when the support level was set in March, 1968.

In early 1969, when the decision was made to maintain the $4.28 figure, it was equal to only 82% of parity equivalent.

We do not know what the USDA decision will be for the marketing year beginning April 1, but if the support remains at $4.28, it will then be equal only to about 78% of parity equivalent.

This brings me to our first recommendation, which would endorse the proposal to base milk supports on the all milk parity and in effect do away with the manufacturing milk parity equivalent, which over the years has failed to maintain a proper relationship between fluid and manufacturing milk values.

Currently (January, 1970), the all milk parity is $6.82 per cwt. and the manufacturing milk parity equivalent is $5.45.

Using the manufacturing milk parity equivalent, USDA can set the support level somewhere within the range of 75 to 90%—or, in dollars and cents, between $4.09 and $4.91.

Basing the support on the all milk parity, the 75 to 90% range would be between $5.12 and $6.14 per cwt.

An increase in the support level to at least $5.12 is clearly justified by the cost and income situation of dairy farm operators.

In addition to improving the overall support level, the basing of supports for milk on the all milk parity, without a specific support minimum on butterfat, would be desirable in our opinion to encourage a healthy relationship in dairy product prices and promote the greater consumption of milkfat and fat products.

We in Farmers Union also are concerned that these additional legislative actions be taken as part of the comprehensive farm bill which should be approved soon:

1. Authority for use of Class I base plans should be continued and made permanent, with the perfecting amendments in the Coalition farm bill. Without such action, authority for Class I base plans expires December 31, 1970. Provisions of the base plan should assure an orderly and equitable method for new producers to acquire bases.

2. We support the proposal for a producer-financed program of research, product and market development and educational and sales promotion for dairy products. As contemplated in S. 3068, this would operate within the framework of the milk order system, subject to the approval of producers.

3. We support the extension of authority under Section 202 of the Agricultural Act of 1949 for the donation by CCC of dairy products to the military and to the Administrator of Veterans Affairs.

At our annual National Farmers Union convention in 1969, our delegates also approved other dairy recommendations which included authority for use of payments to farmers, passage of legislation to assure that imported dairy products meet health and sanitary requirements comparable to those imposed on domestic dairy suppliers; continuation of authority for indemnity payments to producers who have lost markets due to contamination of their product through use of recommended insecticides; consolidation of bargaining efforts of milk producer cooperatives to obtain fairer prices for producer-members; and continuation of authority for establishment of a federal market order for manufacturing milk.

Mr. Chairman, I will close my presentation with a discussion of our position on one of the most controversial areas of agricultural policy—the limitation of payments to producers.

PAYMENT LIMITATION

In March of last year, the delegates to our annual convention at Hot Springs, Ark., faced up to one of the most difficult decisions that a farm organization has had to make in modern history. That decision was what to do about the payment limitation controversy. The delegates did not want to interfere with the operation of the farm commodity programs. Yet their discussion clearly indicated that they understood the problem both in terms of its social and political implications. They decided on a graduated formula approach as being greatly desired over a flat payment limitation.

This was a controversial issue at our convention and there was a heated discusison with one entire state delegation opposed to it in any form.

The graduated formula the delegates recommended would affect only certificate, diverted acreage and direct payments applicable to wheat, feed grains and cotton, or a combination of these programs. They prescribed that the graduated formula would apply to farm operators as defined by the Agricultural Stabilization and Conservation Service with interest of tenants fully protected.

Up to $25,000, the producer would receive 100 percent; between $25,000 and $35,000, the producer would receive 75 percent or $7,500; between $35,000 and $45,000, the producer would receive 50 percent or $5,000, making the maximum limitation which would apply at the $45,000 level, $37,500.

In approving the graduated formula, the delegates realized that many members of Congress support the concept of some form of payment limitation. It was their hope that by giving direction to the Congress, we could keep farm programs operating successfully, specifically in relation to supply-management. For example, they considered the graduated formula as much preferred over the flat payment limitation of $20,000 which was approved recently in the House of Representatives.

In coming to a decision on the payment limitation issue, the delegates were making an attempt to urge members of the House and Senate to vote positively and constructively to make farm programs serve the Nation better. They in effect object to payment limitation amendments which are offered as a harassment to present farm programs, are completely negative and would disrupt and erode these programs.

The CHAIRMAN. All right.

Senator DOLE. Hal Hellebust.

The CHAIRMAN. Mr. Hellebust would you step forward, please?

Senator DOLE. Mr. Chairman, Mr. Hal Hellebust is executive secretary of the Kansas Cooperative Council. On his immediate right is Harold Wills, who is the editor of the Marketer magazine for Far-Mar-Co., Inc., and on Mr. Wills' right is Mr. Bill Bork, who is executive assistant for the Kansas Co-Op Council and a bona fide farmer. Hal was, too.

Mr. HELLEBUST. At one time.

Senator DOLE. And maybe Harold, too. I can attest to the diligence of Mr. Bork. We ran against each other for Congress.

The CHAIRMAN. Is that right?

Senator DOLE. And fortunately I won. He is very knowledgeable in agriculture and Mr. Hellebust has a new program for the wheat farmer that is almost utopian.

STATEMENT OF HAL HELLEBUST, EXECUTIVE SECRETARY, KANSAS COOPERATIVE COUNCIL, TOPEKA, KANS.

Mr. HELLEBUST. Mr. Chairman, members of the committee, we appreciate the opportunity to appear here. I am Hal Hellebust, the executive secretary of the Kansas Cooperative Council of Topeka. Our council membership is composed of all types of farmer-owned cooperatives in Kansas—251 associations in number. We have a hope to contribute to the development of a long-range program for agriculture that will enhance the producers' economic position, very substantially reduce Federal expenditures, and insure an adequate flow of quality food and fiber to our Nation's people.

Our farmers in the grain producing areas have, over the last 50 years, built complete grain marketing facilities under provisions of the Capper-Volstead Act and other enabling legislation.

This act formed the foundation and set the policy in this nation for the design and structure of a farmer-owned self-help marketing system.

Thousands of local grain elevator facilities have been built. The terminal storage space and handling facilities built by farmer cooperatives along with their local facilities physically handle a substantial portion of our total grain production. Independent grain elevator interests have similar modern handling facilities. In the economics of grain marketing they have in combination served as handlers of grain from sellers to buyers on a service charge or commission basis.

We feel existing grain marketing business enterprises—both cooperative and independent—with their facilities, their technical and management personnel, and their ability to gather adequate financing, can, with regulatory help from government, assume responsibility for obtaining adequate and fair grain prices for producers.

We are suggesting that the grain marketing business be restructured, utilizing accepted techniques common to other business segments of our economy. We feel the regulatory power of Government must be employed for orderly marketing procedures and to safeguard the public interest.

Grain production is basic to our food industry and, consequently, of tremendous public interest. The transportation industry is basic to our industrial complex and to distribution of consumer goods. Of similar import to all are the Nation's financial institutions, the electric power industry, and the petroleum industry. All are regulated by government to assure the public of adequate and fairly priced products and services while safeguarding the economic interests of those providing products and services.

Similar regulatory provisions specifically designed for the grain merchandising industry can begin to phase in agriculture as a full partner in our economic system.

Supply management is as important and fundamental in agriculture as it is in industry.

We see no alternative to the allotment system employed over the past three decades. In the specifics of our proposal we feel the allotment system must be modified to assign farmers marketing quotas in terms of units or bushels, and for wheat, we feel market quotas would need to be set by classes of wheat so that market flow could be tailored to the demand for each specific use of wheat. Additionally, wheat unit quotas should be assigned producers in three categories—domestic, Government foreign aid program requirements, and commercial foreign sales—to preserve the two-price concept. Stabilized prices at adequate levels are impossible without holding available supplies to effective demand.

Producers holding marketing quotas, each year prior to harvest, would choose a terminal grain marketing firm, cooperative or independent, to act as his marketing agent. This would constitute a marketing agreement. Producers would yield physical control of his quota at harvest time to his marketing firm.

Provisions of our agribusiness marketing plan would assign the Department of Agriculture the function of conducting an annual producers' marketing agent signup. The Department would tabulate the producer's declarations and issue a market license for the bushel volume designated to each recognized and qualified marketing firm.

As a counter balance to setting realistic marketing quotas and to provide a basis for marketers to advance funds to producers, we ask that Government guarantee or insure a substantial portion of the market price as a minimum or floor. The Department, in calculating market quotas, would simply short the market flow so that market prices would not drop below two-thirds of parity as we suggest in our draft bill. Such a price floor guarantee would be the basis upon which the marketing firms, local banks, and production credit associations could advance funds to producers at harvest time. Interest costs would

be charged to the producer. Thus we would preserve a basic function of the current price support program.

Storage costs would become chargeable to marketing margins. Quality standards and grade discounts as have been established over the years would be maintained.

Government involvement would be entirely regulatory—to determine market quotas, to conduct market agent signups, to issue market firm licenses and to insure price minimums.

We are assuming that our Government would continue foreign aid programs. We would expect such shipments to be included in the marketing quotas, and to be purchased at domestic prices through regular marketing channels.

The qualified marketing firm owning or controlling handling facilities and equipped to adequately serve his clients at the primary or terminal market points, and holding a valid market volume license issued by the Department of Agriculture would represent the producer's price interest in marketplace.

All country delivery point facilities—whether cooperative or independent—would, in advance of the marketing year, be designated publicly as sublicenses of the market firms on the terminal level. They would be handlers only, acting under direction of their designated affiliate on the terminal level.

The market firm would be required to advance funds to the producer up to the price minimum or insured level, if requested, or producers could obtain such funds from their regular loan sources. Market firms would be required to make final settlement with producers at the end of the market year. Essentially, the market firms would operate on standard and common trade practices.

A marketing system so designed offers producers a centralized market with pricing decisions based on industrywide market power. The age-old practice of thousands of producers in the marketplace with a handful of buyers would be eliminated. Our marketing organizations would become sellers as designated agents of producers rather than speculative marketers on a commission or margin basis. Market firms would need to perform in the interests of producers—since failure to do so would undoubtedly cause the producer to seek out a new representative the following year. Within the cooperative grain marketing structure we would anticipate the utilization of democratic procedures by producers to establish their annual asking prices as guidelines to their board of directors and management. We would anticipate similar procedures to be established by independent grain marketing firms with their clientele.

In the transition from Government responsibility to full industry responsibility for current excess stocks, we suggest in our draft bill that Government-held excess stocks be gradually liquidated through foreign aid programs.

Future reserve stocks, or the often-termed strategic reserve, would automatically be maintained by producers as insurance against crop failure by natural hazards. However, should it be the consensus that the Nation's security would be enhanced by maintenance of a reserve by Government, entirely insulated from the market, the marketing procedures of the plan would not be affected.

In connection with adoption of this market plan for wheat, it has been recently suggested to us that the cost of regulatory functions of the Department of Agriculture could be borne by producers through a very nominal fee per bushel on marketing quotas.

Thus, Government would be relieved of practically all costs under this program.

Potentially, adoption of such marketing procedures would put agriculture on a business basis, utilizing techniques and business practices common to nearly all other segments of the economy. Farmers would be provided with the means to compete on a fair and equitable basis within the framework of our free enterprise system.

We began exploring the feasibility of formulating a program to enhance the farmers' bargaining power through utilizing the facilities of our grain marketing structure in 1965.

We found great interest among our membership. Farmers want to be self-reliant. They have supported Federal farm programs as a necessity. Generally, they have appreciated the efforts of the Congress and readily recognized that without such help our agriculture would be defunct.

We have held area meetings twice a year the past 5 years with members of board of directors and other interested producers, discussing the concept of the marketing proposal we are suggesting here today. We have submitted it to numerous economists for their reaction. We have enlisted the aid of grain marketing technicians in our regional cooperatives in development of the program. This past summer we put together the draft bill for wheat which we are submitting to your committe for consideration. We contend that the proposal can be adjusted for application to soybeans, sorghums, and other feed grains.

Our objectives—in summary—are to drastically reduce Government costs in agriculture, give agricultural producers the opportunity to compete for equitable income levels in the private sector of the economy, thereby bringing stability to the agricultural economy, safeguarding the food supply of the Nation, and adding vigor to the total economy.

I appreciate very much the opportunity to appear and submit our grain marketing proposal in draft bill form, including my statement, to this committee, and I will be glad to respond to any questions you may have, Mr. Chairman.

The CHAIRMAN. Suppose that your program had been in effect the last 2 years. What would be the amount of wheat on hand, do you think? We have 800 million bushels now.

Mr. HELLEBUST. Yes.

The CHAIRMAN. How would you dispose of that. What techniques would you use?

Mr. HELLEBUST. This surplus in Government hands if this program was implemented would be worked off on an annual percentage basis in the foreign aid programs by Government.

It has been building up and we suggest, to begin with, that 20 percent, and maybe it has been built up to the point where this figure should be lower as this would affect the total supply currently and the income of farmers too much. But the point is that any carryover that does not move in the market at the asking price the farmers de-

velop along with the independents would be deducted from the following year's quota by classes of wheat.

The CHAIRMAN. Well, there is bound to be regulation to production.

Mr. HELLEBUST. Sure. We see no alternative to units in the market flow. I do not see any other way than to tie acreage in with it. So that you could tailor market flow by classes of wheat; you could tailor it to the market demand.

The CHAIRMAN. Well, your program envisions a program, I presume, like we had before this last one was put in. In other words; would this program work on a voluntary basis?

Mr. HELLEBUST. No.

The CHAIRMAN. You would have to have compulsory——

Mr. HELLEBUST. Not if the trade—if the trade, cooperatives and the independent segments of the grain industry is to assume price responsibility, we see no other alternative than to have rigid, tight controls in the market flow.

The CHAIRMAN. Well, now, how would you estimate the amount necessary, let's say, for 1970? What would be the procedure? Would you limit the acreage in the production of wheat, let's say, in order to meet what you think would be the amount necessary to dispose of domestically and by export.

Mr. HELLEBUST. Under the provisions that we contemplate, we would ask the Department of Agriculture to have the responsibility to determine by classes of wheat what the domestic demands are going to be for 1970, domestically, what the estimates are going to be for disposal in foreign aid programs, and the best it can on the commercial foreign sales, and allocate back to producers on a unit basis.

Now, then, we have a counterbalance here that they short these quotas sufficiently so that on a free open market basis prices would not fall any lower than two-thirds of parity. There is a guarantee to keep the estimates realistic and adjusted. And if we wind up the end of the year with an excess in either of these categories, it would be deducted from the next years unit assignments to farmers.

The CHAIRMAN. In other words——

Mr. HELLEBUST. So you are perpetually adjusting the inventory.

The CHAIRMAN. That is somewhat similar to the old program.

Mr. HELLEBUST. Yes.

The CHAIRMAN. No different.

Mr .HELLEBUST. Other than when we come up with the marketing unit, then the responsibility on the costs that are involved from there on is in the private trade, or with the grain industry, and the responsibility for price is there also. The trade cooperative and independent would be licensed marketers and have this responsibility.

The CHAIRMAN. Well, who would take care of the cost if you had a surplus? Let's say that—you said there would be a guarantee by the Government of two-thirds——

Mr. HELLEBUST. A floor, yes.

The CHAIRMAN. A floor, there would be a floor.

Mr. HELLEBUST. That the supply would be held short enough to just about assure this.

The CHAIRMAN. Now, that would be, would have to be taken over by somebody. Who would that somebody be?

Mr. HELLEBUST. The farmers and the cooperatives and the independent grain people. These are margin costs, margin costs in the marketing procedure, a sufficiently high price on the ultimate sales for farmers to absorb the interest cost, to absorb the marketing and warehousing costs, the whole thing, as we do in other segments of industry.

The CHAIRMAN. Any further questions?

Senator BELLMON. I have a question, Mr. Chairman.

Under the terms of your proposal, I assume it is anticipated that you would be able to bargain and get the price of wheat in advance to go up.

Mr. HELLEBUST. We would within the cooperative structure call area district meetings, membership meetings, to give opportunity to producers to express themselves as to what the market asking price is going to be on the annual basis. And we would assume that the independent trade in their marketing agreement arrangements with farmers as a marketing firm would devise something similar.

Senator BELLMON. Well, now, we have had testimony here today that only 43 percent of the wheat we raise in this country is used domestically for human food. When you get the price up to the point that we can't export any more, what happens? Do we cut back to 40 percent of our wheat production?

Mr. HELLEBUST. This is the purpose of the three categories in the allotment procedure, to go on world price levels to the extent that producers will and can on a price blend basis. In the commercial wheat areas in western Kansas, it is our feeling producers we have talked to will go further in the export market at world price levels than they can in some other areas.

Senator BELLMON. Can you explain in a little more detail how this would work out? I missed that in your testimony. The three categories you mentioned, where are they in your testimony?

Senator MILLER. Page 2.

Mr. HELLEBUST. Page 2?

Senator MILLER. In the middle paragraph.

Senator BELLMON. How would this work? Say, I am a wheat grower with a 1,000-acre wheat allotment, how much of my wheat will be in different categories?

Mr. HELLEBUST. Well, we would be asking the Department to determine demand on the basis of classes of wheat. We have a historical record as to what the disposal has been. So that in the winter wheat area, we would need determined what the domestic requirement and the prospects for foreign sales for winter wheat is. In the spring wheat area, the same thing. In the Pacific Northwest for instance—I think this figure is approximately correct—something like 90 percent is in export trade, only 10 in domestic. And it is these relationships that we would be dealing with.

And this is the reason why we, as marketers, talk on allotments by classes of wheat, because the demands are different.

Senator BELLMON. If I farmed in the Pacific Northwest, I would sell 90 percent of my production at the world market price.

Mr. HELLEBUST. Well, they are now, plus they have had the Public Law 480 advantages as well as certificates in current program. But about 90 percent of their wheat has been going in export.

Senator BELLMON. Don't they get wheat certificate payments on the same 43 percent of their production as I do?

Mr. HELLEBUST. Yes, they have. They have had an advantage there.

Senator BELLMON. So they would suddenly, then, get—only 10 percent of their wheat certificates; is this true?

Mr. HELLEBUST. Well, the certificate is compatible with the program we suggest, it can can be worked with what we are talking about. But the price advantages, we feel, would gradually phase it out. I mean, we would be getting——

Senator BELLMON. You anticipate doing away with export certificates?

Mr. HELLEBUST. Yes. This would not be necessary, because we would get price out of the marketplace directly.

Senator MILLER. May I ask a couple of questions?

Mr. HELLEBUST. What we are talking about is to have a realistic supply and demand situation under a licensing provision here representing farmers on price. If you are going to do this, then you have to be dealing with a product that there is demand for, in accordance with what the demand is for winter wheat, what it is in various categories of spring wheat, and for the Pacific Northwest wheat.

So all we are saying is that the allotment program insofar as the marketer is concerned would have to be on the unit basis, and these units among farmers would have to be on the basis of what the effect of the market demand is for various types of wheat.

Senator MILLER. This would be a mandatory program.

The CHAIRMAN. Surely.

Mr. HELLEBUST. Yes.

Senator MILLER. No exceptions.

Mr. HELLEBUST. No exceptions.

Senator MILLER. And the enforcement of the mandatory program would be handled by the Federal Government?

Mr. HELLEBUST. Yes. We have suggested penalty provisions on page 12 of the draft.

Senator MILLER. Yes. And I presume that if a farmer exceeded the quota that was allotted to him, he would not be permitted to market it?

Mr. HELLEBUST. No.

Senator MILLER. And suppose that he exceeded the acreage allotment allotted to him and fed it. Would that be covered, too?

Mr. HELLEBUST. Well, what we are attempting to project here is the demand on food wheat. We know, of course, it is related to what happens to feed wheat.

Senator MILLER. What your objective here is, is to enable the farmer through the marketing, through the private or cooperative marketing procedure, to obtain enough income so that he will certainly be no worse off than he is now, and, preferably, better.

Mr. HELLEBUST. Yes.

Senator MILLER. And what kind of a price would that mean for typical bread wheat?

Mr. HELLEBUST. We have not projected any set definite price except we went on the theory of using the parity concept, that it should be at least 100 percent of parity price levels to farmers.

Senator MILLER. Yes. Now, suppose that that is the price——

Mr. HELLEBUST. And hang it on that.

Senator MILLER. Of course, one thing that bothers me is you have competing marketing associations, competing cooperatives, cooperatives competing with the private trade. That kind of competition could result in a lowering of the price. And I am wondering what would happen if that price was beaten down, and especially if it was up so high that you might be troubled by imports of wheat from Canada for example.

Mr. HELLEBUST. Yes.

Well, Senator, this is—we have talked about these aspects of it, but we feel with the producer interest in the market agreement technique, marketing cooperative, we will be going to annual pricing. You will have an objective which will be known to everyone, and you are dealing with known supplies, and that is it. And if it does not move at the prices that the producers are asking, then in the allotment procedure, the marketing quota the subsequent year they will hold out and deduct from the next allotment, so you carry it along. The bargaining power rests with the producer through utilization of the annual marketing agreement.

Senator MILLER. I can see a war going on between marketing groups, though, especially with the private people.

Mr. HELLEBUST. It would be competitive. They are all going to have to come up with adequate price levels. They would be reaching for the top. Unhappy producers would switch marketing agents next year.

Senator MILLER. What are you going to do to prevent competition from imports?

Mr. HELLEBUST. Well, this gets into another area. Our feeling is that the Nation has to support the domestic farm economy operating at domestic cost levels.

Senator MILLER. That could undercut your market.

Mr. HELLEBUST. That is right. If the gates are opened up there, it will put the farm economy in very bad shape.

Senator DOLE. Mr. Chairman, at one time, Mr. Hellebust, you were working on some examples that we could make a part of the record to follow a transaction through? Do you have anything prepared along that line?

Mr. HELLEBUST. No, not with me.

The CHAIRMAN. Well, that is what prompted me to ask him what would happen under last year's wheat situation, how could you have corrected that. That was my purpose in asking the question.

Senator DOLE. Right.

Mr. HELLEBUST. I will be able to—but I haven't with me, no, Senator.

Senator DOLE. If you could provide something and make it part of the record, it might be helpful just to follow the transactions of a parcel of wheat.

Mr. HELLEBUST. The difficult thing, Mr. Chairman, is that we have become accustomed to Government operations and management, these

things are all scheduled out. I think what we have to look to, from our viewpoint, is the internal operations of the marketing structure where a lot of these things will be taken care of that have prior to this time been a concern of Government or the Department, like the interest costs and the carrying over the excess production.

In talking to wheat producers and others that are involved, we attempt to visualize the private sector taking care of these things and being compensated by prices that are adequately high enough to absorb these costs that Government has had up to this point.

The CHAIRMAN. Well, what opposition do you think you would have from the grain market in Chicago, Kansas City, and New York, and other large——

Mr. HELLEBUST. Well, Mr. Chairman, Mr. Jimmy Dean, J. H. Dean, Manager of Far-Mar-Co.-Hudson, and I were invited in by Clarence Palmby, the Assistant Secretary, last July, and we discussed this whole thing with him for an hour or two. Following that the Southwest Miller, a trade magazine, picked it up and wrote an editorial. They didn't find any basic economic fault involved in the proposal. What they were questioning was farmer acceptability and political acceptance.

And this is what we have run into with most economists and people in the—wheat growers—is the questioning of change from 30 years of custom. And what we have been attempting to do is to preserve the price support technique, the storage arrangements and all that we have had on these programs but convert them to the private sector.

The CHAIRMAN. Well, all of your, of those who handle the grain under your proposal would have to be licensed, I presume.

Mr. HELLEBUST. Be licensed. The producer at the beginning of the marketing year would designate who his marketing agent is going to be. USDA would summarize these and issue a volume license to that specific grain marketer.

Senator DOLE. Have you had an opportunity to discuss this with your counterparts in other States, such as Oklahoma, Nebraska, or Iowa, or with any of the co-ops there?

What basic support do you have. Do you have the support of any farm groups? Are they still a little reluctant or——

Mr. HELLEBUST. We have, Senator, presented it to all the farm groups, all the other regional cooperatives. Some of the regional cooperatives have been involved and have furnished technical men in pulling together this proposal. But what we have had is the beginning of a change in the direction or motivation of cooperatives. There is some reluctance to change on the part of a number of them.

In our area we have felt that in the cooperative market structure we have the facilities and manpower and can generate finance. We have been searching for the means and the technique to represent farmers in the marketplace on a price basis.

We have probably had 2,000 or so producers in Kansas involved in various meetings. We have had a number of sessions with the Kansas Wheat Growers Association, with the men involved there, and spent a great deal of time in detail with them. And I understand that they discussed the proposal and the idea at the National Wheat Growers Convention in Oklahoma City. I wasn't there. They looked

into it, and there was a resolution passed by that meeting commending the Kansas group for looking ahead into new thoughts and ideas. So we have been working with many people. And I think in the last 6, 8 months or so in Kansas we have begun to get a much broader acceptance to this, that it is being talked about, and the wheat producers are genuinely looking at it.

Senator DOLE. The cost to the Government would be less with this approach—at least that is your hope.

Mr. HELLEBUST. That is our intention, even to the point of the regulatory costs, and this was not our original suggestion. It came from some of the individuals, among the wheat growers, that wheat growers could take a mill or two per bushell on their marketing quota and finance the Government operation in determining and assigning marketing quotas.

The CHAIRMAN. Well, I presume you would probably have to do away with the CCC, would you not, Commodity Credit Corporation?

Mr. HELLEBUST. Yes, insofor as grain storage in that operation. We would like the availability of their funds to temporarily finance inventories as was the original function of CCC.

The CHAIRMAN. Funds?

Mr. HELLEBUST. For financing advance payments. But there again, in lieu of the price support, the local banks and PCA's could advance these funds on the basis of the price floor.

The CHAIRMAN. You mean the guarantee made by the Government?

Mr. HELLEBUST. Yes, on the basis of the guarantee. Yes.

The CHAIRMAN. Yes. That is right.

Mr. HELLEBUST. They could advance these funds, to the extent local bankers would want to be involved or the Production Credit Association, and through the facilities of the marketer itself.

The CHAIRMAN. Well, your criticism of past programs evidently relegates itself more to the marketing.

Mr. HELLEBUST. Yes. we are not——

The CHAIRMAN. So far as the programs are concerned, you would want them handled as they have been in the past, that is, have curtailed acreage.

Mr. HELLEBUST. Yes.

The CHAIRMAN. The Secretary of Agriculture would designate the number of wheat acres necessary to meet the demands, let's say, domestically and for export, and Public Law 480.

Mr. HELLEBUST. Yes, Mr. Chairman.

The CHAIRMAN. And then the handling of it would be through the marketing methods that you are now proposing.

Mr. HELLEBUST. That is right, Mr. Chairman; on the marketing allocations, but in order to give farmers bargaining power we——

The CHAIRMAN. Well, how would that give farmers bargaining power? I can't quite follow you.

Mr. HELLEBUST. Well, they would have marketing agreements. Daily pricing would be out of the picture. They would have marketing agreements with the marketer who had a license to handle this volume. He would have the structure within the cooperatives, the opportunity to determine what the prices, asking prices, should be. And in his way you would have the unity of the co-op patronage structure as a marketing device, a bargaining device.

Senator MILLER. And that would be backed up by mandatory——

The CHAIRMAN. Yes, bound to be.

Senator MILLER. And a guarantee on the part of the Government, at least as far as a minimum price is concerned.

Mr. HELLEBUST. To short the supply reaching the market sufficiently so that the marketing institution can operate on a price basis.

The CHAIRMAN. Well, we had a program like this, like he is proposing, minus the marketing, if you recall. That has been quite a while ago. Any large carryovers would be charged against the next year's crop and decrease the acreage.

Senator MILLER. Was that a mandatory program?

The CHAIRMAN. Oh, yes, it was. I mean the proposal was. It was never adopted.

Mr. HELLEBUST. Mr. Chairman, we are finding that attitudes of wheat producers particularly are changing on this mandatory idea. This is fast changing.

The CHAIRMAN. Well, I know that. I know we have had the mandatory program on all except corn. Corn, as I recall, was the little sweetheart of our program. They got the benefits but there were no restrictions made. They were guaranteed so much a bushel, but they were always in the program and got the cream, whereas all other commodities, like wheat and tobacco and cotton, their program was fixed acreage, and vote the program, by two-thirds of the farmers voting, and it was always compulsory.

Mr. HELLEBUST. Yes.

The CHAIRMAN. I imagine that we might have some improvements in getting someone to sell the commodity better advantage, but I am just wondering if this committee were to start considering that what the grain trade would do in all these big cities I talked about. Probably, if we would force them to have, to obtain a license from the Federal Government, why you would kick up a lot of dust, I imagine.

Mr. HELLEBUST. Mr. Chairman, the licensing feature of this is no different than you would have, than we already have in public utilities and various other segments of the economy. There is a lot of similarity. And naturally we would expect resistance.

Senator MILLER. What would this do to the futures market?

Mr. HELLEBUST. Well, Senator, the futures market has been an implement of the grain trade and the cooperatives have participated in this, as well as the independents, safeguarding margins, but we ask the question as to what it has actually done to enhance farm price.

We think that you can get along without it as far as the producers are concerned.

The CHAIRMAN. In other words, it would destroy the futures market, that is, future——

Mr. HELLEBUST. The need for it.

The CHAIRMAN (continuing). Future gambling, gambling.

Senator MILLER. Speculation.

The CHAIRMAN. Speculation. That's a better word. Cut out the gambling.

Senator MILLER. Or, another word is hedging.

The CHAIRMAN. Yes.

Senator MILLER. I can see some play in the market under this, but it would be greatly restricted, and I agree with you, that I do not

see that the futures market is particularly helpful to farmers. I do not think that it has necessarily been intended that way, at least originally. It was intended for the processors.

The CHAIRMAN. Speculators. Speculators, too.

Senator MILLER. Well, yes. But without the processors getting into the hedging, I don't think it would have been much of a market.

I have no further questions, Mr. Chairman.

The CHAIRMAN. Further questions?

Senator DOLE. No. We appreciate very much Mr. Hellebust's testimony, and as was pointed out earlier, this is a result of much work by Mr. Hellebust and his associates. Maybe it is a little ahead of its time, but he will not give up on it, and maybe some day we can work out this program that will get the Government out and still protect farm income.

The CHAIRMAN. I would like to get witnesses, a witness or two here to analyze the proposal and pick out the soft spots, if there are any. I presume we would find some.

Senator DOLE. Right.

The CHAIRMAN. And what the effect of this would be. And we would probably have the Department to analyze the proposal and get their opinion of it and suggest that they get the opinion of trade, regular—like in Chicago, Kansas City, and New York, and the effect it would have on future sales, and so forth. I think it would be a good thing to have all of that in the record.

Mr. HELLEBUST. Mr. Chairman, I know that as far as the cooperatives are concerned in our home area—based in Hutchinson covering nine States—that the grain technical people would be available and be happy to do it. And they have helped us in the development of this proposal.

The CHAIRMAN. Well, the Department might be able to get that done for us and get the views of the trade, see what——

Mr. HELLEBUST. We first descussed this with Senator Carlson when he was here. He opened up, made arrangements for us to talk to a number of economists in the Department, and there are a number of people over there who are familiar, acquainted with it, at least.

The CHAIRMAN. Well, we would be able to get their views when the Department witnesses come up, because, as I stated before these hearings were started, we are going to hear all outside witnesses and let the Government, Government witnesses analyze what everybody stated here, and then get their views as to how the program suggested would work. So yours is one of them.

Mr. HELLEBUST. Thank you, sir.

Senator DOLE. Thank you.

Mr. HELLEBUST. Thank you very much.

The CHAIRMAN. All right.

(The draft bill referred to is as follows:)

AN ACT To provide for the orderly marketing of wheat and the maintenance of fair prices for wheat producers and consumers.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as "the Wheat Marketing Act of 1969."

DECLARATION OF POLICY AND LEGISLATIVE FINDINGS

SEC. 2. It is hereby declared to be the policy of Congress to provide for an adequate and orderly flow of wheat and its products in interstate and foreign commerce at prices which are fair and reasonable to farmers and consumers. Wheat is a basic source of food for the Nation, is produced throughout the United States by several hundred thousand farmers, is sold on the country-wide market and, as wheat or flour, flows almost entirely through instrumentalities of interstate and foreign commerce from producers to consumers.

Abnormally excessive and abnormally deficient supplies of wheat on the country-wide market acutely and directly affect, burden, and obstruct interstate and foreign commerce. Abnormally excessive supplies overtax the facilities of interstate and foreign transportation, congest terminal markets and milling centers in the flow of wheat from producers to consumers, depress the price of wheat in interstate and foreign commerce, and otherwise disrupt the orderly marketing of such commodity in such commerce. Abnormally deficient supplies result in an inadequate flow of wheat and its products in interstate and foreign commerce with consequent injurious effects to the instrumentalities of such commerce and with excessive increases in the prices of wheat and its products in interstate and foreign commerce.

It is in the interest of the general welfare that interstate and foreign commerce in wheat and its products be protected from such burdensome surpluses and distressing shortages and that a supply of wheat be maintained which is adequate to meet domestic consumption and export requirements in years of drought, flood, and other adverse conditions as well as in years of plenty, and that the soil resources of the Nation be not wasted in the production of such burdensome surpluses. Such surpluses result in disastrously low prices of wheat and other grains to wheat producers, destroy the purchasing power of grain producers for industrial products, and reduce the value of the agricultural assets supporting the national credit structure. Such shortages of wheat result in unreasonably high prices of flour and bread to consumers and loss of market outlets by wheat producers.

The conditions affecting the production and marketing of wheat are such that, without Federal assistance, farmers, individually or in cooperation, cannot effectively prevent the recurrence of such surpluses and shortages and the burdens on interstate and foreign commerce resulting therefrom, maintain normal supplies of wheat, or provide for the orderly marketing thereof in interstate and foreign commerce.

The provisions of this Act affording a cooperative plan to wheat producers are necessary in order to minimize recurring surpluses and shortages of wheat in interstate and foreign commerce, to provide for the maintainance of adequate reserve supplies thereof, and to provide for an adequate and orderly flow of wheat and its products in interstate and foreign commerce at prices which are fair and reasonable to farmers and consumers.

TITLE I—MARKETING ALLOTMENTS

PROCLAMATIONS OF SUPPLIES AND NATIONAL MARKETING ALLOTMENTS

SEC. 101. (a) Whenever prior to April 15 in any calendar year the Secretary determines that the total supply of wheat in the marketing year beginning in the next succeeding calendar year will, in the absence of a marketing allotment program, likely be excessive, the Secretary shall proclaim that a national marketing allotment for wheat shall be in effect for such marketing year and for either the following marketing year or the following two marketing years, if the Secretary determines and declares in such proclamation that a two- or three-year marketing allotment program is necessary to effectuate the policy of the Act.

PROCLAMATION OF AMOUNT OF ALLOTMENT

SEC. 102. (a) If a national marketing allotment for wheat has been proclaimed for any marketing year, the Secretary shall determine and proclaim the amount of the national marketing allotment for such marketing year not earlier than January 1 or later than April 15 of the calendar year preceding the year in which such marketing year begins. The amount of the national marketing allotment for wheat for any marketing year shall be an amount of wheat which the

Secretary estimates (i) will be utilized during such marketing year for human consumption in the United States as food, food products, and beverages, composed wholly or partly of wheat, and (ii) will be exported either in the form of wheat or products thereof; less (A) an amount of wheat equal to the estimated imports of wheat into the United States during such marketing year, (B) an amount of wheat equal to the amount remaining unsold from previous marketing allotments established under this Act, and (C) 20 percentum annually of the stocks of wheat owned by the Commodity Credit Corporation at the beginning of the market year this Act becomes effective until such stocks are depleted, provided further that these stocks of wheat shall be exported under Public Law 480 provisions. The Secretary, in determining the amount of the national marketing allotment for any marketing year shall not determine an allotment in excess of that amount of wheat which he estimates will result in producers receiving a national average return from wheat sold or not less than 66⅔ percentum of the parity price therefor. The Secretary shall separately determine and proclaim (1) the percentage of the national marketing allotment which he estimates will be utilized during such marketing year for human food from each class of wheat in the United States (2) and the percentage by class of wheat that will be exported under the Agricultural Trade Development and Assistance Act of 1954, as amended (Public Law 480), and (3) the percentage by class of wheat of the national marketing allotment which he estimates will be exported during such marketing year under sales not financed by the Government under Public Law 480.

(b) If, after the proclamation of a national marketing allotment for wheat for any marketing year, the Secretary has reason to believe that, because of a national emergency or because of a material increase in the demand for wheat, the national marketing allotment should be terminated or the amount thereof increased, he shall cause an immediate investigation to be made to determine whether such action is necessary in order to meet such emergency or increase in the demand for wheat. If, on the basis of such investigation, the Secretary finds that such action is necessary, he shall immediately proclaim such finding and the amount of any such increase found by him to be necessary and thereupon such national marketing allotment shall be so increased or terminated. In case any national marketing allotment is increased under this subsection, the Secretary shall provide for such increase by increasing producer marketing apportionments established under this Act by a uniform percentage.

Apportionment of National Allotment

Sec. 103. (a) Whenever a national marketing allotment is proclaimed under section 101, and the Secretary has determined and proclaimed the amount of the national marketing allotment, he shall apportion it among producers of the various classes of wheat on the basis of acreage allotments which the Secretary determines will provide together with the projected national yield per acre, an amount of wheat equal to the national marketing allotment.

(b) The national marketing allotment for wheat, less a reserve of not to exceed 1 percentum thereof for apportionment as provided in this subsection, shall be apportioned by the Secretary among the States on the basis of the preceding year's acreage allotment for each such State, adjusted to the extent deemed necessary by the Secretary to establish a fair and equitable apportionment base for each State, taking into consideration established crop rotation practices, estimated decrease in farm acreage allotments because of loss of history, and other relevant factors. The reserve marketing allotment set aside herein for apportionment by the Secretary shall be used to make allotments to counties in addition to the county allotments made under sub-section (c) of this section, on the basis of the relative needs of counties for additional allotments because of reclamation and other new areas coming into production of wheat.

(c) The State marketing allotment for wheat, less a reserve of not to exceed 3 percentum thereof for apportionment, as provided in subsection (d) of this section, shall be apportioned by the Secretary among the counties in the State, on the basis of the preceding year's wheat acreage allotment times the historical bushel yield per acre in each such county, adjusted to the extent deemed necessary by the Secretary in order to establish a fair and equitable apportionment base for each county, taking into consideration established crop rotation practices, and other relevant factors.

(d) The farm marketing allotment for the 1970 and any subsequent crop of wheat shall be established for each old farm by apportioning the county wheat marketing allotment among farms in the county on which wheat has been planted, or is considered to have been planted, during the 1969 crop year for which allotments were determined on the basis of past acreage of wheat times the historical county average yield, adjusted as hereinafter provided. For purposes of this paragraph, the acreage allotment for the immediately preceding year may be adjusted to reflect established crop-rotation practices, may be adjusted downward to reflect a reduction in the tillable acreage on the farm, and may be adjusted upward to reflect such other factors as the Secretary determines should be considered for the purpose of establishing a fair and equitable marketing allotment.

FARM MARKETING ALLOTMENT

SEC. 104. (a) The farm marketing allotment for any farm for any marketing year shall be the number of bushels of wheat obtained by multiplying the projected farm yield by the acreage allotment: *Provided*, That (1) the percentage of the farm marketing allotment which may be utilized during any marketing year for human food in the United States and (2) the percentage exported under Public Law 480 and (3) the percentage of the farm marketing quota which may be exported during any marketing year under sales not financed by the Government under Public Law 480 shall not exceed the separate percentages of the national marketing quota for such uses as determined by the Secretary under section 101.

(b) If marketing allotments for wheat are not in effect for any marketing year, all previous marketing allotments applicable to wheat shall be terminated, effective as of the first day of such marketing year.

(c) Notwithstanding any other provision of this Act, there shall be excluded from the marketing allotments any amount of wheat which is used on the farm where grown and any amount of wheat which is used for seed as determined in accordance with regulations issued by the Secretary.

TRANSFER OF ALLOTMENTS

SEC. 105. Notwithstanding any other provision of law, a producer producing less wheat during any marketing year than the amount equal to his farm marketing allotment may, in accordance with regulations prescribed by the Secretary, acquire wheat from other producers within his total farm marketing allotment and market such wheat through his designated marketing firm or firms. Any wheat so acquired from another producer shall be regarded as having been produced on the acquiring producer's farm.

RESERVE SUPPLY

SEC. 106. Producers of wheat assigned marketing allotments who have wheat they have produced in excess of their annual marketing allotments, may use such stocks as strategic reserves to be called upon by the Secretary as provided in Sec. 102(b) of this Act.

PURCHASES FOR EXPORT BY GOVERNMENT

SEC. 107. All stocks of wheat exported under the Agricultural Trade Development and Assistance Act of 1954 as amended (Public Law 480) shall be acquired in the domestic market except as provided in Sec. 102(a).

REFERENDUM

SEC. 108. If a national marketing allotment for wheat for one, two, or three marketing years is proclaimed, the Secretary shall, not later than August 1 of the calendar year in which such national marketing allotment is proclaimed, conduct a referendum, by secret ballot, of wheat producers to determine whether they favor or oppose marketing allotments for the marketing year or years for which proclaimed. Any producer who has a marketing allotment shall be eligible to cast 1 vote for each bushel of his marketing allotment in any referendum held pursuant to this section. The Secretary shall proclaim the results of any referendum held hereunder within thirty days after the date of such referendum, and if the Secretary determines that more than one-half of the votes cast in the

referendum are against marketing allotments, the Secretary shall proclaim that marketing allotments will not be in effect with respect to the crop of wheat produced for harvest in the calendar year following the calendar year in which the referendum is held. If the Secretary determines that one-half or more of the votes cast in a referendum approve marketing allotments for a period of two or three marketing years, no referendum shall be held for the subsequent year or years of such period.

PENALTY PROVISIONS

SEC. 109. (a) No person, partnership, or corporation shall produce or possess wheat unless authorized by the Secretary by assignment of a marketing allotment unless they are an approved marketing firm or agent thereof, or a processor or an exporting firm which has acquired stocks from an approved marketing firm. Violators shall be subject to fines or imprisonment of $10,000 or ten years or both.

(b) Producers selling wheat in excess of marketing allotments shall be subject to fines or imprisonment of $5,000 or five years or both, and shall have marketing allotments revoked during effective term of this Act.

TITLE II—MARKETING FIRMS AND PRICE SUPPORT

MARKETING FIRMS

SEC. 201. (a) During any marketing year for which wheat marketing quotas are in effect, every producer of wheat shall market his wheat only through an approved marketing firm having adequate facilities in the regional markets as determined and approved by the Secretary. Prior to the beginning of the marketing year, each producer shall notify the Secretary of the approved marketing firm he chooses to market his wheat and the amount or amounts of the farm marketing allotment he intends to market through such firm. Any wheat which a producer markets other than through his designated marketing firm shall be regarded as part of the farm marketing excess and subject to the penalties provided in section 109.

(b) Prior to the beginning of each marketing year approved market firms shall notify the Secretary of the location of its own wheat handling facilities at local country delivery points and the name and location of other facilities not owned by it with which it has contractual agreement to serve as additional local delivery points.

(c) No firm may market or othewise dispose of wheat during any marketing year in excess of the total designated to them by producers for that year, plus any undermarketings from prior marketing years of wheat produced within marketing allotments previously established under this Act: *Provided*, That (1) the percentage of the total farm marketing allotments which may be utilized during any marketing year for use and consumption in the United States and (2) the percentage exported under Public Law 480 and (3) the percentage of the total farm marketing allotments which may be exported during any marketing year under sales not financed by the Government under Public Law 480 shall be equal to the separate percentages of the national marketing quota for such uses as determined by the Secretary under section 101. Each marketing firm shall, in accordance with regulations issued by the Secretary, make reports on the total farm marketing allotments it is authorized to market, the total wheat it receives and markets, the uses made of the wheat, and the proceeds paid to farmers.

(d) Upon delivering his wheat to the marketing firm, the producer shall be entitled to receive an initial payment from the marketing firm on the proceeds to be derived from the wheat equal to the number of bushels delivered times 50 percentum of the parity price of wheat as determined by the Secretary, after adjustment for location, time of marketing, class, grade, and other factors. The producer shall be entitled to receive the remainder of the proceeds, if any, derived from his class, grade, and quality of wheat not later than 30 days after the end of the marketing year, except that undermarketings would be settled for not later than 30 days after the last sale. Any firm failing to make an advance of funds as requested by a producer or otherwise failing to account properly to the producer for the proceeds from the wheat shall not be recognized as an approved marketing firm in the next succeeding marketing year.

(e) Any firm which markets or otherwise disposes of wheat during any marketing year in excess of the total amount of wheat produced within the total marketing allotments of producers who designate the firm to market their wheat (as increased to reflect any undermarketings in prior marketing years of wheat produced within farm marketing allotments previously established under this Act) shall be subject to a penalty on the amount of any such excess at the rate per bushel equal to 65 percentum of the parity price per bushel of wheat as of May 1 of the marketing year in which the excess wheat is marketed or otherwise disposed of. Such penalty shall also be applicable to any amount of wheat which any firm markets or otherwise disposes of for domestic food use in excess of the percentage of the national marketing allotment specified for such use by the Secretary in section 102.

PRICE GUARANTEE

SEC. 202. (a) Notwithstanding any other provision of law, during any year in which marketing allotments are in effect under this Act, the Secretary of Agriculture shall guarantee minimum total returns from wheat at a national average of not less than 66⅔ percentum of the parity price therefor as determined by the Secretary. Approved marketing firms must agree to receive and promptly distribute such uniform flat national deficit payment to producers. The producer may, in accordance with regulations prescribed by the Secretary, assign his right to receive such payments to his designated marketing firm or firms.

(b) The Secretary, in determining the guaranteed prices and rates of payment needed to make minimum returns, may make adjustments in such prices or rates for differences in grade, quality, type, location, and other factors to the extent he deems practicable and desirable. Determinations by the Secretary under this Act shall be final and conclusive. The facts constituting the basis for any operation, payment, or amount thereof when officially determined in conformity with applicable regulations prescribed by the Secretary shall be final and conclusive and shall not be reviewable by any other officer or agency of the Government.

(c) The Secretary is authorized to utilize the facilities, services, authorities, and funds of the Commodity Credit Corporation in discharging his functions and responsibilities under this Act, including the payment of costs of administration.

TITLE III—GENERAL PROVISIONS

SEC. 301. (a) This section shall apply to processors of wheat, warehousemen and exporters of wheat and food products, and all persons purchasing, selling, or otherwise dealing in wheat. Any such person shall, from time to time on request of the Secretary, report to the Secretary such information and keep such records as the Secretary finds to be necessary to enable him to carry out the provisions of this subtitle. Such information shall be reported and such records shall be kept in such manner as the Secretary shall prescribe. For the purpose of ascertaining the correctness of any report made or record kept, or of obtaining information required to be furnished in any report, but not so furnished, the Secretary is hereby authorized to examine such books, papers, records, accounts, correspondence, contracts, documents, and memorandums as he has reason to believe are relevant and are within the control of such person.

(b) Any person who knowingly fails to make any report or keep any record as required by this section or other provisions of this Act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be subject to a fine of not more than $5,000 for each violation.

REGULATIONS

SEC. 302. The Secretary shall prescribe such regulations as may be necessary to carry out the provisions of this Act.

DEFINITIONS

SEC. 303. The terms defined in the Agricultural Adjustment Act of 1938, as amended, and the Agricultural Act of 1949, as amended, shall have the same meanings when used in this Act.

REPEAL OF PREVIOUS LEGISLATION

SEC. 304. Part III of subtitle B and subtitle D of title III of the Agricultural Adjustment Act of 1938, as amended, and any other provision of law in conflict with the provisions of this Act are hereby repealed.

The CHAIRMAN. Without objection, we will recess until 10 o'clock tomorrow, and the chances are we might consider those two bills, Senator Dole.

(Whereupon, at 5:45 p.m., the committee adjourned, to reconvene at 10 a.m., on Thursday, February 19, 1970.)

AGRICULTURAL ACT OF 1970

THURSDAY, FEBRUARY 19, 1970

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to recess, at 10:17 a.m., in room 324, Old Senate Office Building, Hon. Allen J. Ellender (chairman) presiding.

Present: Senators Ellender, Talmadge, Jordan of North Carolina, Holland, McGovern, Young of North Dakota, Miller, Curtis, Dole, and Bellmon.

Also present: Senator Burdick.

The CHAIRMAN. The committee will continue hearings on the farm program to replace the present one and the first witness this morning is Senator McGovern.

STATEMENT OF HON. GEORGE S. McGOVERN, A U.S. SENATOR FROM THE STATE OF SOUTH DAKOTA

Senator MCGOVERN. Thank you, Mr. Chairman. I have a rather lengthy statement that I would like to have printed in the record as it is prepared.

The CHAIRMAN. Without objection, that will be done.

Senator MCGOVERN. I will simply hit some of the highlights of it.

The CHAIRMAN. Proceed.

Senator MCGOVERN. And summarize it in order to save the time of the committee. I would also like to ask unanimous consent that a chart illustrating how the consumer reserve provision of the bill works, plus the staff's explanation of the bill S. 3068, be included in the record.

The CHAIRMAN. Without objection, that will be done.

(The prepared statement of Senator McGovern and attachments are as follows:)

Mr. Chairman and fellow members of the Agriculture Committee, we are embarking today on a task of utmost urgency for the Nation's farmers and, I believe, for the entire population.

Certainly we must act, and I am here recommending a specific form of action known as the coalition farm bill. It represents the combined thinking and the combined support of some twenty-five major farm organizations and commodity groups.

I consider it quite significant that it has the endorsement of the National Association of Farmer-Elected Committeemen, whose convention I was privileged to address early in December. These elected ASCS officials are in the best possible position to know the needs of agriculture.

The Committee staff has compiled an explanation of the bill, and I ask that it be made a part of the hearing record. Representatives of the groups included

in the coalition are prepared to testify in detail on its treatment of various commodities. The central point which I want to deal with here is that it proposes improvements in farm income. Its essence is a continuation of existing commodity legislation, with amendments aimed at increasing returns to complying farmers.

For wheat, it would solidify the coverage of domestic food wheat at 100 percent of parity, and would set a minimum support of not less than $1.25 per bushel. The new return would be in the form of a requirement that wheat export certificates be set to bring total returns on exported wheat to a minimum of 65 percent of parity, replacing the existing variable certificate based on world prices. The added cost would be about $275 million.

The Feed Grains provisions would move price support loans for corn up from $1.05 to $1.15 per bushel, and they would raise the direct payment from 30 cents to 40 cents, with commensurate increases for other feed grains. This would bring total returns up to a minimum of 90 percent of parity, and would cost about $350 million.

The Dairy title would extend and clarify the authority for inclusion of class I base plans in Federal milk marketing orders, removing some of the obstacles which have precluded widespread use of this marketing tool. Established dairy farmers would share the benefits of market growth, the present requirement for basing price supports on butterfat content would be repealed, and seasonal base plans would be separately and specifically authorized. The authorization for class I base plans would be made permanent.

The bill contains new authority for an acreage diversion program on soybeans and flaxseed, which would be available when total stocks accumulate in excess of 150 million bushels or 15 percent of the previous year's use, whichever is less. Supports would be set at 75 percent of parity. This provision would end the necessity of relying upon reductions in support rates as a means of discouraging overproduction, and would cost from $25 to $35 million. A diversion program for rice is also authorized.

Existing programs for wool and cotton would be extended without change.

Beyond the commodity programs, the bill would establish consumer protection reserves of wheat, feed grains, soybeans and cotton. I think this is an essential feature, reaching across the problems that can occur for both producers and consumers because of our inability to predict with precision the size of a year's crop. At this point, Mr. Chairman, I would like to insert in the record a table showing how the reserve would operate and the size of Commodity Credit Corporation and on-the-farm stocks the bill contemplates.

(The table is as follows:)

OPERATION OF CONSUMER PROTECTION RESERVE UNDER S. 3068

	Reseal on farms	Farmers contracts	CCC publicly owned
1. Amount of reserve:[1]			
Wheat	150,000,000 bushels	150,000,000 bushels	200,000,000 bushels.
Feed grains	7,500,000 tons	7,500,000 tons	15,000,000 tons.
Cotton			3,000,000 bales.
2. Maximum acquisition price	None	None	None.
3. Minimum resale price:			
(a) Wheat	Producer option—no minimum price.	(2)	(2).
(b) Feed grains	At release date	(3)	(3).
(c) Soybeans		(4)	(4).
(d) Cotton		(5)	(5).
4. Reserve held by farmers		Farmers	CCC.
5. Provision for emergency release at prices other than above.	None	(6)	(6).
6. Expiration date		Permanent	

[1] When estimated consumption, including exports, exceed production by more than 10 percent, reserve levels under both reseal and in CCC reserves will be increased by 100,000,000 bushels of wheat, 7,500,000 tons of feed grains, 15,000,000 bushels of soybeans, and 1,000,000 bales of cotton.

[2] CCC stocks below above levels; parity price less 75 cents certified ($2.02 per bushel).

[3] CCC stocks below above levels; parity price less adjusted payment ($1.42 per bushel on corn).

[4] CCC stocks below above levels; parity price $3.64 per bushel.

[5] Stocks below above levels: Parity price 47.9 cents per pound (Upland Middling, 1 inch).

[6] In addition to minimum resale price, natural disaster, low production, military action would control release.

Note: For staff explanation of S. 3068, referred to above, see p. 49.

Another title of the bill would authorize the establishment of marketing orders for any commodity when supported by a two-thirds majority of producers. This provision draws upon our successful experience in dairy, and is offered in the conviction that the same tool can work effectively in other areas.

I want to make special mention of two provisions of the bill which cut across more than one commodity program. The titles for wheat and feed grains would both make mandatory the present discretionary authority to make partial payments in advance of performance. This requirement, which sets the advance payment at 50 percent of the total, is extremely important because of the farmers' needs for operating capital during the planting season. The Department's decision this year to eliminate the advance payment on feed grains, which I hope we will reverse legislatively through separate legislation pending before the Committee, will work a severe hardship, particularly because of the record high interest rates which must be paid if that capital is to be secured from other sources. The net effect of the Secretary's decision will be a reduction in the Federal budget for one fiscal year, an increase in the next fiscal year, and millions of dollars in interest charges to hard-pressed farmers.

Finally, there is a provision in the bill limiting the amount by which the projected yield of a farm can be adjusted downward as a consequence of natural disaster in previous years. As members of the Committee know, the amount of production to be allowed on a given farm is established primarily by history. As a consequence, such natural disasters as floods, drought or storms can drastically affect the projected yield. The coalition bill would limit this effect to 5 percent of the production, in effect eliminating at least a good share of the added penalty the programs now impose on farmers who suffer crop losses.

It is clear, Mr. Chairman, that this bill is both modest and practical. I think it indicates commendable patience on the part of people who have for many years sought the elusive goal of full parity. They ask no more than minimal progress toward that goal.

I hope the Committee will act favorably on S. 3068. If there is a consensus in agriculture—and farmers are more closely united now than they have ever been in my recollection—it is behind this proposal.

Along with several member organizations of the coalition, but not all, I hope the Committee will also incorporate in the bill a graduated limitation on the amount of payments any individual producer can receive. It should be set at the lowest levels consistent with achievement of production control objectives. I do not think the $15,000 figure that has been suggested is unrealistic in that respect.

A provision of this kind would eliminate one of the central causes of urban dissatisfaction with our farm programs. It would allow the concentration of benefits to those who need them most, and it would be consistent with the policy of encouraging family farm agriculture which we have so frequently repeated.

Mr. Chairman, the depressing litany of statistics about agriculture today leaves no room for doubt about the need for decisive action on farm programs. This is no time for retreat.

We have heard a great deal lately about the $16 billion in net income the country's farmers divided last year, a figure exceeded only once in the 1960's. I am sure no member of this Committee will have his vision befogged by that statistic. An analysis of its components indicates clearly that it is due almost entirely to the fact that we are on the low supply-high price side of the livestock cycle. Livestock prices averaged 12 percent higher in 1969 than in the previous year.

On the contrary, we should react with some concern to the fragility of that still-inadequate income level. The Outlook and Situation Board of USDA's Economic Research Service predicts that the favorable livestock outlook will probably continue at least into the first half of 1970, but their prognosis is that net income will likely not go up at all because "production expenses continue to surge, and for the year may offset the gain in income."

We all know that the costs of farm production have a disturbing tendency to hold at least to the new highs they achieve. I know of no case in recent years in which the costs of operating a farm have declined. But prices for farm commodities have and will decline. When the livestock cycle turns back down we can expect a new, damaging crunch on the Nation's farm families, giving new impetus to the exodus of people from the land.

Notwithstanding the $16 billion net last year, the per capita income of farmers in this country still lags back at about three-fourths of the income of nonfarmers. That is an improvement over the 1950's. But the change in the farmer's relative position derives almost exclusively from two changes—the continued decline in the number of farms and the steady rise in the amounts farmers supplement their incomes from nonfarm sources. This is hardly a favorable reflection on the success of our farm programs.

The $16 billion net is just slightly more than was received for the three-year average of 1947–49.

Since that time farm prices for all commodities have gone up only 2.9 percent, and they have been far outdistanced by the rapid spiral in the cost of living which burdens farmers like everyone else. Farm debt on January first of this year was $58.1 billion, up some 6.3 percent from the year before. Significantly the increase in farm debt, at $3.5 billion, exceeded the increase in gross receipts in 1969 by $½ billion. All of us who represent farm states know that many of our farming constituents are literally living on the growing borrowing power that comes from increments in the sales value of their land. And we shudder for the day when the market for farm land will break, as it must if prices continue to hold so far in execess of those warranted by the returns which can reasonably be expected from the land's food production.

These factors relate directly to the reasons why those of us from rural states should be concerned about the farm outlook and anxious to write the best possible farm bill. Our colleagues from more urban states should see the need they expose as well, because of the economic interdependence between rural and urban areas and especially because of their stake in assuring stable food supplies. Surely they must admire and seek to protect the farm system which supplies more and better food, at lower real cost, then anyone has ever enjoyed anytime, anywhere.

But today they have an even more direct and obvious stake in the work of this committee. The kind of bill we support has an intimate tie to one of their most pressing and urgent concerns.

During the past 20 years the entire population growth of the United States—54 million people—has occurred in metropolitan centers. The rural population has remained almost static. The central cause of this coagulation of our population is the economic stagnation of agriculture.

In 1935, at the high point, there were 6.8 million farms in this country. By 1950 the number had dropped to 5.6 million, and then the attrition began in earnest. The Department of Agriculture reported just a few weeks ago that nearly half of the farms that existed 20 years ago have now disappeared. We began 1970 with 2.9 million.

When a farm goes out of business the farmer is followed off the land by his family. And between 1950 and 1970 the number of people who are supported by farming has dropped at an average annual rate of well over 600,000. Some 14 million Americans have joined the exodus from the farms. They have, of course, taken with them a wide range of opportunities for non-farm employment in the enterprises which supply both the capital and consumer needs of farm families.

The rural America they have left is depleted by their absence.

Consider, for example, the tragic waste involved in the empty, decaying farmsteads. Now those houses are liabilities, because the land upon which they sit cannot be farmed until they are torn down.

Consider the heavy costs involved when rural states invest heavily in the education of their young people, only to have them leave and spend their productive years elsewhere because there are too few jobs.

Consider the consequence of rural poverty, recognizing that in rural America where only one-fourth of the people live we find half of the Nation's poor, two-thirds of its substandard housing, and half of the people receiving old-age and child care assistance.

Consider, too, the human costs involved when millions of Americans are deprived by economic necessity of their right to choose where they will live, in light of the results of a 1968 survey by Mr. George Gallup. 56 percent preferred a rural life; 25 percent found the suburbs attractive; a scant 18 percent were most favorably impressed by cities.

Obviously it has not been in the interests of rural areas for this migration to take place. Nor has it accorded with the wishes of the people themselves. Who, then, has benefitted? The cities?

Today the entire Nation is in the process of discovering the sad state of our environmental health, and we are finding that it is poor indeed.

The historic Potomac River which borders Washington, D.C. is attractive today only from a distance. It is not a stream but a sewer absorbing some 240 million gallons of waste each day.

Long Island Sound in New York receives 196 million gallons of sludge daily from 110 plants along its shores.

Lake Erie may be the outstanding example of our aquatic abuse. It used to support commercial fishing, but today the fish are all but gone. With only three of its 62 beaches safe for swimming, it is rapidly approaching the "too thick to swim, too thin to plow" stage. Lake Michigan is following close behind.

Similar situations exist throughout the country, wherever there are large concentrations of people.

And in those same places the atmosphere has become a distasteful, toxic mixture of pollutants. Too many automobiles spew more chemicals into the air than it can absorb. They join with the smoke stacks of heavy industry to serve up 133 million tons of waste material into the air each year. The resulting mixture assails the nostrils, burns the eyes, and damages the lungs.

These are two of the most unattractive features of urban life. Their causes are varied, for there are as many sources of pollution as there are modes of transportation or ways of earning a living. But their massive proportions today are most directly related to the fact that we have for so many years been allowing—actually requiring—our population to stack up in metropolitan areas. Some waste can be absorbed and diffused by the air and water. But we have been clustering together and dumping intolerable amounts, and we have been clustering our resources so that each individual uses up more air and water. Each new arrival in the city impedes the pace and raises the price of pollution prevention and control. The quality of life it damaged for migrant and native alike. Perhaps it is already irretrievable.

Migration taxes the cities in other ways.

The whole range of public services and facilities becomes less and less adequate. Transportation arteries are clogged. Schools are overcrowded and deteriorating. Public safety institutions are undermanned, overworked and unsuccessful.

We had a rough calculation of the economic costs of all of this in 1967, when Mayor Lindsay of New York estimated that his city would require Federal help in the range of $5 billion a year for ten years—a total of $50 billion—in order to become a decent place to live. Someone extrapolated that like help to other metropolitan areas would set the total Federal investment at $1,000 billion.

This is where we stand today, with population densities by state ranging from a low of 3.2 per square mile in Wyoming to a high of 929.8 in New Jersey among the 48 contiguous states. In Brooklyn there were, in 1960, 34,583 people on every square mile of land.

The future looks much worse. In the next thirty years the population of the United States is expected to grow by 100 million people. If present trends continue the great majority will find themselves in populous centers. Some 77 percent of our population of 300 million will be located on only 11 percent of the land area. The coasts will become continuous strips of cities. We have obviously not even begun to perceive the problems of overcrowding we will have then.

Mr. Chairman, there is not a shred of sense in this trend. It misuses our limited reservoir of natural resources. It is economically and socially wasteful. Our obvious response is to stop it—if we can.

President Nixon has taken note of the problem. In his state of the union address he decried the trend which had a third of our counties losing population in the 1960's and describe the "violent and decayed central cities" as the "most conspicuous area of failure in American life today.' Indeed, he spoke of creating a "new rural environment which would not only stem the migration to urban centers but reverse it."

I confess to some skepticism on that score after reviewing the record of 1969. I look forward to proposals which would implement such a policy. Certainly we must be definite and emphatic about our commitment to economic development of all kinds in rural areas. They must be made attractive for new job-creating enterprise. The whole range of programs affecting the convenience and comfort of living in rural America—housing, health, electric power, communications, transportation, education, and others—deserve expanded attention.

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But we must all recognize as well that such programs are unlikely to even catch up with the migration if we let the agricultural base continue to decline and if we let the deterioration of the family farm system go unabated. We must recognize at bottom that it is not essentially a lack of services or convenience that causes people to leave rural communities and prevents them from returning.

The finest homes with the best of consumer services, the most attractive schools and churches, the safest streets and the best medical care will not repopulate rural America. Only livelihood—jobs and business—will do that. And agriculture is at the core.

For example, an increase of 10 cents a bushel in the corn price support loan will do more for the midwest of America than the entire rural economic development program.

My fervent hope, therefore, is that as we proceed we will not become enamored of the concept that our concern for the economic status of farm people—important as that is—is the only one involved. We will ill-serve agriculture and we will ill-serve the country if we approach this issue with an apology. We will invite apathy to one of the most pressing problems of our time if our operating premise is that we must sneak something by an urban-dominated Congress.

Today more than ever before the Nation is equipped and motivated to see the costs of a deteriorating family farm system and to recognize its stake in a healthy farm economy.

Let us give our colleagues in the Congress a chance to respond.

Senator McGovern. Mr. Chairman, the bill that I am testifying in support of here this morning, S. 3068, the so-called coalition farm bill, is one that I introduced last October on behalf of myself and 12 other Senators, including Senator Burdick of North Dakota, who is here with the committee this morning.

The measure very frankly was authorized by the leaders of some 25 different farm organizations, some of whom we have already heard from, others who will be testifying as we proceed to the consideration of farm legislation. As I pointed out yesterday, this bill was devised over a period of a year's time in consultation with these various farm organizations. Las November it was given the unanimous endorsement of the farmer-elected committeemen meeting in their national convention in St. Louis.

The central point that I want to deal with here this morning, Mr. Chairman, is that this bill represents basically an extension of our existing program but with some provisions for farm income improvement. For example, on wheat it would solidify the coverage of domestic food wheat at 100 percent of parity and would set a minimum support of not less than $1.25 per bushel. The new return would be in the form of a requirement that wheat export certificates be set to bring total returns on exported wheat to a minimum of 65 percent of parity. That would replace the existing variable certificate based on world prices. The added cost on the wheat section of the bill, Mr. Chairman, members of the committee, would be about $275 million above the——

The Chairman. Does the Senator know what the cost is now under the present bill?

Senator McGovern. I do not have that statistic in front of me, Mr. Chairman, but the——

Senator Talmadge. $1.2 billion is my recollection.

Senator McGovern. That is pretty—I am just not sure. I will get that figure, though, for the record. But in any event, the new income support feature of the program would add about $275 million to the cost of the program. Of course, that would show up in the form of an additional amount of income to the wheat producers.

The feed grain provision of the bill would move the price-support loan for corn from $1.05 to $1.15 per bushel and it would raise the direct payments from 30 to 40 cents with commensurate increases for other feed grains. That would have the effect of bringing the total returns over corn and other feed grains to a minimum of 90 percent of parity, and that would add to the cost of the present program about $350 million.

Senator HOLLAND. Will the Senator yield there?

The CHAIRMAN. The wheat program, I asked a while ago about costs. The present cost of that program is $1,089.1 million.

Senator MCGOVERN. Yes.

The CHAIRMAN. It is already high. There is a lot of criticism about it, against this bill, the present law, because of its cost. And this committee will have to go into more details about these costs in an effort to try and hold it down if we can, if we are to have any bill at all this year.

Senator HOLLAND. Will the Senator yield for a question right here? As of what date would the 90-percent parity figure add $275 million to the present cost?

Senator MCGOVERN. Well, that is——

Senator HOLLAND. The parity figure changes.

Senator MCGOVERN. Yes. It is an estimate based on the current price support, current price level in feed grains, an estimate of what it would cost to operate the programs for 1 year above what we are now spending at the current level.

Senator HOLLAND. In other words, if the price of what farmers have to buy would go down, that $275 million might be diminished and if it should go up, it would be increased?

Senator MCGOVERN. That is possible, right.

The CHAIRMAN. Now, how much would the farmer obtain for his corn if your suggestion were followed?

Senator MCGOVERN. $1.15 a bushel.

The CHAIRMAN. Now, how would the farmer obtain that? Through a loan?

Senator MCGOVERN. Yes.

The CHAIRMAN. And yesterday we discussed, as you may recall—90 percent of parity would be $1.56 per bushel as of last December. And that is quite an increase from what the cost is now. And the trouble, I think, that we will have in reporting out a bill will be these added costs, and I think we ought to look into it very minutely so as to get a bill that will at least get the sanction of the House.

Senator MCGOVERN. I agree, Mr. Chairman. I am interested in getting a bill through and there is not any part of this bill here that I am irrevocably wedded to. There may have to be changes in all of these provisions. I think what we have to do is to balance off the problem of getting legislation approved in the Congress as over against the need to try to raise farm income. I think farm income is too low. I think the present program has been very helpful to farmers. I find that there is a general acceptance of the present program in my part of the country. Farmers do not want to see this program killed and I would not want to do anything that would jeopardize the extension of the program that we passed here several years ago because

I think it has been very helpful, but I make these suggestions because I think they are reasonable. I think they will add some additional income to farm families at a time when they are having a very difficult time of it economically.

The CHAIRMAN. Well, I am informed that the House is having quite a lot of difficulty in providing a bill because of the additional costs that are suggested by some of the proponents of the measure we are now talking about. And in any event, the committee, of course, is glad to have all of these suggestions and let us not forget, too, that both the corn provision as well as the wheat are voluntary programs and we must not make it impossible to get as many people to join these programs on a voluntary basis as we can. It strikes me that we ought to devise some ways and means by which we can get all of the big growers to join with us in providing a program and it strikes me that if we make the loan program too attractive as some desire to do, that the large growers will be tempted to grow all the corn they can and not come within the program. And those are things that we have got to be careful of if we are to have a bill at all. The same thing applies to wheat.

Senator HOLLAND. Mr. Chairman, may I say this to the Senator? I approve in general what the chairman has said. It seems to me that probably one of the worst hurdles we are going to have to get over is this proposal to raise the parity level to a fixed parity of 90 percent for the feed grains as compared with lesser levels for most of the other so-called basic commodities. I wonder why the bill proposes to raise the level to a compulsory 90 percent.

Senator MCGOVERN. There is only one reason, one basic reason for that, Senator Holland, and that is to improve the income features of the program. It is very frankly designed to give feed grain producers more income.

Senator HOLLAND. But there is no attempt to fix any allotment or anything other than a voluntary program for feed grain.

Senator MCGOVERN. It does not change the existing structure of the program; no.

Senator MILLER. Mr. Chairman, would it be your thought that if the support price is raised as you suggest, that this would result in the Commodity Credit Corporation acquiring a lot of stocks?

Senator MCGOVERN. I do not think that would happen, Senator Miller. I do not think you can demonstrate that raising the price-support level automatically means an increase in the CCC stocks. In fact, there is some evidence that it as often as not works the other way.

Senator MILLER. But if it did, then we could have—you know, we have had tremendous expense in restoring capital to the Commodity Credit Corporation over the last few years because of the acquisition of tremendous stocks by CCC. It had been my thought that one of the reasons why the previous administration as well as this one had kept the loan price down was to prevent that recurrence. And I can see that if we go in the direction we were going once before we might have this problem all over again.

Senator McGovern. I have never really felt that the two were that closely related. In fact, you will recall, Senator Miller, that the experiments during the 1950's of trying to work down surpluses by reducing the price support level did not have that effect. People tried to offset their lower per unit price by increasing their production. I do not think it would necessarily follow that raising the price support level results in greater production or even in greater acquisitions by the CCC.

Senator Miller. I can see where it would not necessarily follow but I am troubled by what Senator Ellender has voiced, that you could have some people who are not in the program taking advantage of the market situation resulting from that higher loan rate and, therefore, the net result might be that the big operators get the plums and the little fellows get the crumbs.

Senator McGovern. Except that you still retain the direct payment feature which would benefit people that are in the program.

Senator Miller. That would benefit the people who are in the program, the little fellows, but when it comes to the fallout effect of the higher loan feature, it seems to me, the real big operators are the ones who are going to get——

Senator McGovern. We always have that problem, though, with any kind of a farm program. It does benefit those on the outside as well as——

The Chairman. No. I do not think the Senator is correct there. It strikes me that any farmer who expects as much as 90 percent of parity for what he produces should agree to acreage allotments and the corn people never agreed to that, never. They always desired a voluntary program with pay fixed. And I think corn is the only commodity wherein—and other feed grains, as Senator Holland points out—never came under the same programs as we had for wheat, cotton and peanuts and rice and tobacco.

Senator McGovern. Well, I think the Senator knows traditionally over the years I have always favored the mandatory program but we could not get it through.

The Chairman. I understand, but the Senator desires to extend the present law as is and over 90 percent of parity?

Senator McGovern. Yes, but I do not think you could——

The Chairman. And that to me, would encourage the production of more corn by the larger growers because of their ability to grow it more cheaply than the smaller farmer.

Senator McGovern. The only thing——

The Chairman. What I suggested yesterday was what we ought to do is devise some plan whereby the loan feature of the bill particularly as to corn and other feed grains would be lower but make a direct payment sufficiently high so as to invite other growers, large growers, to join the program. If we do not do that we are going to have a flood of corn and other feed grains that will simply engulf the market.

Senator McGovern. I do not want to leave a mistaken impression. I think what the Senator asked me a while ago how I expected to achieve the 90 percent of parity I referred to the support level but

there is also the direct payment and that should be stressed. Under the formula I am suggesting here you raise the direct payments from 30 cents to 40 cents. Now, I guess what the chairman is saying is that you ought to emphasize that direct payment increase rather than increasing the support price.

The CHAIRMAN. Rather than increase the loan.

Senator MCGOVERN. The loan rate.

The CHAIRMAN. In other words, the way that I felt the program should be operated in order to get the larger growers in is to have a reasonable loan, say 90 cents to a dollar, and then make the direct payments to the grower larger, even 40 or 50 cents if necessary, to get them into the program so that we can have the production in keeping with our requirements. Otherwise, if you raise the loan feature of the bill what we are going to have is that the larger growers will refuse to come into the program and then grow all the acreage they can, and thereby flood the market with a lot of grain which will depress the prices. There is no doubt in my mind that a large surplus of corn dangling over the market is bound to depress the prices.

Senator TALMADGE. Not only of corn but livestock products generally.

The CHAIRMAN. Yes. It would affect even livestock.

Senator MCGOVERN. I think that is one of the dangers of dropping that loan rate too far, too, that you do that very thing. You get a depressed price level which wrecks your livestock market.

The CHAIRMAN. But the idea, Senator McGovern, is that we have a voluntary program and we want to make it possible so that the larger growers can join in the program and produce in keeping with our requirements. If you make it attractive—I know that has been the case in the past, give as much as a dollar and a quarter loan, you will never get the larger growers getting into the program because they can make a profit at about that price.

Senator MCGOVERN. Is what you are suggesting, then, a formula similar to what we have on the wheat certificate program?

The CHAIRMAN. Well, no. What I am suggesting is this, that in a voluntary program if it can be applied to both wheat and corn, that we make the loan rate low and the direct payment higher.

Senator TALMADGE. With payments based on compliance with the program.

The CHAIRMAN. All of it would have to be based on compliance.

Senator MCGOVERN. We have done that, though, have we not, on wheat? We have set the loan rate very low there and then a high direct payment.

The CHAIRMAN. Well, that is the way the corn program has been administered under the present law. This would be a big change to it, what you are proposing.

Senator MCGOVERN. Well, it is not——

The CHAIRMAN. Ninety percent of parity on a voluntary program is quite a large amount. It is a big jump, in other words, and this would be mandatory.

Senator MCGOVERN. But as far as the loan rate is concerned you are only talking about a dime a bushel, talking about going from $1.05 to $1.15. It is not drastic.

The CHAIRMAN. I know, but even at $1.12 big growers would make money on corn and they have done that in the past. They felt that by growing all the traffic would bear as far as the farms were concerned, they produced and made money at just about 2 cents under the loan terms.

Senator MCGOVERN. Has it been the Senator's experience that the feed grain producers are opposed to increasing the direct payment substantially and having a somewhat lower loan rate?

The CHAIRMAN. Well, I do not know how they think, but I know that there was a lot of opposition to a program that would permit the Department to lower the loan rates as much as 90 cents to a dollar a bushel. You see, prior to that we had a dollar and a quarter, a $1.30 loans, and there was very little compliance.

Senator MILLER. Would the chairman yield at that point? I think it can be safely said that they certainly do not want to be flooded with surpluses again and I think Senator Ellender's point is that the increase in the loan rate would have a tendency to do that. The big operators, even those who get into the program, if that loan rate is high enough over their costs of production, will have an incentive to increase their production on their permitted acreage, and he wants to, as I understand it, wants to have them assured of adequate income through the payments but he does not want to give them the incentive to increase their production or for those who do not go into the program to increase their production because of the high loan rate. Is that not about it, Senator?

The CHAIRMAN. That is correct.

Senator MCGOVERN. I would not want to commit myself to this irrevocably but let me just say to the committee that I am somewhat sympathetic to the direct payment approach. If I felt that we could arrive at the same income feature, that by increasing that direct payment, I am not sure I would be adverse to that.

The CHAIRMAN. Well, I just thought I would raise the question and as I said yesterday, it might be best for us to proceed in listening to testimony rather than argue about it. We will have a lot of time to argue later on in the committee as well as on the floor.

Senator MCGOVERN. Let me just summarize the other features of the bill. The dairy title would simply extend and clarify the authority for inclusion of the class 1 base plans in Federal Milk Marketing Orders, removing some of the obstacles which have precluded the use of this marketing tool. I understand, Mr. Chairman, that some of the milk producers are looking at a somewhat different formula in the House and I want to keep my own position open on this, especially on this milk section of the bill, until we see what happens over there.

The CHAIRMAN. Well, the program the Senator is advocating, I think, has been enacted by the Senate, last year or the year before.

Senator MCGOVERN. I think that is correct. The bill contains new authority for an acreage diversion program on soybeans and flaxseed which would be available when stocks accumulate in excess of 150 million bushels or 15 percent of the previous year's use, whichever is less, and the support would be set at 75 percent of parity.

The additional cost on that section of the bill, Mr. Chairman, would be between $25 and $35 million.

The existing program for wool and cotton would be extended without any change.

Now, beyond these commodity——

Senator MILLER. May I—are you still on soybeans?

Senator MCGOVERN. Yes.

Senator MILLER. I would like to ask this question. If you do not know it, that is all right. But do you know what the position of the Soybean Producers Association is on this?

Senator MCGOVERN. I think they are in support of this but I will try to determine that for the record.

Senator MILLER. The reason I ask that question, I seem to recall that a couple or 3 years ago they were very much opposed to getting into a program similar to feed grains. I do not know whether their attitude has changed or not. I do not doubt that some of the members of the associations involved in this may support it, although it is hard to say. I can see where somebody who is producing soybeans who is a member of the National Farmers Union might support the corn section or feed grain section here but as a member of the Soybean Producers Association might be opposed. Now, I think it would be helpful—maybe, Mr. Chairman, we could get a position from the Soybean Producers Association.

The CHAIRMAN. I am sure we can get that.

Senator MCGOVERN. I am aware of the fact that they have had a different position in the past and I will check that out.

(For information above, see p. 117.)

Senator MCGOVERN. Mr. Chairman, beyond the commodity programs, the bill would establish the consumer protection reserves for wheat and feed grains, soybeans and cotton somewhat along the line of the proposal that former Senator Monroney was suggesting a couple of years ago and that I, and I think Senator Young and others had proposed at that time, and I have asked that a chart with reference to that consumer reserve be included in the record.

The CHAIRMAN. Can you give us a reason why the farmers would be for such a proposal?

Senator MCGOVERN. Well——

The CHAIRMAN. Because that in my opinion, creates a surplus and any surplus you hold back has its effect on the markets.

Senator MCGOVERN. Yes; except—

The CHAIRMAN. I may be in error about it but I think that the farmers are supporting this so as to get a little more production in. I may be narrow about that but that is my belief. It strikes me the method we have had in the past of having sufficient surplus; that is, a sufficient carryover, has always met the conditions and in addition to that, to put something to help the consumer. I have never been able to see the merit of a separate reserve. But I do not want to get into an argument about it now. But I would like to have the Senator express himself as to whether or not the farmers are asking for that.

Senator MCGOVERN. Yes. I think the——

The CHAIRMAN. And if so, why?

Senator MCGOVERN. The protection for the farmer depends entirely on the resale protection you give him, Mr. Chairman. If you make a real effort to insulate that reserve from the market and do it by the

formula that you set for the resale, then it seems to me you answer the anxiety that farmers feel about accumulating a surplus.

I really believe from the standpoint of national security that we do need some kind of reserve. I do not know whether we can set the exact size of it here under this bill or not, but the concept of a consumer protection reserve handled in a way that it is insulated from the market seems to me to be sound. That is basically what I am trying to——

Senator CURTIS. May I ask a question on that?

The CHAIRMAN. Senator Young.

Senator YOUNG. This idea of the set-aside or commodity reserve originated with Secretary Benson. He had a set-aside program that did not work. It has been proposed over and over since that time. Such a reserve could serve a good purpose, if you could really insulate or isolate these commodities from the market.

About 3 years ago when we sold large amounts of wheat to India and we got our reserves way down, many people in the United States talked about there being a shortage of wheat. They said Canada could not meet their commitments and people really feared that we were going to run short.

I would like to live long enough to see a day we were short of wheat. I think Secretary Freeman went too far in increasing the acreage for the 1967 crop. If you have a reserve properly insulated you would not have that problem. But we do have a habit in the United States of going to extremes. You get wheat supplies down a little bit and people think there is going to be a famine.

Senator HOLLAND. You would not want to take the bread out of our mouths; would you?

Senator YOUNG. No. I am sure we will produce enough.

The CHAIRMAN. That is my reason for saying I do not believe the farmers themselves are for this. It may be good as a war measure but insofar as the farmer is concerned, I think it would be detrimental to him.

Proceed, sir.

Senator CURTIS. May I ask a question on that?

The CHAIRMAN. Yes, sir.

Senator CURTIS. The witnesses yesterday dwelt on this reserve subject quite a little. The record so far as I am concerned, was inconclusive as to what they intended to do.

My question is this. Is this a reserve set apart and not included in the normal carryover or is it merely a gimmick written into see that the carryover never gets below the specified reserve? I may be wrong, but I definitely got the opinion from the witnesses yesterday it was the latter.

Senator MCGOVERN. Well, it is designed to take into consideration what we have in the CCC stocks but it provides for two other reserves, the reseal on the farms and the grain that could be held under contract with farmers. But it does try to set those totals keeping in consideration what we have in the regular carryover, the size of the——

Senator CURTIS. It would be considered a part of the carryover and a minimum carryover which we would not go below, is that right?

Senator MCGOVERN. That is my understanding.

Senator CURTIS. That is all.

Senator MILLER. Could I ask a question on that point?

I do not recall whether you were here yesterday or not but I did ask about the provision in the bill which provides for additions to this reserve and I drew out the statement from one of the witnesses that whereas 500 million bushels are provided for in the case of wheat in this reserve, that in a following year that could have another 100 million bushels added on to it and then if certain conditions were met, a further 100 million bushels could be added in the following year, and my point was that this could go on up to 700 or 800 million bushels in that consumers reserve under the provision of the bill. At least, that was the impression the witness left with us.

Would that be your understanding?

Senator MCGOVERN. No. My understanding of it is that you could not add more than 100 million bushels.

Senator MILLER. So that 600 million would be the top that probably would ever be permitted in the reserve.

Senator MCGOVERN. That is my understanding.

Senator MILLER. And that would be possible if we had 400 million bushels besides that in the carryover? So that the total stocks on hand in the United States could be a billion bushels?

Senator MCGOVERN. It would depend, Senator Miller, on whether production had exceeded by more than—no. When consumption, including exports, exceeds production by more than 10 percent, then the reserve levels under both the resale and the CCC reserves can be increased 100 million bushels.

Senator MILLER. That is right, so that in that particular year, at that particular year's production, we could have another 100 million added on.

Senator MCGOVERN. That is correct. If consumption had exceeded production by 10 percent that year.

Senator MILLER. That is right. This ties in with Senator Curtis' question. Suppose that happened so that now we have 600 million bushels of wheat in the consumer's reserve because, let us say, in 1969 that circumstance happened and we had another 100 million bushels added on. But suppose that because of previous years' production we had another 300 or 400 million bushels sitting around in on-the-farm storage and in the grain dealers' warehouses. Would it be possible under this provision to have as much as a billion bushels of wheat in the United States or would it be your thinking that this would be tied in with the carryover situation so that we would not have more than 600 million bushels?

Senator MCGOVERN. I am not sure about that. I have been rolling over the question in my mind that Senator Curtis asked. I am not sure whether that situation is taken care of in the language of the bill, but I recognize it as something that has to be explored, because I do think the total grain stocks have to be taken into consideration in any kind of a meaningful reserve. If there is not language in here that does that, it ought to be put in. I cannot really speak to that point with any certainty. I am not sure.

Senator MILLER. I appreciate the frankness of your answer but I think that this is what Senator Ellender was getting into. At one time I was strongly in support of a reserve and then I got concerned about how it would fit with the carryover and it may be that something could

be devised that would gear this into carryover and then you do not have the possibility of the add-on that Senator Ellender was talking about and you might have a trigger point at which time certain stocks would be acquired so that you would have a total carryover not to exceed 600 million bushels instead of having it sitting out there in addition to other carryover stocks and I think that is what my chairman was talking about.

The CHAIRMAN. What I had in mind, of course, was this: that if we get or give permission to have as much as 600 million set aside, the carryover, normal carryover of what is about 400 to 500 million bushels and then expect that to be in addition to the six.

Now, there would be no objection in fixing what a normal—I mean, define a normal carryover as being 500 to 600 million but——

Senator MCGOVERN. Is that now set, Mr. Chairman? Do we——

The CHAIRMAN. No. We do not set it. But it is left to the Secretary of Agriculture to determine how much we should carry over for the next year. But in prior years we had a fixed carryover but not now any more, because this——

Senator MCGOVERN. That is really where the confusion comes because if we do not have a set carryover, then there is no real way to say—we cannot really define then what the relationship would be between the consumer reserve that I am talking about here and total stocks.

The CHAIRMAN. Well, the Secretary of Agriculture usually figures out, with the statisticians he has at his command, they can pretty well tell how much wheat we should have on hand and how much to produce in the future. We have it fixed in some way, but what I am trying to get away from is to have both a set-aside as the Senator suggests, and a carryover, too, and if the set-aside can be as much as 600 million and then a carryover of, say, four, you are going to have a billion bushels facing us here and that is what causes the prices of wheat and any other grain or commodity to go down with such a huge amount on hand.

Senator MCGOVERN. I would go this far and say I recognize some kind of formula has to be worked out here if you are going to give serious consideration to the so-called consumer protection reserve so that it is kept in a proper balance with the normal carryover provisions.

The CHAIRMAN. Well, we might be able to work out some language to fix a sufficient carryover and let that be—fix a minimum and let the Department use that as a minimum. But if you have a carryover plus the reserve, that is going to put us in trouble as it did in 1961.

The Senator will remember we had in 1961 as I recall, about 81 million tons of corn and feed grains which is about 50 million tons over and above what our requirements were.

Senator YOUNG. Mr. Chairman, if I may say, you have a different situation in wheat now than we used to. We used to consume about two-thirds of our production and export maybe a third or less. It it the other way around now. We have to export much more than we consume domestically.

In determining what a carryover should be or what the reserve should be you have to take into consideration the world crop conditions and Public Law 480 policy. We have to consider how liberal

Public Law 480 policy will be and how much wheat can be exported for dollars. Public Law 480 determines in a large measure what exports of wheat are.

Senator MILLER. Would the Chairman yield? I think the point I want to make is that if we are looking out for the consumer first, the consumer is going to be protected as long as there is an ample carryover. If there is a danger that the carryover is going to slide, that could be a trigger point for the Government to start to build up a consumer reserve which, combined with the carryover, would give the consumer that protection.

Senator MCGOVERN. I think the Senator's point is well taken.

Mr. Chairman, just one other point I want to make about this bill.

There is a provision in the legislation under the titles for wheat and feed grains that would make mandatory what is now discretionary authority and that is the requirement that partial payments be made in advance of performance and I would set that at 50 percent of the total.

Now, as the members of the committee know, the Department's position this year to eliminate the advance payment on feed grains has caused great consternation and that has been aggravated in part because of the tight money situation all across the country and the high interest rates that have had the effect of working a real hardship on feed grain producers. It does not really save the Government any money. It is going to be transferred over to the budget next year but it has had the effect of adding millions of dollars to interest rates that farmers have had to pay and so this bill would require that 50 percent of the payments both on wheat and feed grains be in advance.

Senator MILLER. Mr. Chairman, could I——

The CHAIRMAN. I think we have a program of advance or had it in the past and it seems to me that if it would do in one commodity we ought to make it uniform as to all and we will certainly consider that.

Senator MILLER. Mr. Chairman, could I make a comment at that point? I think in fairness I should make this statement for the record in light of what my colleague has said, Senator McGovern has said.

A year ago, before he left office, President Johnson proposed doing away with the advance payments. Now, Secretary Hardin reversed that decision and I think one of the big reasons he reversed that decision was that President Johnson's proposal was just that and nothing more.

Secretary Hardin has come along and said we will go along this year with the elimination of the advance payments but unlike the proposal that I reversed last year, we are going to offset that by accelerating the payments that normally would have come along in October or September or late August and make them all in July or by the first of August.

I have written to a number of my constituents who have indicated concern about it and told them that the objective was that the overall borrowing of the farmer will not be changed because if he has to borrow, he is going to have to borrow now to replace the advance payments but he will not have to borrow later on because of the acceleration of the balance of the payments and that I want to be informed this next fall by them whether indeed their interest charges and their

borrowings had increased when you take into consideration the whole picture.

Now, in some cases maybe it will not work out that way but in fairness, I must state that is the position of the Secretary. I do not know how it is going to work out in individual cases but I do not think we will know until this fall, but that is the concept. They may have some interest charges increased because of the lack of advance payments but they will save on interest later on because the payments will be accelerated out of October and September and August to July and I do not think that the record should show that this is going to result in great increases in interest costs to farmers. I doubt if it will but we will not know until later on this year.

Senator HOLLAND. Mr. Chairman, of course, that will result only in affecting the amounts of expenditures in the 2 fiscal years that are involved, fiscal 1970 and fiscal 1971, and if that is the purpose in this change, I do not favor it because I think it will, of course, raise the interest costs to the farmer. I would like to know what is behind the suggestion that the payments be exponded until they will fall in fiscal 1971. If the sole purpose is to make the budget look sweeter in 1970, though it will be sour in 1971, I think we ought to know it and we ought to have the chance to look at the picture. Senator Curtis is a member of the Finnce Committee. He may know what the purpose it in this change.

Senator CURTIS. The Finance Committee did not have a thing to do with it. It was the Bureau of the Budget.

Senator HOLLAND. I thought the Finance Committee controlled the Bureau of the Budget. [Laughter.]

Senator CURTIS. I do not even agree with their accounting. [Laughter.]

Wisely or unwisely, I think it was part of the overall budgetary problems. They are there. But I am interested in the comment that half of it be made mandatory as to all crops. It is my understanding that the advance payment only amounts to about 18 percent.

Senator HOLLAND. Well, we have bills pending in committee now offered by several Senators to reinstate the payment, early payment of half of the cost of the retirement. And we will have to face this question very soon because I intend to call hearings just as soon as we get through these here so that we can go into it.

Senator CURTIS. I do not think there is any question but what in the light of the tight money situation many farmers are depending upon it and the problems this year——

Senator HOLLAND. The chairman has reminded me I have already fixed the Agriculture appropriations hearings for March 2. So, it is time for all of us to start thinking about what we are going to do on this question. And in order that we shall know what we can do, I think we should know what the purpose and what the real effect would be of the change now proposed by the Department of Agriculture. It may be a good purpose. It may be a good result that will be accomplished and to the contrary, it might be the exact opposite. I think we are going to have to face that and I hope the Senator will, through his relations with the Budget Bureau, find out just what is the purpose of this changed policy.

The CHAIRMAN. Any further questions?

Senator CURTIS. I wish I had such an association.

Senator MILLER. Mr. Chairman, I just want to reemphasize that the acceleration of the balance of payments which normally have not come into the farmer's pockets until September or October—to see that the farmer gets them in July or early August—will save the farmer a considerable amount of borrowing and that the idea behind it, the policy behind it, is that that will be the trade off so that the overall impact on the farmer's borrowing is not going to be any different than it is now, and especially in light of the fact that the advance payments, I understand, comprise only about, I think it is 12 percent, Senator Curtis, rather than 18 percent of the total payments. But the hearings will develop this.

Senator MCGOVERN. Really, though, it is in the first 6 months of the year that the farmers borrow, is it not? I mean, giving him payments in July is better than September or October. But you still do not get at the problem of how he is going to operate during the planting and the early stages of the crop year.

Senator MILLER. Well, Senator McGovern——

Senator CURTIS. I always thought they started to send those checks out so they would get them just a little while before election. [Laughter.] And that was the reason to just give a dribble in the spring. No. Seriously. That is my notion of it. But I found that there were problems figuring out the compliance and just how much they were entitled to and that was the reason for putting it at the end of the season rather than the early part of the season.

The question was raised by one of my county committemen whether or not they could get ready to make the entire payment by July. I took that up with the Department and the Department's access to computerized situations together with some provision where there is an error one way or another of carrying over to the next year, that they no longer have to wait until the end of the season to make this payment. But I agree that the difficulty in borrowing, the high interest rates, no question but what this year there were individual farmers that had relied on it and it was not forthcoming.

Senator HOLLAND. Mr. Chairman, I simply want to mention this matter because while it does not affect my own State appreciably at all, I think it does affect very largely the large States, the States of large production of wheat and corn and feed grains, and I would hope that the Senators would find out the attitude of their farming groups prior to March 2 so we may have a consensus as to what agriculture thinks about this proposed change. Or this change that has been put in effect. Unless the legislative arm acts to prevent it.

Senator MILLER. Mr. Chairman, this might help on the point that the Senator from South Dakota mentioned. Just last week I was talking with not only some farmers but a few bankers about this very point and while it will vary among farmers, I am advised that most of the farmers carry their crops over and dispose of them in January, February, March, or in that period, so that they generally are not as hard pressed for funds then as they are later on in the year rather than as the Senator suggested, that they were in short supply of funds early in the season. Now, in the case of those who do not carry the

crops over that would be something else, but that seemed to be a general pattern that is followed, that they are not as hard pressed for funds at that time as they will be later on in the summer because they just recently disposed of their crops on a carryover basis. I know that is true in the case of my own father. He has got 1969 corn that he has carried over and will dispose of this year ordinarily in February, March, April, in that period, so I think that is a general pattern, certainly in the corn area.

Senator McGovern. Mr. Chairman, could I just make one more observation?

Senator Young. That would not be true of the wheat area.

Senator McGovern. The overall cost of this bill that is the so-called coalition bill, the increase in cost, is somewhere around $650 to $660 million. The question is, how do you get people in urban parts of the country to buy that kind of a package.

I think the way it has to be done is to remind them that for the last 20 years, all of the problems of the cities have been aggravated by the steady squeezing off of people from the rural States, sending them into the cities at a rate of somewhere around 600,000 a year. In the prepared statement that I will put in the record here I have a lot of statistics and population figures that indicate that while we have had a very substantial increase in the population in this country the last 20 years, all of that has come in the cities. The population in agricultural America, in rural America, is stagnant.

Now, if we are concerned about the problems of pollution, if we are concerned about the congestion, the enormous difficulties that the cities confront—Mayor Lindsay underscored that by saying New York alone has to find somewhere to get an additional $5 billion a year to deal with the problems of their city—I think people in the cities have a real economic stake and a personal stake in trying to halt that exodus of people out of agricultural America. And that $660 million increase in the cost of the program, while it is a lot of money, it is really a tiny fraction of what we are talking about in terms of dealing with the problems of the cities, all of which have been aggravated by the large numbers of people moving in from rural States.

So, I would hope that not only members of this committee but our colleagues that come from the urban parts of the country would think very seriously about the return to them in making a stronger investment in keeping people in the agricultural sectors of the country.

The Chairman. Thank you, Senator.

Senator Holland. Mr. Chairman, I have another question on this same point he has just mentioned, if I may ask him at this time.

I note in your statement you also incorporate a suggestion for limitation of payments to eliminate urban dissatisfaction.

Senator McGovern. Yes.

Senator Holland. And I quote that part of your statement—

> Along with several member organizations of the coalition, but not all, I hope the committee will also incorporate in its recommendations a graduated limitation on the payment of payments any individual producer can receive. It should be set at the lowest levels consistent with achievement of production control objectives. I do not think the $15,000 figure that has been suggested is unrealistic in that respect. A provision of this kind would eliminate one of the central causes of urban dissatisfaction with our farm program.

There is more and, of course, your statement will speak for itself. One of the things that has concerned me most, is this question of limitations which I mentioned yesterday, because I have had the problem of trying to meet the effort of many to impose limitations not at the right place but in the wrong place, that is, in the appropriation bills.

I notice that the Senator suggests that the $15,000 figure in his opinion, is not unrealistic. Well, now, this is going to be, I think, the toughest problem we have got to face in creating a new farm program.

Does this mean that the Senator favors a $15,000 limitation?

Senator McGovern. Well, let me say to the Senator, I was impressed with the point he made yesterday with regards to the sugar program; that is, still retaining the principle of payments even for the large producers but scaling it down somewhat, and it might be that that formula is better than an absolute cutoff of the kind that I have suggested here. That is, if you could work out a formula whereby, whether it is the wheat program, feed grains, whatever it is, you still gave the large producer something in the way of a direct payment for participating in the program but yet paid them at a somewhat reduced rate as compared to the small producers. That might be a more practical way to do it.

Senator Holland. Well, now, does this mean that the Senator thinks that up to $15,000 the program might apply equally to all and that above that figure, that there be a scaling down of the rate of payment?

Senator McGovern. Yes. Something along that line.

Senator Holland. And what overall limitation, if any, does the Senator suggest or does he suggest that there not be any overall limitation?

Senator McGovern. Well, it might be that you would not have to have an absolute cutoff point, but to scale it, put it on a graduated basis.

I had not really thought about that formula until the Senator from Florida mentioned it yesterday as a possibility and one that we have had under the sugar program for some time. It may be that that is a more practical and workable formula than the one I have mentioned.

Senator Holland. Well, under the sugar program the small producer gets 80 cents per hundredweight of sugar which he produces and that is reduced by steps so that the largest producers for most of their production get only 30 cents per hundredweight and this applies both in the beet sugar area and in the cane sugar area, and I know of no dissatisfaction as has been shown at least in the cane sugar area which in part I represent, to that kind of handling. Now, there is no overall limitation and as the Senator knows, there have been some very large payments made under that program but as a matter of fact, the largest part of all of those payments and the largest part of all payments made to all growers except very small growers have come under the reduced rates, some slightly under the 80-cent rate, but in the case of the large ones, most of their production comes under the 30-cent rate, at least in my State. Is this correct also in your State of Louisiana?

The Chairman. Yes.

Senator HOLLAND. There has not only been little dissatisfaction and there has been no inability to continue the competitive setup, but there has been very great satisfaction not only for the producing groups but my understanding is that sugar has the best record of stable price continuing in the retail market of almost any of the necessary foods.

It occurs to me that something of this kind does present the goal that we ought to work toward.

Senator MCGOVERN. Well, as I say, I am somewhat sympathetic to that proposal. I think a formula could be worked out that might be more practical than an absolute cutoff figure. I am under the impression that many of our friends in urban areas think that most of the farm program is paid out to a little handful of big producers.

Senator HOLLAND. It is not true at all.

Senator MCGOVERN. But because of that impression, I think we have to come up with some kind of a formula that does either graduate these payments or limit them in some way so that you answer that objection that is in the public mind. I think it is one of the—maybe not the most important but one of the really significant reasons why we have trouble getting farm price support programs approved in the Congress. Every time we have to vote on that I am always torn on the issue because I know these programs will not work if you kick out all the larger producers but I do think we have to come up with some kind of a formula that recognizes that concern. It is really the kind of a concern you would expect to come out of a democratic society and we have got to figure out some way to deal with it.

Senator MILLER. Will the Senator yield at this point? This concern is shared by a lot of your small producers.

Senator MCGOVERN. I understand.

Senator MILLER. They see the record and they see where the bulk of these payments are going and they see that the bulk of the payments are not going to the little producers but are——

Senator MCGOVERN. But the bulk of the payments are not going to the really big producers, either.

Senator MILLER. No; but when you——

Senator MCGOVERN. You are probably talking about a few hundred farms that get these really large payments that the public objects to.

Senator MILLER. That is right, but Senator, when you find, and as I recall, 70 percent of the payments go to 30 percent of the farmers, that does not look good to the smaller producers.

Senator MCGOVERN. I understand.

The CHAIRMAN. This is going to be one of the thorniest problems we are going to have to meet on this committee.

Senator HOLLAND. That is the reason I introduced the subject here.

The CHAIRMAN. I wish my good friend from South Dakota would try to work out a program. It is my belief that if we have controlled acreage, you can put a limitation on payments but on a voluntary payment as you have for wheat and corn, I do not see how it will work and that is a problem because the moment that you cut off payments on a voluntary program, the large producers are not going to want to join this program, in my book, and since the philosophy of this bill is to have the Secretary of Agriculture say we need so many acres to produce so much wheat and so much to produce so much corn or

feed grains, unless something is done to make it attractive to the larger growers you are not going to get it in the program and we are faced with surplus production.

Senator YOUNG. Mr. Chairman, could I make a comment? I agree with you. This is one of the knottiest problems we have to deal with. In my own State a $20,000 payment would only affect 46 farmers and the highest payment last year was only about $70,000. So, it would pose no real problem. It would be easier for me to vote for limitations but if you want to make the program work, particularly for cotton, you have to have the bigger producer in the program. I do not see that the cotton program would work at all if you eliminated the big producers.

Senator HOLLAND. I appreciate the Senator's statement and while the Senator from North Dakota is here, I thought he was exactly right yesterday in calling attention to the fact that the farm bureau has a large number of its members who are not farmers.

I note from a clipping that has been given me today from a Bangor, Maine, paper that the head of the Grange speaking in Portland a few days ago, made the statement that only 5 percent of the Nation's 700,000 Grange members are farmers. And I want to say that I approve that policy on the part of both the farm bureau and the Grange because that is one way to get people that are not farmers to understand better the problems of the people who are farmers.

I would like to place in the record at this time, if I might, this clipping from the Bangor Daily News of January 10, 1970, which I have shown to the Senator from North Dakota, stating at the same time that I think it is good policy on the part of the big farm organizations to seek other members than farmers.

The CHAIRMAN. Without objection, it will be placed in the record.

(The clipping referred to follows:)

[Excerpt From Bangor Daily News, Jan. 10, 1970]

ONLY FRACTION OF GRANGERS ARE FARMERS

PORTLAND (AP)—Only five per cent of the nation's 700,000 Grange members are farmers, the national master of the 103-year-old fraternal order said Thursday.

John W. Scott of Washington, D.C., made the comment in discussions with newsmen at the opening session of the three-day New England Grange Leaders Conference.

With 235 active granges, Scott said, Maine has been one of the order's strong states. "It's the largest in New England, a strong Grange area in the nation."

The order's basic philosophy and ritual have remained the same, he noted, but the programming and membership have changed.

"When the Grange was first organized, 80 per cent of its members were farmers. Today that figure is five per cent," he said.

"We have more of an urban look and community level programs are changing to meet community needs," Scott added. He said the Grange has branched out towards involvement in fire department, zoning and health projects, rather than solely agricultural ones.

Senator YOUNG. I agree with you, Senator, it is a good policy to get others in. The only thing I object to is a farm organization appearing before this committee saying they represent a million or 2 million farmers when this is not the case. If they say we represent so many members this is all right, but if they say so many farmers I object to it.

Senator HOLLAND. I think a greater frankness on the part of all farm organizations would be appreciated by this committee but at the same time, I say again I think it is excellent policy to get as many people interested in farm organizations and, therefore, more familiar with farm programs than would be the case if these large and very reputable organizations, and so far as I am concerned, I am not taking any position between the Farm Bureau and the Grange, they are both fine organizations, and there may be some other fine organizations, too, that include others than farmers in their membership, but I wanted to refer to this article to show very clearly that at least one of the five and one of the oldest of the organizations is doing just what I suggested, seeking to bring into its membership and thus familiarize with the programs others than farmers.

Senator YOUNG. I agree with you fully.

(Senator McGovern's full statement follows:)

The CHAIRMAN. Senator Burdick?

STATEMENT OF HON. QUENTIN N. BURDICK, A U.S. SENATOR FROM THE STATE OF NORTH DAKOTA

Senator BURDICK. Mr. Chairman, members of the committee, first of all, I do not intend to thrash the straw pile twice. I am cosponsor of the coalition bill and many things have been gone over this morning. So, in view of that, I would like to ask unanimous consent that my statement be a part of the record and I will just talk about it for a few minutes.

The CHAIRMAN. Without objection, that will be done.

Senator BURDICK. I would like to approach this problem from the point of view of the country. I know that one or two of the members raised the question of costs.

Today about 5 percent of our people live on farms. In 1950–60 the net average of this decade, 1 million people left the farms. 1960–68, 750,000. Probably 500,000 farm people left the farms in 1969. This is a national problem, not only a farm problem. When you consider that 70 percent of the people now live on 2 percent of the land we have got to do something to adjust this urban-rural balance.

Now, I read your speech, Mr. Chairman, that you made some time ago on the farm situation. I thought it was excellent. In that speech you stated, and it is correct, I have checked it out, that the per capita farm income is only about three-fourths of nonfarm capital income. In other words, if we do not do something to strengthen farm income, this exodus will continue and the congestion in the asphalt areas of the country, the large metropolitan centers, will grow and increase. So, when we talk about costs, by adding some costs to this farm program, I think it is just good business because when we send these people to the cities, make no mistake about it, we have increased costs there, too. So, I think on the basis of priorities in this country, I think we can afford to spend a little more money on the farm programs to try to keep a balance in this country.

It is for that reason, Mr. Chairman, that I believe that the very minimum we can have this year in the way of a farm program is what we have and I am hoping that we can go as far as the coalition farm

bill because I think that when I am making this approach, I am making this appeal on the basis of what is good not only for our agricultural areas but it is good for the country.

The CHAIRMAN. Thank you, Senator.

Senator HOLLAND. Mr. Chairman, while the Senator is here, I would like to ask him what his idea is in this very troublesome field of limitations which we have discussed already with Senator McGovern, because this committee badly needs all the guidance and help it can get in this field.

Senator BURDICK. I think it falls in two categories. One is it falls in the category of the legislation. The other category is what is practical in the other body. We have seen a growing resistance to these payments in the other body particularly, not in the Senate but in the House. As you know, because of the nature of the representation of the two bodies, a greater proportion of the representation in the House represents cities. They are not as cognizant or mindful of what these farm programs are as we are, so when they see these large payments blazoned across the newspapers in these nonfarm area, nonfarm newspapers, they get a jaundiced opinion of what the farm programs are and we have problems.

Now, on the other hand, as far as legislation is concerned, I think we have to have some type of a cutoff, whether it is graduated or whatever it is, but it cannot be too low. Under our voluntary program you have to have participation. It will not work if you do not have participation. So, it is going to take the wisdom of Solomon to find that level, where we can get participation and get a sufficient reduction to, I suppose, to satisfy the city people. It is just that practical.

The CHAIRMAN. Any further questions?

Senator HOLLAND. It seems to me like there is a difference between two different parts of this problem. One is on the question of land diversion. I do not see how it would be possible to expect a man with great acreage to divert his acreage and just take it out of production unless he gets a fair and reasonable compensation for doing that. That is per acre.

Senator BURDICK. I agree with you.

Senator HOLLAND. And that question of diversion, therefore, is a question which stands by itself as I see it, apart from the question of the price support, the loans or Government purchases, or certificates, any of the things that have to do with price supports and with the price of the product.

Does the Senator agree with me on that?

Senator BURDICK. We find ourselves in substantial agreement; yes, sir.

Senator HOLLAND. I hope the Senator will start scratching his very productive head and come up with some good suggestions as I have already requested the Senator from South Dakota to do, because probably better than any other Member of the Senate I think I know the troublesome nature of this. We passed the Senate appropriation bill on July 7. We were not asked to come into conference with the House until sometime in October, I have forgotten the date but it was more than 3 months that we were waiting feverishly for the chance to get into conference and as the Senator well knows, the House was not willing to even attempt a conference until certain legislation had been

passed in another field in which all of us have been interested but particularly the Senator from South Dakota, and that was the temporary measure for 1970 on the food stamp program.

In my humble judgment, we would never have gotten the conference support approved on the House side but for the fact that certain Members there were very much interested in getting the food stamp program started for 1970 on the enlarged basis that we are all familiar with, had been satisfied that that was to be done, and they then not only supported the conference report but did so very vocally on the House floor. We are not apt to have that kind of a helpful situation if that was helpful, though very late, arise in subsequent years, and the Senator from Florida who was not even a supporter of the 1965 bill, because he thought it would be too extravagant and would make some trouble for us by reason of the successive payments, was forced to the necessity of being the principal defender against this arbitrary limitation which would have accomplished no good but a great deal of evil, as I am sure the Senator knows.

I think it is completely necessary in this new program we meet this problem headon and, therefore, I am inviting the best brains in the agricultural membership of the Senate to start work on this problem. I think it is going to be the hardest one we have got to solve.

Does the chairman agree with me on that?

The CHAIRMAN. I sure do.

Senator BURDICK. Particularly in view of the attitude of some of those city House Members.

The CHAIRMAN. I do not think it is as serious a problem in the Senate as it is in the House.

Senator HOLLAND. It is not a serious problem in the Senate except that—for the reason that except on the program for food stamps, the Senate seems to be more willing to stand by its committees, this committee legislatively, and the Appropriations Committee in connection with appropriations, because the Senate, due to many assignments, just simply has to rely more upon the committees. In the House, no use for me to comment on it. Every Senator knows what has happened over there in, what is it, in 3 successive years, and we have simply got to meet this problem in this bill or we have got to have a bill to meet this very critical situation in the farm industry.

The CHAIRMAN. Any further questions?

Senator DOLE. Since farm population has gone down 22 percent in the decade of the sixties, the question comes to mind if, by enacting in essence an extension of the same farm program we have had for much of the sixties, are we really getting to the heart of the problem? Why would a coalition bill stop this? Will it stop the migration from farms to cities? We are talking about a total of 10 million people and if we allot $675 million nationwide is that enough to stop this migration?

Senator BURDICK. For the best answer I can give you, I want to refer to a study made by Professor Guither of the University of Illinois. He is a professor of agricultural economics. He made a study of farm payments and the study went up to 1968. There is not much difference between 1968 and 1969. And he found that the farm payments under the farm programs were equal to 18.4 percent of gross income but the important thing is that it was equal to 113.1 percent of net income—farm payments. In other words, the average farmer in North Dakota

without a farm program, without these payments, would be broke. He would go in the hole 13 percent a year. So maybe this will not stop it, but this bill is going to slow the migration. I know the problems of technology and all that, but I think by improving the program along the lines of the coalition bill, I think we can slow this migration to the city.

Senator DOLE. I share what is hopefully expressed by the Senator. This committee and the House Agriculture Committee view with alarm the migration from farms to cities, but it has been going on for three or four decades. I would hope through legislation we can reverse this trend. Maybe through rural job opportunities and rural development.

In reference to direct payments, just to point out this is a difficult problem, as the Senator from Florida expressed. If we had had a $20,000 limitation in 1968, it would have affected 5,159 cotton farmers or 1.2 percent of the cotton farmers to whom we make payments. For feed grain, it would only have affected 377, which is about one-tenth of 1 percent of all feed grain farmers. On wheat, 702 wheat growers, again only one-tenth of 1 percent. The number of dollars paid to cotton producers would have been $115 million, $26 million for feed grains and $21 million for wheat.

Then, in other States, for all programs—in North Dakota only 66 farmers received payments in excess of $20,000; in South Dakota, 42, and in Kansas, 301. Of course, the largest number was in the State of Texas. So it does not affect as many people after all. It is a problem but I believe we can resolve it.

Senator BURDICK. As an ex-Member of the House you know the attitudes of these city people when they see these payments spelled out.

Senator DOLE. Right. That is the problem. But everybody in the Senate represents a few farmers.

Senator HOLLAND. I wonder if we have given attention to the fact that since there is about 5 percent of the people on the farm, that is at most something like 15 million people, there are practically that many in the metropolitan area of our largest cities alone and that points up the difficulty of this problem.

We have got to have a fair program. We have got to have an appealing program if we expect to have it enacted. And it is to that I am addressing myself and asking my associates here to address themselves to, because I think that this reduction in farm population which does not affect my own State so much because we have growth from another factor entirely, the Senators are familiar with, I think it is weakening some of the finest States that we have, some of the States that we have got to rely upon to furnish sound and conservative leadership, and I do not like to see it continue. And yet, as the Senator from Kansas and the Senator from North Dakota have both suggested, we are facing a continuation of that unless we get a sound program.

Senator MILLER. Mr. Chairman, I would just like to make this point to the two Senators who have indicated their support for some kind of a payments limitation approach even though it is not in the coalition bill. I personally recognize some possibility in that Sugar Act approach but it would seem to me that there ought to be some attention given to whether or not we might have a different payment limitation

formula geared into the type of commodity we are talking about. I can see where a payment——

Senator BURDICK. Commodity by commodity?

Senator MILLER. Yes. I can see where a payment limitation of a certain structure might work in the wheat areas and might not work in the cotton areas at all. To just come out and have one overall limitation does not seem to be getting at the——

Senator HOLLAND. We could not have just one.

Senator MILLER (continuing). At the differences of the commodity groups, essentially cotton, wheat, and feed grain.

Senator BURDICK. As I stated, I do not think payments limitation should be too low so as to discourage participation. That is No. 1. Maybe the commodity by commodity approach might be an answer.

Senator HOLLAND. I have suggested this same point, same question, in numerous conversations with the Department of Agriculture officials, suggesting that we are going to have to fit the particular program to the particular commodity. I think the Senator from Iowa is exactly correct in that. Just as we did in sugar. That is applicable to sugar. It may not apply to any other commodity, but something of that same general sort is what we should look for and see whether we can satisfy the farm population and the farm organizations with that kind of approach and then see if we can make it appeal to the urban populations as being a reasonable approach. I think we can.

Senator BURDICK. Thank you, gentlemen.

The CHAIRMAN. Thank you very much.

(Senator Burdick's prepared statement is as follows:)

Mr. Chairman, your recent statement before the Senate on the importance of farm programs to the economy was outstanding. It clearly shows the great importance of a healthy farm economy to an industrial Nation such as we have become in the last few decades.

In my statement today I want to develop that theme a little more fully. I want to emphasize the close linkage between the urban problems of today and the rural problems of both yesterday and today.

Let me quote very briefly from the 1967 presidential commission report "The People Left Behind."

In the early paragraphs of this report one finds these statements:

"* * * the rural poor, in their desire for the same goods and services enjoyed by most urban people, continue to pile up in the central cities of America * * *"

"The senseless piling up of refugees from rural America in our central cities provides no solution to the problems of rural areas or of the cities * * * and

"Even though living conditions in the central city America are intolerable, the continuing stream of rural migrants to our central cities strongly suggests that conditions there are better than in our blighted rural areas."

There are at present about 10.5 million people living on the nation's nearly 3 million farms.

During the 1950–60 decade, a net annual average of one million persons left farms or ceased farming operations on their land. For the period 1960–68, the comparable figure is 750,000.

Probably 500,000 farm people left their farms in 1969 and moved to cities and towns.

A recent report of the Economic Research Service emphasizes the strong relationship between the income level of an area and the outmigration. It reports that the lower the average income level of the rural county, the higher the rate of outmigration. Counties where family income averaged less than $3000 had the highest rates of outmigration in recent years.

In my own State of North Dakota net outmigration totaled 105,000 or 10,500 a year, during the 1950's.

Preliminary estimates indicate that outmigration is continuing at the rate of 9,400 a year.

The farm population of North Dakota has decreased by some 23 percent since 1960.

Because of these facts, if we are to have a balanced economy we must enact S. 3068, the Coalition Farm Bill which I joined Senator McGovern and many other Senators in introducing on October 23, 1969.

S. 3068 may not be a perfect bill, but on the basis of these hearings it should be possible to develop amendments which will strengthen it and make it even more effective in protecting and stabilizing farmers incomes.

Mr. Chairman, North Dakota's wheat certificates and other farm program payments have totaled more than $100 million each year since 1963. In 1968 and 1969 they totaled $140 and $162 million respectively. These payments are equal to approximately 20 percent of the value of the crops and livestock marketed from North Dakota farms and ranches, but account for more than half of our farmers' net income in recent years.

North Dakota's farms and ranches marketed crops and livestock totaling $720 million a year in 1967–68 but because of the high cost of farm supplies and high interest rates, farm production expenses averaged 87 percent of the cash receipts from marketings, $625 million, in these two years.

North Dakota's wheat and feed grain producers will be in serious trouble in a very short time if the Agricultural Act of 1965 is not extended or replaced with legislation comparable to that authorized in the Coalition Farm Bill, in this session of Congress.

While I support the entire Coalition Bill, I want to call particular attention to the improvements it makes in the wheat program. It provides definite authority for export certificates valued at 65 to 90 percent of parity that would add a minimum of $275 million a year to wheat producers incomes. It also limits the amount the "projected yield" can be adjusted as a result of a natural disaster and requires the Secretary of Agriculture to make advance payments equal to half the wheat certificate value at sign-up time.

Mr. Chairman, if we are to have a balanced economy, if we are to avoid having the rural problems add to our now almost unmanageable urban problems, we must enact continuing legislation which will assure our farm families a fair share of the national income. Per capita incomes of people on farms average only 70 percent of the per capita incomes of non-farm people. And many farm people receive less than the average.

We cannot depend on farm legislation such as the administration's proposed "Agricultural Act of 1970." In my opinion the National Grange, National Farmers Union, National Farmers Organization, Midcontinent Farmers Association and National Association of Wheat Growers were well advised to reject this proposed draft legislation.

In their words, "the proposed bill released by the U.S. Department of Agriculture would permit the Secretary of Agriculture to set price support loans on a sliding scale from 0 to 90 percent of parity, at levels to encourage the exportation of commodities. This is totally unacceptable. It would give him more power than any Secretary of Agriculture in history. The last time such a proposal was made was during the administration of Secretary of Agriculture Ezra Taft Benson. The Congress wisely rejected it then and should reject it now."

We cannot afford to have our farmers entirely dependent on the discretion of a Secretary of Agriculture who may be under orders from an unfriendly Budget Bureau director.

Mr. Chairman, I recognize this distinguished Committee's awareness of the need for a healthy rural community. I pledge you my cooperation in accomplishing this.

The CHAIRMAN. Mr. Scott, master, National Grange. Have you anybody accompanying you you want to sit around?

Will you identify yourself for the record?

STATEMENT OF JOHN W. SCOTT, MASTER, AND ROBERT W. FREDERICK, LEGISLATIVE REPRESENTATIVE, NATIONAL GRANGE

Mr. SCOTT. Mr. Chairman, members of the committee, I am John W. Scott, master of the National Grange.

Mr. Chairman, this is my first opportunity to appear before this distinguished committee to discuss with you the problems facing American agriculture; however, I am sure you are familiar with the position of the National Grange regarding farm legislation. I would like to thank the chairman, Senator Ellender, and Senator Talmadge for the speeches they made on the floor of the Senate in support of the importance of agriculture and the importance of agricultural programs.

Senator Holland, all of us in agriculture owe you a considerable vote of appreciation for your long service to agriculture as you have been a Member of the Senate, and we regret the news of retirement; however it leads us to say at this time that we truly appreciate the work you have done in the Senate, more specifically on behalf of American agriculture, not only as a member of the Senate Agriculture and Forestry Committee but as a member of the Agricultural Appropriations Subcommittee.

Senator HOLLAND. Thank you.

Mr. SCOTT. I am a product of the family farm, spending most of my agriculturally productive years on a dairy farm in Butler County, Pa. At an early date in my life, I became active and have remained active for over 36 years in the Grange movement in Pennsylvania, serving in various capacities at local and county levels and being in 1962 elected master of the Pennsylvania State Grange, a capacity I held for 6 years. In 1965 I was elected to the office of secretary of the National Grange and served in that capacity until 1968, when I was elected to fill the unexpired term of a man whom you all know, Herschel Newsom, who resigned to accept an appointment to the Tariff Commission.

My duties as master of the Pennsylvania State Grange required that I move from our family farm to Harrisburg, Pa., the State capital. However, at approximately the same time, our farm was taken over by the State, through a proceeding of right of eminent domain, to be made into a State park. So, I guess I can be classified along with some 16 million other people that have left the American farm since 1952, as a misplaced farmer. However, I would hasten to point out to this committee that the decision that I made to leave agricultural production, like so many others who have left rural America, was one brought about by circumstances other than by my own independent decision. Neither farm programs nor their results caused this displacement or migration, as has been alleged by many people in American agriculture.

I have with me this morning the National Grange legislative representative, Robert Frederick, who will be available to answer questions from members of the committee. Bob also is a farmer, forced off the farm by actions other than his own independent decision. His farm was cut in two by the Interstate Highway System as it was extended through rural northeastern Ohio, leaving little land with a large set of buildings and no right-of-way to the larger acreage isolated by the highway. I also have with me this morning Mr. Alton Denslow, a member of the well recognized agricultural law firm of Parker & Denslow, who is our agricultural counsel in the Grange.

The National Grange is a farm-rural-urban family organization representing 7,000 rural community organizations located in 40 of

our 50 States. The Grange has a heterologous membership that represents producers as well as consumers.

Senator Holland, I appreciate the reading of the article from the Bangor, Maine, paper and the fact that you put it into the record. I was interviewed there by a young lady who was totally ignorant of the agricultural situation in the Nation. In my discussion with her, I was trying to point out to her the importance of agriculture even though so few people were involved. I pointed out that practically 5 percent of the population of this Nation fed all of us and part of the world.

Then she asked me about the relationship of Grange membership to the farm and I told her that about 50 percent of our membership were active farmers and she got the 5 percent and the 50 percent mixed up, Senator. So, it might be——

Senator HOLLAND. Well, on this point I want to say again that I think it is sound policy to invite others than farmers to your membership and I am not talking about displaced farmers. I mean, people who are not farmers at all. And from your statement now, I understand that 50 percent of your members are nonfarmers.

Mr. SCOTT. We have no accurate count but that is our honest judgment about the makeup of our membership.

Therefore, we are pleased to be able to support S. 3068, the Agricultural Stabilization Act of 1969, introduced by Senator McGovern, a distinguished member of this committee, and 12 other Senators.

At this time I would like to introduce for the record, the list of the 26 members who are members of the coalition.

Senator MILLER. We had that put in yesterday.

Senator CURTIS. May I see it?

The CHAIRMAN. We can prevent duplication.

Senator DOLE. Have you got the latest list?

Mr. FREDERICK. Yes. Two editions.

(For the list referred to above, see p. 116.)

Mr. SCOTT. We want to express our appreciation to the chairman for calling hearings on farm legislation at this time, as we firmly believe that the farmer desires and needs as much planning time as possible and any further delay will only increase the possibility that the farmer and the country will have to go back to farm programs in effect before 1966, a position untenable to the farmer, Congress, and the general public (see exhibit E). It is for this reason we urge early action by this committee and Congress.

Mr. Chairman, this big paper here, I am not going to read it all. More than half of it is a series of exhibits which are meant to back up some of the statements that I make and we can refer to them if we need to.

The Grange is in strong support of continuation of the Food and Agriculture Act of 1965, as amended by S. 3068 and has previously testified in the House on H.R. 14014, an identical bill introduced by 41 Congressmen.

We would like to take the time allotted to us today to discuss with this committee the importance of the Food and Agriculture Act of 1965 (see exhibit A), and how we feel it has helped solve some of the problems existing in rural America and how it has bolstered farm income and stabilized consumer prices. We are privileged, once again,

to come before this distinguished committee which has in the past heard with compassion the pleas of the farmers for a more adequate return for their products in the marketplace and for more equitable income as compared with the rest of our economy. As you have worked your will with your considered judgment in the years since the Grange has been coming before you, the answers which you have provided for the problems of America deserve our gratitude and thanks, rather than the criticism of those who would destroy existing agriculture programs and thereby provide the fertile ground for economic chaos.

Agriculture unity. Mr. Chairman, you and members of the Committee on Agriculture and Forestry may find personal satisfaction in your efforts to bring unity to agriculture because it was partially in response to the call for unity made by Members of Congress, Secretary of Agriculture Hardin, and the administration that we have been able to develop such a high degree of unity in agriculture. We are happy to inform you that the spirit of farm unity is growing among farmers as well as other organizations.

The Grange's desire for unity in agriculture is deeply embedded in Grange philosophy and Grange policy. As early as the Sacramento, Calif., convention in 1889, the first policy statement from the Grange on unity and united agriculture was presented and adopted and has remained firm Grange policy since that time.

Senator YOUNG. Can I ask a question at this point? Mr. Scott, do you not find there are more businessmen, bankers, and nonfarmers interested in farm programs now than ever before?

Mr. SCOTT. I think this is true, Senator. I think we are gradually making some programs in getting folks to understand the need of farm programs.

Senator YOUNG. This is certainly true of my area. They take a much deeper interest and concern.

Mr. FREDERICK. If I might, I would like to add to that point, Senator; we have communications from the Independent Bankers Association of America and they have expressed interest in becoming a member of the coalition if they can join and if they cannot because they are not actually a farm organization, their agricultural committee would like to meet with the coalition as they certainly are in support of the coalition's position on farm legislation.

The CHAIRMAN. I hope they get in touch with the House members.

Mr. FREDERICK. We will see that they do, sir.

Mr. SCOTT. At the 102d annual session of the Grange, held in Peoria, Ill., in November 1968, this policy once more was reaffirmed by the committee on co-op activities and adopted by the delegate body. The resolution states in part: "What farmers most need at the present time is a better understanding of such economic and political questions as relate to the material interests and a disposition to unite with others of the same class to put this knowledge into practical use. It is apparently an easy matter for farmers to theorize upon these questions and even to arrive at a definite conclusion, but in times past it has been about as difficult to unite their forces and apply the knowledge gained as it used to be for a camel to pass through the eye of a needle." Although this was written in 1889, it still is applicable to conditions that exist in today's agriculture.

This charge from the Grange delegate body and the call from Congress and the administration for unity and a consensus farm program for agriculture, prompted us to call the early meeting of the farm organizations last February. From this first meeting has grown the strong, united front of agricultural organizations called the Farm Coalition and we wish to thank Senator McGovern and the 12 Senators for introducing legislation, embracing the coalition's position on extension of the Food and Agriculture Act of 1965.

The National Grange, at its 103d annual session, in Daytona Beach, Fla., in November 1969, reaffirmed its strong support for the continued effort to bring agricultural organizations closer together in seeking essential farm legislation.

The delegate body of the 103d annual session of the National Grange adopted the following policy on farm programs:

FARM POLICY

The productivity of American agriculture is the envy of people around the world. The rapid adoption of technology and an efficient, well-organized and managed system of production provide consumers with a variety of products that requires the smallest proportion of disposable income of any nation. We believe that American farmers have the capability of meeting the needs of the growing population in this country and helping to feed the growing world population. This can become a reality only if the farmer receives the cost of production plus a reasonable return on his labor, management, and investment.

All efforts should be continued to seek new cost-reducing methods. It must be recognized, however, that cost reduction alone does not guarantee an adequate level of income. Most gains from this source have, in fact, accrued to American consumers. Greater efficiencies that lead to lower costs of production cannot be expected to solve the income problems of agriculture. There must be a continuation of farm programs to ease adjustments in this sector and to stabilize and improve farm prices and income.

The year 1969 marks the close of the decade of the sixties and the beginning of the 1970's. This year of transition also marks the end of the Food and Agriculture Act, due to expire after being extended for 1 year.

This act provides price supports at near world market levels, greatly improving our competitive position in export markets. It provides payments to finance acreage and production adjustments as necessary. The absence of similar farm legislation in the 1970's could result in an unstable farm economy that would create chaos for farm families, rural communities, and the consuming public.

Senator CURTIS. May I ask some questions right there? Is it your feeling that the export of farm commodities have increased since the 1965 act?

Mr. FREDERICK. Yes, they have. We have a similar increase from 1965 up until 1966, 1967, 1968 until the Green revolution took place and we have got production coming in from India and Pakistan and other areas that we have sent our agricultural knowledge to. We have not only exported our products but our expertise and efficiencies. Then we ran into a decrease of exports.

Senator CURTIS. I am not trying to blame the 1965 act, but actually in 1966, 1967, and 1968 our exports have not increased. Have they not gone down?

Senator MILLER. And 1969, too. We got the figures yesterday.

Senator CURTIS. And yesterday witnesses for the coalition reported in reference to wheat that the blend price, that is the market price plus the certificate, the diversion—in 1966 it was $2.22. In 1967 it was $1.87. In 1968 it was $1.79. That is the total blend price including the certificate and all the payments.

Do you have any explanation as to why that happened? In the meantime, there was no change in the law. Congress did not amend the law to change those formulas but the overall blend price went from $2.22 in 1966, $1.87 in 1967, $1.79 in 1968.

That may be in error but the Farmers Union recited that yesterday.

Mr. SCOTT. Senator, I think that we can give credit to our export problem, especially in wheat, to the fact that Bob did refer to, that there has been tremendous advance in production of wheat in other nations which were previously importing nations. Add to that the worldwide weather situation which permitted an increased production around the world, from our other exporting nations as well as these formerly deficient nations, I think that has created this great problem in wheat.

Senator CURTIS. Do you not expect that to go on?

Mr. SCOTT. I think we can expect it to go on to some degree. We cannot always expect to have the ideal worldwide weather situation that lead to the big wheat crops.

Senator CURTIS. That is true.

Mr. SCOTT. But we can expect, I think, technology to continue to improve in our underdeveloped countries that have been improving. I do not know whether Mr. Denslow would have anything to add to that or not, or Bob.

Mr. FREDERICK. No. Back on page 16, I am sorry I did not bring with me the export figures but I would like to supply them for the record from the U.S. Department of Agriculture, going back to 1965, and showing the figures from the Department on foreign export of agricultural products. On page 16 we state: "Present wheat disappearance by exports, for cash, has increased from 1967 to 1968 by 10 million bushels. The big decrease has been in the area of exports under Government programs."

Senator CURTIS. Increased in those years 1966–68, 1967 and 1968 or from what?

Mr. FREDERICK. Has increased from 1967 to 1968 by 10 million bushels. "The big decrease has been in the area of exports under Government programs, which have decreased during the same period 189.1 million bushels, from 471.2 million bushels in 1967 to 242.1 bushels in 1968."

The cash sales have increased but we have had a decrease of exports of wheat through Public Law 480 programs.

Senator CURTIS. My question about what explanation you have for the drop in price under the 1965 act in 1966 and 1967 and 1968 was not confined to the export situation. I wondered if there were any other explanation for it.

Senator YOUNG. If you would yield, Senator, it was mostly a surplus situation that created the lower wheat price. We had a fairly low carryover 3 years ago and now we expect a carryover of almost 900 million bushels by July 1. The cash price did drop. Last year the average cash price was $1.28. It so happens in our area we have high protein wheat and the average cash price in North Dakota, is $1.40 to $1.60.

Mr. FREDERICK. What were those years again quoted yesterday?

Senator CURTIS. The Farmers Union said the blend price in 1966 was $2.22, in 1967, $1.87, and in 1968, $1.79.

Mr. FREDERICK. Does not that correspond to the same time we had the two increases in wheat acreage?

Senator YOUNG. Yes.

Senator CURTIS. No; they came in 1966.

The CHAIRMAN. No, no; as I pointed out yesterday, I think Secretary Freeman made an error in his calculations particularly with respect to production in Russia. There was supposed to be a shortage but about 3 or 4 months after he increased the acreage——

Mr. FREDERICK. Twice.

The CHAIRMAN. Yes; twice. He found out that there was an error as to world production and that is what caused all of our trouble.

Senator MILLER. Mr. Chairman, I would like to ask Mr. Scott on page 5—the middle of the page—he says: "There must be a continuation of farm programs to ease adjustments."

What kind of adjustments were you referring to?

Mr. SCOTT. Well, adjustments for the increased technology that is coming to the farm, increased technology that is coming in other sections of the world, and the change in the agricultural picture—production picture—itself.

Senator MILLER. Are you referring to farm population, too, consolidation of farms, reduction in number of farms?

Mr. SCOTT. I think this all has a bearing on it.

Senator MILLER. Now, let me ask you a further question. Senator Burdick, I think, pointed out just a few minutes ago, and I think you were here when he did it, that had it not been for the farm programs, North Dakota farmers on an average would have gone broke because the farm payments constituted about 110 percent of the net income of North Dakota farmers.

There are some figures that have been cited here that farm program payments comprised upward of 20 percent of the farmers gross income. Do you think this is a healthy situation for the farmers?

Mr. SCOTT. Well, in my opinion, Senator, it is a lot more healthier than turning production loose.

Senator MILLER. I understand. Nobody I know of around this committee is talking about doing away with farm programs and I wish we would get off that track because it is a strawman some people throw up and quite obviously it is going to be shot down.

My question is in devising farm programs, do you think that we ought to look forward to this as a continuous situation where farm program payments are going to represent 20 percent of the farmer's income and 110 percent of the North Dakota farmer's net income? Do you think that is a healthy situation for the farmers.

Senator YOUNG. That figure on North Datoka is grossly misrepresented.

Senator MILLER. I am just using what Senator Burdick had to say.

Senator YOUNG. He says 110 percent of the net income. What is net income?

Senator MILLER. I do not know. I just got that. That is what he stated. I do not want to have the two North Dakota Senators get into an argument over it but really the thrust of my comment is whether

or not farm programs should be devised which are going to perpetuate this reliance on the Federal Government for 20 percent of the farmer's income. Do you think that is a healthy thing for agriculture?

Mr. SCOTT. Of course, it cannot be considered to be the healthiest but there are a lot of situations involved in which——

Senator MILLER. What would be a healthier thing we could do?

Mr. SCOTT. The farmers cannot be expected to provide the food help that is needed for Americans or the food help that is needed for other folks around the world, at a price lower than the cost of production. This kind of help has traditionally been incorporated in a farm program and it makes the farm program look a lot more costly than it really is for farmers. I think Bob might have something to say.

Mr. FREDERICK. There are two ways an agricultural producer can get his price, one, through the market, the other through Govenment programs.

Senator MILLER. Or a blend.

Mr. FREDERICK. Or a blend and the Food and Agriculture Act of 1965, we think, does put together as much as possible a correct blend of public funds and private funds and this is brought out later in our statement. Any time we reduce the amount of payments coming from the public sector or the Treasury or the Government, if we are going to maintain farm income at the present level then that portion we reduce from Government payment is going to have to come from the consumer and the marketplace. Every time farm prices get high, newspaper articles, editorials, boycotts take place against agriculture and the high prices of agricultural products.

Senator MILLER. People still have to eat.

Mr. FREDERICK. I agree.

Senator MILLER. And I think we are observing something like this in the area of medical services and hospital services and there are all kinds of newspaper articles being written about it but still they are being paid. And what I am wondering is whether we are going to perpetuate this situation where there will be this amount of reliance on the Federal Government or whether we can look forward to gearing these programs into the day when the farmer will no longer really be dependent upon the Federal Government except possibly as a sort of a security for minimal amounts of income in the case of serious or adverse conditions so that the consumer will be paying the fair cost of this thing through the marketplace rather than through the tax——

Mr. FREDERICK. We would agree.

Senator MILLER (continuing). Programs.

Mr. FREDERICK. We agree, Senator. It has been long Grange policy, that the farmer should get the greatest portion of ris income from the marketplace. We desire to devise a method where the farmer can pass on his cost of production to consumer, we will be the first to agree and fall in line with this type of program, although we do not think we have reached it yet, and the point of medical costs, just the day before yesterday, in addition to bills already introduced to make national insurance policies available, the AFL–CIO, stated that it

would push for such programs. If this is a national policy for health and for people's health why cannot we have a national policy for agriculture?

Senator MILLER. But I do not need to tell you that the mere introduction of a bill is a long, long way from national policy and I would not get too excited about that bill at this stage of the game if I were you. But if this is a long-range objective of the Grange and recognizing that we cannot achieve that long-range objective overnight, what is there in this bill that gives us some encouragement that we are moving in that direction or are we just staying where we are now?

Mr. SCOTT. Senator Miller, it seems to me that the situation is this, that we are continually being told about the great demand there is going to be for food in the next decade or next 20 years and this program is a program which is in our opinion, designed to keep America a Nation of family farmers, and if we can keep the families out in the rural communities, we will not only alleviate many of the problems that have been talked about heretofore yesterday and today but we will also be prepared in this type of program to meet the challenge of the food needs of the future. And when this comes about, and the great need for food does exist and increases, there will be more and more opportunity, I think, to return to the marketplace for our price. As long as we continue to make this a Nation of programs for all other people and industries we can never say agriculture should go to the marketplace for its complete support, if the Government continues to make the tremendous subsidies in other areas that were mentioned in some of the testimony yesterday—shipbuilding, airlines—and I was going to remark to your reference to medicine there, we do not need to lobby for the doctors. They can lobby for themselves in good shape.

But if it were not for the programs which I think the Congress has enacted rightfully so and justly, our medicare programs, there would be much greater hue and cry as to the cost of medical and hospital expenses than there is today.

Senator MILLER. Well, what I have in mind is this. There is nothing in this proposed bill which indicates that there might be a phasing down of the Government costs as the market improves. Now, if there were something like that in the legislation, then I would feel more comfortable about it because then you could say to the farmers, as the market improves, the cost to the taxpayers will go down. They will make it up in consumer costs but your reliance on the market will increase as your reliance on the Government decreases and they will be phased together. It is not a case of where you are going to rely less on the Government and take your chances on the market because those chances can be pretty—if they do not turn out right—can be pretty disastrous. But there is nothing that I can see in this bill that indicates any more than a sort of a perpetuation of the present situation and that is one thing that bothers me very much about it.

The CHAIRMAN. Well, Senator Miller, I well recall when they held hearings that formed the basis of the 1965 act and the philosophy of that bill was to give the Secretary of Agriculture flexibility in providing the acreage necessary to produce the food and fiber that could be disposed of domestically and for export. And I felt that when we

started this program out, and to continue it for 4 years, that at the end of 4 years we might get to a point where the farmer would get his prices or his payment at the marketplace.

Senator MILLER. Yes.

The CHAIRMAN. But as the witness has just said, things have changed in other parts of the world. For instance, I was in India 2 years ago and there—so was the Senator, Senator Miller. You were there to find out for yourself that the production of rice as well as wheat in India had increased considerably. Nobody expected Russia to produce enough wheat to export, but yet it did. And we felt at the time we drafted this bill that the situation that then existed in the foreign markets would continue. But it has not. And I still believe that the philosophy back of this bill gives the Secretary of Agriculture enough flexibility to produce the food and fiber needed not only for our ownselves but for the various folks and if the markets abroad keep on dwindling, we can expect to have to produce less food. It is that simple.

Senator MILLER. I well know the Senator expressed that hope at the time this legislation was being considered and I recognize that there are these changes and Mr. Scott has already referred to the need for continuation of farm programs to meet adjustments like this. My point is that there ought to be some kind of a security arrangement through the Federal Government to enable the farmers to roll with the punch of these adjustments, but that there ought to be also some mechanism under which, as market conditions improve, the reliance on those markets will be greater and the reliance on Government programs or Government payments will be less. And there is nothing that I can see in this act that provides that kind of a mechanism or discretion to the Secretary of Agriculture.

The CHAIRMAN. Well, I can assure you as chairman of this committee I will be glad to hear from you when we write the bill up as to how to do that.

Senator MILLER. I am hoping we will get that kind of a suggestion from the Secretary when he comes over here.

The CHAIRMAN. Off the record.

(Discussion off the record.)

The CHAIRMAN. We will stand in recess until 2 o'clock.

Senator YOUNG. Could I just say something first? I just wanted to commend Mr. Scott for his excellent statement. I do not believe the people of the Congress or the people of this Nation realize what a chaotic situation we would have on our hands if this program is not continued. No one realizes this better than bankers and businessmen. There would be no way to get a decent price and keep farmers from going broke.

Every nation in the world I know of has highly subsidized agriculture. Canada is a good example. They even subsidize their freight rates. Their freight rates for farm commodities are only 40 percent of rates here in the United States.

The European countries are subsidized. They have farm programs in every country in the world and the time is not going to come tomorrow or next year when we can get along without anything at all.

I feel very strongly about this. Being a farmer myself and having

three sons farming. My whole life has been in the farming business. I think I know something about it. I know something about the revolution that occurred back in the depression years. They started in Iowa. We know they came from Iowa and they upset more milk trucks in Iowa than they did in North Dakota. We could have that same situation again if we were to try going without any programs at all.

I feel strongly about it.

Senator MILLER. I just want to make this clear, that Senator Young has been on this committee a lot longer than I have, but in my years on this committee I have not run into anybody on the committee who has been talking about doing away with farm programs, and, quite frankly, I have not run into any one of our colleagues in the Senate itself who has been for doing away with farm programs.

Senator YOUNG. We have one bill pending here now that would phase them out. That scares the socks off me.

Senator MILLER. I do not know whether that would phase all farm programs out, but the point the Senator has made about the disaster that could occur, the social consequences if we do not have farm programs, I think is well taken and I think it is generally recognized by our colleagues in the Senate. What we are up to here is as to how to devise the best farm program we can.

The CHAIRMAN. We will need a Solomon.

The committee will stand in recess until 2 o'clock.

(Whereupon, at 12:20 p.m., the hearing was recessed, to reconvene at 2 p.m., this day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will please come to order.

Mr. Scott, you may proceed, sir.

Mr. SCOTT. Mr. Frederick has the answer to Senator Curtis' question in regard to the deescalation of the price that he could put into the record.

The CHAIRMAN. All right.

Mr. FREDERICK. Senator Curtis, in response to your question this morning which we did not adequately respond to, that is why for 3 years, we had a falling price in the wheat. I think this was brought on primarily because during that time we had an increase in production, increase in yield, and all the wheat that was produced over and above what was covered by the domestic certificate, which the farmer received 100 percent of parity, was placed in world market in competition, at competitive prices. So this would cause the decreasing of the the blend price and that is what they referred to, because it was not covered by domestic certificates and it was sold overseas at increasingly lower prices due to the competitive market situation we were in. This caused a decrease in the blend price.

How our program will correct this is we are asking for export certificate on 40 percent of our projected, anticipated yield. That will give us a payment for an export of wheat which will reverse this trend in wheat price and give us a blend price of a higher figure.

The CHAIRMAN. While you are talking about costs, do you agree with the statement that this bill, if enacted as proposed, would increase the cost to the Government at between $500 and $600 million?

Mr. FREDERICK. Yes, sir, and I have for the record—I will submit for the record—a summary of the coalition analysis, section by section, which I would like to enter into the record. Also I would like to point out that the effect of net farm income is expected to be increased from $1.3 to $1.4 billion. Net farm income.

The CHAIRMAN. All right.

You may proceed, Mr. Scott. This will be placed in the record at this point.

(The document referred to follows:)

SUMMARY OF COALITION FARM BILL

(Backed by 22 organizations—list attached)

COMMENT ON INCOME VERSUS COSTS

Effect on net farm income is expected to be an increase of $1.3 to $1.4 billion dollars. But the cost of improvements is expected to be only $660 million. (Sum of the costs indicated in the above summary).

The Administration's budget anticipated a $600 to $700 million cut next year over 1969 farm program costs. This reduction is anticipated because of savings resulting from the readjustment in the national wheat allotment and from savings in the soybean program resulting from lower price support loan and strong market demand.

Thus income improvements in the bill could take place with no increase on the 1969 farm program budget.

TITLE I—DAIRY

(No additional costs)

Extends Class I Base Plan with clarifying amendments of Lloyd Meads and others.

Provides authority for self-financing of advertising, research and promotion programs.

Changes procedure for support of manufacturing—support would be based on all components of milk instead of butterfat.

TITLE II—WOOL

(No additional costs)

Extends Wool program.

TITLE III—FEED GRAINS

(Total additional cost—$350 million)

Increased price support loan from $1.05 to $1.15 per bushel.

Increases direct payment from $.30 per bushel to $.40 per bushel.

Limits amount "projected yield" can be adjusted as result of natural disaster.

TITLE IV—COTTON

(No additional costs)

Extend Cotton program.

TITLE V—WHEAT

(Total additional cost—$25–$35 million)

Provides authority for export certificate between 90 and 85 percent of parity (Cost is calculated on 65 percent of parity return or $.55 per bushel by 500 million bushels).

Limits amount "projected yield" can be adjusted as result of natural disaster.

Provided that one-half of wheat certificate value can be paid at time of sign up.

TITLE VI—SOYBEANS AND FLAXSEED

(Total addiitonal cost—$25–$35 million)

Authorizes acreage diversion program for soybeans and flaxseed for such year as the total stocks of soybeans—CCC, Farm Reseal and Commercial—exceed as of Aug. 31, 150 million bushels or 15 percent of the previous year's utilization whichever is less.

(On August 31, 1969 soybeans stocks approximated 300 million bushels. This relatively small carryover would trigger a program in 1970 but only involving the diversion of 2 to 3 million acres of soybeans. Cost is based on this diversion level.)

Provides 75 percent of parity price support loan for participants in the acreage diversion program.

VII—CONSUMER PROTECTION RESERVE

(No additional costs)

	Reseal on farms	Farmers contracts	CCC publicly owned
1. Amount of reserve:[1]			
Wheat	150,000,000 bushels	150,000,000 bushels	200,000,000 bushels.
Feed grains	7,500,000 tons	7,500,000 tons	15,000,000 tons.
Soybeans	20,000,000 bushels	20,000,000 bushels	35,000,000 bushels.
Cotton			3,000,000 bales.
2. Maximum acquisition price	None	None	None.
3. Minimum resale price:			
(a) Wheat	Producer option, no minimum price.	CCC stocks below above levels; parity price less 75 cents cert. ($2.02 per bushel.)	
(b) Feed grains	At release date	CCC stocks below above levels; parity price less adjusted payment ($1.42 per bushel on corn).	
(c) Soybeans		CCC stocks below above levels; parity price $3.64 per bushe.	
(d) Cotton		Stocks below above levels: parity price 47.9 cents per pound (Upland Middling, 1 inch).	
4. Reserve held by	Farmers	Farmers	CCC.
5. Provision for emergency release at prices other than above.	None	In addition to minimum resale price, natural disaster, low production, military action would control release.	
6. Expiration date		Permanent	

[1] When estimated consumption, including exports, exceeds production by more than 10 percent, reserve levels under both reseal and in CCC reserves will be increased by 100,000,000 bushels of wheat, 7,500,000 tons of feed grains, 15,000,000 bushels of soybeans and 1,000,000 bales of cotton.

TITLE VIII—MARKETING ORDERS

(No additional costs)

Extends market order authority to any commodity subject to approval by majority of affected producers.

Sets up advisory committee to help write market orders. Order may provide:

(*a*) Market supply control ranging from grading standards to marketing allotments subject to approval of ⅔ of affected producers.

(*b*) Pooling of sale proceeds where commodity is sold on use-classification basis.

Public hearings on terms and conditions of the market order.

Secretary of Agriculture would develop market order following public hearings.

Producer referendum with ⅔ vote required for operation of the market order.

TITLE IX—CROPLAND ADJUSTMENT

* Remove limit of $245 million on amount of funds that can be appropriated for the Cropland Adjustment Program.

TITLE X—RICE

(No additional costs)

* An acreage diversion program for rice is authorized if the national rice allotment is established at less than that for 1965.

(The Title provides stand-by authority which has not been used to the present time.)

COALITION OF FARM ORGANIZATIONS

The National Grange, 1616 H St., NW, Washington, DC, 20006.
National Farmers Union, 1012–14th St. NW, Washington, DC 20005.
Natl. Assn. of Wheat Growers, 1030–15th St. NW, Washington, DC.
National Farmers Organization, Corning, Iowa 50841.
Midcontinent Farmers Assn., Columbia, Missouri 65201.
United Grain Farmers of America, Oakland, Illinois 61943.
Natl. Milk Producers Federation, 30 F St. NW, Washington, DC 20001.
Pure Milk Products Cooperative, Box 350, Fond du Lac, Wis. 54935.
No. Car. Peanut Growers Assn., PO Box 409, Rocky Mount, NC 27801.
Natl. Rice Growers Assn., Flying-J Ranch, Kaplan, La. 70548.
Natl. Potato Council, 1499 Jefferson Davis Hgwy, Arlington, Va. 22202.
Virginia Council of Farmer Co-ops, Capron, Virginia 23829.
Farmers Cooperative Council of N.C., PO Box H–1, Greensboro, NC 27402.
Grain Sorghum Producers Assn., 1212–14th St., Lubbock, Texas 79401.
Natl. Corn Growers Assn., PO Box 358, Boone, Iowa 50036.
Western Cotton Growers Assn., PO Box 512, Fresno, California 93709.
Natl. Wool Growers Assn., 600 Crandall Bldg., Salt Lake City, Ut. 84101.
Soybean Growers of America, Inc., Rt. 2, La Fontaine, Indiana 46940.
Virginia Peanut Growers Assn., Capron, Virginia 23829.
Peanut Growers Cooperative Marketing Assn., Franklin, Virginia 23851.
American Rice Growers Co-op Assn., Lake Charles, Louisiana 70601.
Webster County Farmers Organization, Guide Rock, Nebraska 68942.
Vegetable Growers Assn., 226 Transportation Bldg., Washington DC 20006.
N. Dak. Feeder Livestock Producers Assn., Ambrose, N. Dakota 58833.

Senator CURTIS. What page are you on now?

Mr. SCOTT. Page 5. We did talk about some of the things in it and as we come to them I will pass over them:

This act provides price supports at near world market levels, greatly improving our competitive position in export markets. It provides payments to finance acreage and production adjustments as necessary. The absence of similar farm legislation in the 1970's could result in an unstable farm economy that would create chaos for farm families, rural communities, and the consuming public. It is, therefore, imperative that agricultural legislation be enacted which will provide parity prices, opportunity and public service to rural people, while, at the same time, providing an adequate and stable supply of food and agricultural products necessary for the growth and prosperity of the Nation's economy.

Over the years, parity prices have served as guidelines for measuring fair and equitable prices for agricultural commodities relative to the prices of things farmers buy. The ability of farmers to secure credit would be adversely affected if the parity price index were to be discarded. We cannot scrap the anchor of parity and retain fairness in prices to farmers.

We recognize the importance of preserving and processing the integrity of the owner-operator-manager farm as exemplified in the commercial family farm system, not only as very efficient in the production of food and fiber, but as the backbone of rural America.

The commercial family farm of America has been the foundation of the most progressive and efficient agriculture the world has ever known. It has contributed to the economic growth of the Nation, provided an abundant supply of food for domestic consumption and relief of hunger over the world. We reaffirm our traditional support of the commercial family farm unit and urge that all programs and policies be constituted and implemented to protect and promote the well-being and continuance of the commercial family farm.

Farm programs.

The Agriculture Act of 1965, while not achieving the total objectives of the act, has aided materially in increasing gross farm income from $44.9 billion in 1965 to $51.1 billion in 1968. During the same period, however, farm production expenses rose from $30.9 billion in 1965 to $36.3 billion in 1968, resulting in a decrease in net farm income for the period of $0.8 billion thus making it appear that the act of 1965 has been ineffective in increasing farm income.

The most recent increase in the cost of production that can be readily seen and easily applied is the recent 6 percent increase in freight rates the ICC allowed the railroads. This will result in approximately a 3-cent decrease in the return to a Montana wheat grower and a 2½-cent reduction in the return

to a wheat grower in the Dakotas, et cetera. Is this the fault of the present commodity-by-commodity approach to solving farm problems? We think not.

It was the provisions of the 1965 act that rescued American agriculture from a sea of surpluses that threatened the livelihood of every American. It not only reduced the high tide of mounting stocks in Government hands of food and fiber, it reduced the cost of the abundant supply of high quality food to the American housewife, to the lowest percentage of expendable income in the history of the world (estimated to be 16.4 percent in the last quarter of 1969), while at the same time increasing net farm income to $15 billion, an increase of 28 percent since 1960.

Senator CURTIS. That $15 billion is for what year?

Mr. FREDERICK. 1968, Senator.

Senator CURTIS. What will it be for 1969?

Mr. FREDERICK. Right around $16 billion. The projection for somewhere near, a little under perhaps $16 billion for 1970, at the last Agricultural outlook conference.

Mr. SCOTT. The record of accomplishments of the act of 1965 is encouraging; however, the American farmer has not shared in the rapid advance of economic growth of his counterpart in other segments of the society. Nor has he been adequately compensated for his contribution to efficient production, whereby he produces for himself and 45 others, while at the same time produces one out of every 4 acres for export, which produces 17 percent of the world trade in agricultural products, thus making the greatest single contribution to the United States' favorable balance of trade.

Meanwhile, during the past two decades the hourly earnings or manufacturing workers have increased by 127 percent and corporate dividends are up 251 percent. During this same period of time farm prices have dropped 9 percent. The estimated net income of agriculture for 1968 is $14.9 billion, compared to $15.9 billion in 1948. National income reached $713 billion in 1968, compared to $224 billion in 1948. Thus, while the national income shows an increase of 218 percent, farm income is down approximately 6 percent.

One other factor has had an important influence upon the public dissatisfaction with domestic farm programs. This can be best described as a blessing of the good things from Mother Nature, plus the American farmer's unselfish sharing of his techniques of modern agricultural production that has made exporters of many of the lesser developed countries, as well as an overproduction of farm products in our friendly neighbors of Canada and Australia.

These factors have led to an overabundance of some agricultural commodities that are causing concern in world trade; however, the experience of our domestic farm programs in curtailing our own production is leading to the adoption in our rival countries of production controls. It is highly unlikely that such international developments would have been initiated had it not been for the act of 1965.

We would emphasize that the decrease in net farm income from 1965–68 was due to factors unrelated to the Agriculture Act of 1965. Inflation has caused higher costs of agricultural inputs, which has resulted in a cost-price squeeze totally unrelated to farm programs.

The National Grange believes continuation of the basic provisions of the Food and Agriculture Act of 1965 is the first step in securing effective domestic farm programs for the seventies. We must not be forced to return again and again to pass legislation already approved by Congress. Our main purpose is to improve the basic act, improvements that cannot wait because improvement in farm income cannot wait; therefore, we are proposing them this year.

Mr. Chairman, the next two pages are sort of an outline of the provisions of the bill which have been gone over in committee and I see no reason to repeat them again. With your permission, we will just skip to the bottom of page 11.

Senator CURTIS. Could I ask one question here?

The CHAIRMAN. Certainly.

Senator CURTIS. I believe over in the House they have talked about removing the mandatory support price on butterfat, keeping it on milk. They contend that helps the overall program and that only one and a half percent of the product is sold as butterfat.

Has your group taken a position on that?

Mr. SCOTT. It is in the coalition bill. We do support that position.

Senator CURTIS. To remove that?

Mr. SCOTT. Yes. Cream, as you say, the amount of cream that is separated on the farm and sold as cream has been reduced to such a low percentage that it would be better and more advantageous to use the other pricing system.

Mr. FREDERICK. It is covered here. We just make one reference to it on page 9.

Senator CURTIS. I see that.

Mr. FREDERICK. And in exhibit B, it is spelled out in detail, that provision, and we are in support of the Milk Federation's position that it be changed from just butterfat to milk and its components.

Senator CURTIS. Do you think it will lower the price received by those few farmers who are still selling sour cream to creameries? They are the ones largely affected, are they not?

Mr. SCOTT. This is a question that came to my own personal mind, Senator Curtis. I was concerned about this because these are farmers who are ones really we need to be concerned about, that 1½ percent.

Senator CURTIS. They are a long ways removed from the possibility of participating in the milk shed of the highly populated areas.

Mr. SCOTT. Yes. We took the advice of the milk organizations in this area and did support their position.

Mr. FREDERICK. And we are also informed that the Department was going to ask for this change in the law if it was not in the bill.

Senator CURTIS. What is the advantage of it?

Mr. SCOTT. I think the advantage, as I understand it, Senator Curtis, is that in this day and age when there is a great tendency to buy milk on other than a butterfat value, even the consumer wants a low-test milk where he used to want a high test milk, this change in the consumer's desire has brought about the need for this change in the pricing of milk itself. It will better price milk for the use which it will ultimately be used for.

The CHAIRMAN. Proceed.

Mr. SCOTT. I would like to call the reporter's attention, Mr. Chairman, that on page 9 there is an error there, right opposite feed grains. It should be exhibit D instead of exhibit B.

In our efforts to improve farm income and, therefore, economic conditions in rural America, we dare not be misled by proposals and counterproposals that promise increased farm income, while at the same time a reduction in total cost of farm programs to the Federal treasury. This would mean total reliance upon the marketplaces for farm prices, therefore, farm income, an economic situation that is unrealistic as long as the American farmer is called upon to supply an abundance of food and fiber in excess of that needed to correctly match supply to demand. The amount produced over and above that needed to match supply to demand is a sufficient amount to destroy the marketplaces as the sole source of fair and reasonable prices for the producer; therefore, it is the opinion of the Grange that present farm programs, that supply a proper mix of public and private funds, must be continued if we are to have a viable family farm structure in American agriculture.

This, then, represents the National Grange's official position on farm legislation, as it was overwhelmingly endorsed by the delegate body at its 103d annual session in November 1969.

I fully realize that it does not recommend nor does it condemn the set-aside farm program, as set forth in the draft legislation submitted by the USDA on February 3, 1970, to the House Committee on Agriculture. But such a strong position in favor of the continuation of the Food and Agriculture Act of 1965, as amended by the coalition's position, can only be interpreted as a complete rejection of the set-aside proposal by the membership of the National Grange.

The Agriculture Committee of the National Grange did consider what little information there was available at the time of our November 1969 meeting concerning the set-aside proposals, before recommending to the delegate body that the Grange support the coalition farm bill.

In light of the limited information available to us, it was rather difficult, if not impossible, to pass judgment on farm program proposals that had not been sufficiently and clearly explained by the Department and which had not reached a stage of development where one could judge the overall effect of such proposals on net farm income.

In general, the reasons for rejecting the "set-aside," other than lack of sufficient information, can be summarized as follows:

1. Too much is left to the discretion of the administration. The National Grange knows and has a great deal of respect for the present Secretary of Agriculture, Clifford Hardin, but we do not know who will be the next Secretary of Agriculture. He may be someone totally in opposition to any farm programs and therefore, we would like to see as much of the program as possible spelled out in the legislative language. Furthermore, I am not so sure that the Secretary of Agriculture, whoever he may be, would want to have this much authority over farm programs and their administrative decisions that would set farm income.

2. The National Grange is opposed to establishing price supports from 0 to 90 percent of parity as proposed in the latest draft of the administration's set-aside proposal.

In a letter to the Secretary of Agriculture Clifford Hardin, the National Grange Executive Committee stated in part:

> We fail to see why farmers, unlike any other segment of our economy, are denied price fairness. A sliding scale of remuneration from zero to 90 per cent of the minimum wage would not be tolerated by labor, management or Government as a means of judging the fair returns for their endeavors—then why should the American farmer, the most important and efficient segment of our economy, be reduced to secondclass economic status?
>
> Over the years, parity prices for agriculture have served as guidelines for measuring fair and equitable returns for the inputs or labor, capital, and management, required to produce the managed abundance of food and fiber that has made the American consumer the best fed and clothed people in the history of the world, at the least amount of their expendable income. To remove parity prices, pegged at a rate to return fair and equitable returns to the producer, from agricultural legislation, would be commensurate to removing the minimum wage provision from the Fair Labor Standards Act. It is the only yardstick of fairness to agriculture and should remain an integral part of farm legislation. To do otherwise would place the burden and responsibility of maintaining fairness in agricultural pricing on the shoulders of one man—the Secretary of Agriculture—a position that no man could long endure.

We also take strong exception with the language that loans will be at such levels as will encourage the exportation of feed grains, wheat, and cotton. There is no assurance whatsoever that lowering of loan rates will increase agricultural exports to any appreciable degree—the recent soybean story notwithstanding. Nor is there any direct relationship between increased exports at lower levels and increased farm income. Quite the contrary has been and will continue to be true.

The inflation that grips the national economy hits at the heart of the cost-price squeeze which is ruining our farmers. The only tenuous attachment the price side has is through the parity concept. The ability of farmers to secure credit would be adversely affected if the parity price index were to be discarded.

3. We do not feel that the "freedom to plant" feature of the proposal of the Department, while it may be attractive to some areas, is incentive enough to induce program participation, if in the long run, the set-aside program will not increase farm income. We have been told that this feature will allow farmers to grow the crop for which their farm is best suited and the crop they can grow with the cheapest inputs, thereby increasing their net income. We would like to point out that under the present programs, the farmer has the opportunity for free substitution between wheat and feed grains. For their own reasons, most farmers have not used this privilege or alternative in the present program to any large extent; therefore, we see no reason to expect any great change in their cropping history under the "freedom to plant" provisions of the set-aside proposal.

The freedom to plan is taking a step away from sound production-management controls. The marketplace—given sufficient time—can bring supply in line with demand, but at a considerable cost to the farmer from year to year as he adjusts, and many are forced out of business during this period of ups and downs of the market. Independent decisions being made by so many individual producers cannot reflect market changes very rapidly. Farm problems cannot be solved simply by changing farm structure or production patterns—it is far more complicated than that. Present programs provide the tools for effective, immediate production control and will have our continued support.

In addition, the feature of the set-aside proposal, as it affects wheat, cotton, and feed grains, that provide for a reduction and ultimate loss of the farm's allotment for such crops, is completely unacceptable and contrary to the claim of the Department to give the farmer greater flexibility and more freedom of decision in farm management.

The farmer, in our judgment, will not make any change in his cropping history. In fact, if he does so, he will forfeit his right to plant his full allotment of the crop he reduced that year, in the following year. The threat of losing the farm allotment in any of the three basic crops, if he fails to plant up to 90 percent of his allotment will tend to lock in present production patterns and not give the farmer the freedom that has been so widely acclaimed by the proponents of the set-aside proposal.

4. Based on their knowledge of the proposal, it was the judgment of the National Grange Agriculture Committee that considered the set-aside program that it would lead to a lowering of income to the

farmer, something that they can ill afford. They based their decision on the following criteria:

(*a*) Reduction in the value of the domestic certificate on wheat and pegging the processor portion at 75 cents per bushel; (*b*) A reduction in the loan rate on wheat from $1.25 per bushel to $1.15 per bushel, and a similar reduction in the loan rates on feed grains; (*c*) Export certificate program for wheat would be discontinued. The discontinuance of the export certificate program would have far-reaching effects. The National Grange supports, and will continue to support, the U.S. participation in the International Grains Arrangement. The elimination of the export certificate provision would not be in the interest of the wheat farmer or the exporter, as it is the mechanism designed to bring U.S. export wheat prices in line with world export wheat price; (*d*) Setting loan level at a figure intended to encourage exports without Federal subsidy, in our judgment, will lower farm income, without a corresponding increase in farm exports. Present wheat disappearance by exports, for cash, has increased from 1967 to 1968 by 10 million bushels. This was covered this morning. The big decrease has been in the area of exports under Government programs, which have decreased during the same period 189.1 million bushels, from 471.2 million in 1967 to 242.1 million bushels in 1968. The breakdown for 1969 is not yet available as to exports for cash sales versus exports under Government programs. But we would hazard a guess that this trend continues. What we are saying is that increased exports for cash will not necessarily follow lower loan rates.

In studying the figures supplied with the set-aside proposal, you have to use—and I had it arranged in three columns—the optimistic column if you are going to improve farm income and with what little we know about the source of the figures or their meaning, the chart is useless in helping us to determine the net effect of the set-aside program on farmers and their real income.

In addition, it is apparent from some studies made in the field that the set-aside program, for wheat as well as for feed grains, will add to our already surplus wheat and will increase the production of corn and other feed grains substantially, resulting in lower farm prices.

The CHAIRMAN. Before you go to that, I would like to ask you, you discussed two very important points there and that is the parity concept and the set-aside.

Now, what is your view as to the floor percentagewise, fixing the parity? 65 percent?

Mr. FREDERICK. That would be the absolute minimum. We would like to see them so prices would stay about the way they are today.

The CHAIRMAN. The parity concept, I think, should be retained as to all commodities, and we have fixed it at 65 for most of the commodities and you feel that that should be——

Mr. SCOTT. That should be the absolute minimum.

The CHAIRMAN. All right. Now, as to the set-aside, I argued yesterday and today, not at great length today, but it is my feeling that it would not help at all to have that set-aside of so many bushels hanging over the market and then in addition to that a carryover.

Now, would you advise instead of having set aside a minimum carryover on each commodity? And if you think that way, I wish you would indicate now or later on—put that in your answer—as to what do you think ought to be the minimum carryover as to wheat, corn, and other feed grains particularly, as well as cotton, but I do appreciate it if you could give your views as to what you think the minimum carryover should be in corn and other feed grains as well as wheat.

Mr. FREDERICK. Well, Mr. Chairman, our reference in the statement here to set aside, we are referring to the set-aside program alternative by the Department.

The CHAIRMAN. I understand.

Mr. FREDERICK. And not any reference to the reserve, consumer reserve. Your question is being directed at us in regard to the consumer reserve.

The CHAIRMAN. Well, to me a reserve is no different from this other you are talking about.

Mr. FREDERICK. Well, we are not talking about "set-aside" as setting aside a certain portion of production. We are talking about the "set-aside" program, setting aside acres which is another word for diversion. We are in support of the consumer protection reserve as it is in Senator McGovern's bill.

The CHAIRMAN. In other words, you want to put aside for consumer reserve 5 million bushels to start with. I mean 500 million bushels.

Mr. FREDERICK. In wheat, yes.

The CHAIRMAN. All right. And maybe increase that a 100 more million bushels the next year under the conditions——

Mr. FREDERICK. Yes; under the language of the bill.

The CHAIRMAN. All right. Well, now, certainly in addition to that you would have to consider carryover.

Mr. SCOTT. That would be a part of the carryover, Mr. Chairman. We do not intend to have the normal carryover in addition to what would be in the consumer reserve.

The CHAIRMAN. Well, then, your answer to my question would be that the carryover should be about what you are setting aside for reserve, for consumer reserve. Am I right?

Mr. SCOTT. Really, what we are talking about at this point in our statement is the "set-aside" proposal of the Department.

The CHAIRMAN. I do not care whether you call it consumer reserve or maybe for war purposes or what have you, but what I would like to have you consider is whether you call it—no matter what you call it—how much should we set aside each year of the commodities I just mentioned. That is what I would like to have your ideas on.

Mr. SCOTT. Well, in——

The CHAIRMAN. Because it is my belief instead of calling it consumer reserve if we just simply have a carryover sufficient to meet the requirements that we need.

Mr. FREDERICK. The provisions——

The CHAIRMAN. The moment you call that a reserve or set-aside, you can bet your bottom dollar that aside from that reserve you are going to have a carryover. And I want—I do not want to be splitting hairs now but it strikes me that if we can have a reasonable carryover as we have had in the past, that that in my opinion, would be the right thing to do.

Mr. SCOTT. We have spelled out here in this analyzed section that Mr. Frederick gave you what we feel is the needed carryover that needs to be protected from the market.

Mr. FREDERICK. It is in the bill and it calls for the 150 on farm resale and——

The CHAIRMAN. That adds up to 500 million bushels.

Mr. FREDERICK. Isolated from the market.

Senator CURTIS. Is that a part of the carryover?

The CHAIRMAN. Wait, now. If you have isolated that out of the market what is going to happen is you are going to have that amount on hand all the time. You cannot go into that and you are going to have to get a carryover besides that. That is what it is going to come to.

Mr. SCOTT. We want to see this portion isolated from the market.

The CHAIRMAN. Then what, a carryover?

Mr. FREDERICK. We hope the programs could be administered so we would not have too much carryover each year.

The CHAIRMAN. We should not have any carryover except what we need and let that be the reserve.

Mr. SCOTT. This should be it but the mechanics of the bill provide for this being released so that it will not depress the price.

Going back again to what happened I guess it was in 1966 when I am sure in good judgment the President and Secretary Freeman got concerned about the need that we were going to have about 600 million bushels of wheat, which would call for increased acreage, and we felt that was called for a little too quickly. If we had a reserve, at that time, the Secretary would have planned his acreage increase closer to the demand. This reserve would be a part of the carryover.

The CHAIRMAN. You say a part of the carryover.

Mr. SCOTT. The carryover. It would be the carryover.

The CHAIRMAN. All right. There is a distinction. It is my belief that what we should do is to try and figure out what is a reasonable carryover. Forget about the rest of this stuff. Tie it in and not letting it out unless you can get for it carrying charges plus 10 or 15 or 20 percent or more.

Senator MILLER. Would the chairman yield?

The CHAIRMAN. I yield.

Senator MILLER. In that connection, if it was determined that 600 million bushels of wheat was the proper carryover and if it turned out that we had 700 million bushels on hand, then that kind of an increase in the carryover might indicate a decrease in the consumers reserve.

If you had the consumer reserve flexible, tied in with the way the overall carryover came out, then we would not be so much worried about piling the consumer reserve in on top of the carryover. So if the carryover was increasing and the consumer reserve going down the consumer would be protected and I think you might avoid the problem Senator Ellender is talking about.

Senator CURTIS. What I would like to find out——

The CHAIRMAN. In the past—I think I can produce figures here to show—the average carryover of wheat was about 600 million bushels Am I correct in that? About 600 million bushels.

Senator YOUNG. In the last 10 years?

The CHAIRMAN. Whatever it is, yes; 627 million bushels. That was the average carryover.

Now, if we could fix an amount, call that carryover instead of locking it up as you propose, I think the farmers would be better off myself.

Senator CURTIS. I tried to find out yesterday and again this morning whether it is proposed that the reserve really be a part of the carryover, a level of carryover under which they would not go below, or whether it is separate and in addition to the carryover.

Mr. FREDERICK. It is a part of the carryover and an amount which we would not go below. And as long as we have this—if we have it the other way just 600 million bushel carryover each year and not have this isolated, this then is the sword hanging over the market that will have a tendency to lower market prices.

If we take this and say we are not going to go below 500 million bushels in the reserve and fully isolated in the market and as I understand it from the Senate staff's analysis of our language in the bill, we do not completely isolate it from the market, but it was our intent to do so, therefore we would approve of language to isolate it completely from the market and it is a part of the carryover but this would be the bottom figure that we would not go under.

Senator YOUNG. Would you yield for a comment there? You would have to have a carryover of something less than 600 million bushels if you wanted to get a fair price in the marketplace because 600 million bushels represent about one whole year's domestic needs.

Senator CURTIS. Why if a farmer has been producing 10,000 bushels of wheat and it is a very adverse year, and his crop only makes 5,000 bushels of wheat, why should he not get the benefit of an increase in price? We have had all these farm programs through the years ostensibly to get rid of the surplus and I wonder about writing something in here that guarantees that if we have a short crop, the price will go up.

Mr. FREDERICK. What has happened——

The CHAIRMAN. That is what will happen, Senator, if you have both a carryover and a reserve. The wheat is there and——

Senator CURTIS. The two add up together regardless of what you call them.

The CHAIRMAN. I do not care what you call it.

Senator CURTIS. That is right.

The CHAIRMAN. I do not think it ought to be locked up.

Mr. FREDERICK. Senator, I think——

The CHAIRMAN. That is my view.

Mr. FREDERICK. Mr. Chairman, if I may, please, if it is not locked up, just what Senator Curtis has said, if a man has a poor year and the yield is down and they have wheat in short supply, that farmer should have the advantage of increase in the marketplace of wheat but if it is there where it can be left out under the market at less than a lockup price, he is not going to have the benefit of the increase in price.

Just recently we had a situation developing in wheat where wheat was in an increasing market and they recalled the resale loans on several years and kind of topped the market off. They recalled soybeans and the same thing is happening. The market increase stopped. The grain may not have reached the market but the recall stopped the price increase. If we can get this reserve we have been asking for for several years, if this is completely isolated from the market, the only way it can be triggered out is declaration of national emergency for

military-use or price mechanism and if it comes out in the market it comes out at a price high enough that it will allow the market to continue to reflect the shortage of supply.

Senator CURTIS. Unless there is a nonfarm demand for Congress to change the law——

Mr. SCOTT. That is right.

Senator CURTIS. When the shortage occurs. A few years ago one of the leading farm publications proposed that in order to get rid of the surplus that they set aside in some sort of reserve, and they proposed at the time not a price for locking it in but that no one could release it but the Congress. Well, I do not think that is much protection because a wave of sentiment hits like they have got to have inspection laws or——

The CHAIRMAN. Senator Curtis——

Senator CURTIS. Or pollution bills or whatnot and the Congress can repeal that.

The CHAIRMAN. Senator Curtis, I have been on this committee now for 33 years and except during war and before the war when we had the drought, I think the Department of Agriculture figured out what the production would be and what our needs would be, but it was always on the high side. We always had more than we could use.

Now, if we set aside this amount as being suggested in this bill, agreed upon by all of the farm organizations, except the Farm Bureau, it is my belief that the demand or request would be to also have in addition to that a sufficient carryover. And that to me is going to simply keep on ruining the market. It is there. That amount of wheat is there and can be handled as—I remember when Secretary Benson was on, he was accused of having put good wheat out or good corn out whereas under the law he was supposed to sell it at a discount if it began to deteriorate.

When he did that he was accused of putting out corn that was not deteriorating.

Senator YOUNG. He had what they call a fire sale on stored grain the first week he was in office.

The CHAIRMAN. I do not know what he had but I tell you it is a device that has kept the prices down and as I said, I would hate us to repeat all of that and if we can devise a way by which we can fix a minimum carryover I think we will be better off than to try and fix a set-aside or consumer's protection or whatever you call it, plus a carryover. And that is what is going to result. You mark what I am telling you. I have been sitting here a long time and I know how it is worked, that the one is going to be—you have got so much aside you cannot touch that, but we need it. Carry over so much. That means more production, you see, to the farmer.

I really believe that if we could put a minimum carryover and let it go at that, that the farmer would be better off.

Mr. FREDERICK. Could we agree, Mr. Chairman, that the reserves be a part of that carryover but a portion of that be locked up?

The CHAIRMAN. Not if you fix it at 500 million bushels. Of course, I could not.

Mr. FREDERICK. Could we reach some language in committee in your deliberations that the portion of this could be isolated from the market

so it cannot be let out on an increasing market to hold down farm prices? This is what we are after, sir.

The CHAIRMAN. I do not think the program has worked very well in the past because we could never devise a way by which it could be sold under certain conditions. The conditions imposed were always violated some way. There was always a loophole there whereby they can dispose of it, sell it, so as to keep the prices down.

Mr. FREDERICK. We hope the language can be worked out because we do not want to see happening what happened, for instance, in grain sorghum where we had a good market in grain sorghum and the Department canceled out the resale loans on grain sorghum and they had a big drop in the price of grain sorghum.

The CHAIRMAN. You may find an isolated case. You mentioned soybeans. I predicted this was going to happen 3 or 4 years ago because the farmers went wild in the production of soybeans and I take the position that any time our Government is called upon to put, to provide a support price, that that farmer should expect some day that if he expects a continuation of the support price that he should have acreage controls, and that same thing applies to corn, same thing should apply to wheat. If you do not have that, and produce it on a voluntary basis as is the case now, I think we will do more harm to the farmer than we will do good.

Mr. FREDERICK. I think we are trying to accomplish the same thing, Mr. Chairman, but it is perhaps in our language and semantics how we approach it and I think if you want to include the reserves as a part of the carryover, all we want to say is below this point they will not go, because this would allow us closer planning in supply management so we will not have to—it will avoid the situation we had in 1966 with the wheat. We would have the buffer of supply.

The CHAIRMAN. How many times has it happened about wheat now? I do not know of any time except maybe 1 year.

Mr. FREDERICK. 1966.

The CHAIRMAN. Whatever year it is. It has happened so seldom, do you not see. You want to take that as an example as to what ought to be done in the future.

Mr. FREDERICK. It would help us.

Another question this morning was, what is in this bill to get us to the marketplace or allow more and more of our price to come from the market. This is another mechanism that will allow us to get more of or price from the marketplace, so on an increasing market the farmer can continue to go on and sell his product without being in danger of having commodities being brought out of CCC or resale loans being recalled and which stop an increasing market.

Later on in our statement we make the statement that it has been alleged by the Department under the new farm program alternatives that as farm prices increase, there will be less need to get money from the Treasury. Our answer to that would be that recently we have not allowed farm prices to increase because as soon as on the increasing wheat market, increasing soybean market, grain sorghum market, loans were recalled and were canceled and recalled in stopping that increase in the cash market. So——

The CHAIRMAN. Well——

Mr. FREDERICK (continuing). What mechanism would allow us to get more money in the marketplace in the proposed administration set-aside program?

The CHAIRMAN (continuing). Well, it may be that we could have some kind of mechanism wherein we would have set aside as a carryover *x* number of bushels of wheat, let us say, or corn, and that a certain percentage of that can be kept back, but let us not call it a reserve or anything like that because that has been our trouble in the past.

We built up surpluses that have caused all of your troubles in the past as I see it, because back in 1961 we had what gave birth to the present bill, speical legislation we passed because of the huge surpluses that had been produced prior to 1961 under the then existing law. So, we had to change it.

Now, we do not want to get in the same position under this act by having a big set-aside, then also so much carryover which in time will create another big surplus and you will be again in trouble.

Mr. SCOTT. I am sure we agree with you in that statement.

The CHAIRMAN. That is what I want to prevent if I can, and I mean what I would suggest to the committee. I do not know that I can get—be so persuasive that I can get it; that is, get the committee members, to agree with that, but we have had enough experience to show that we—we can provide for sufficient carryover as we have in the past, the market is such now and the production is such that the Federal Government can easily tell about what will be produced in almost any crop you grow.

Senator CURTIS. Has not your problem been too much carryover instead of too little?

The CHAIRMAN. Because of overproduction.

Senator CURTIS. Yes.

The CHAIRMAN. That is the trouble. You increase the acreage. That has been the cause of our trouble in wheat. The reason why wheat is such a trouble now is because of those two additional acreage increases that were allowed. That is the trouble of the wheat.

Senator CURTIS. I cannot think of any farmers in my State that have ever suffered because the carryover was low, but I think they all have suffered at times because the carryover was high.

The CHAIRMAN. Right. And I do not think this committee ought to put in any bill any formula that will increase that surplus over and above our needs and that is what I think this set-aside for consumer protection, for war, or what have you, will do, particularly when in my belief, in my opinion, aside from that set-aside you are going to have a carryover, too. And that is what usually happens.

Senator MILLER. Mr. Chairman, I would like to ask the witnesses to think about this and then if you would provide us a statement for the record, I would appreciate it.

The CHAIRMAN. That is what I asked them to do, to give us an idea of what that carryover should be.

Senator MILLER. I would like to go a step further and ask them to comment on this specifically. What I am suggesting here is a proposition such as this.

To the extent that the actual carryover exceeds what we could call the prescribed carryover, then the consumer reserve will be reduced.

Now, for example, suppose that the prescribed carryover is deter-

mined to be 600 million bushels of wheat and we have an isolated consumer reserve of 500 million, and then because of overproduction we add 200 million bushels to the carryover, so we end up with 700 million bushels as the total carryover, and that is 100 million bushels over the prescribed carryover.

In that kind of a case, the isolated reserve would be reduced from 500 to 400. Do you follow the example I am giving you?

I wish you would think it through and see what your reaction is. I have an idea that a flexibility in that reserve based upon the carryover might meet the problem that Senator Ellender is talking about.

Mr. SCOTT. We will sure think about it, Senator, and come back to you.

Senator MILLER. Thank you.

(The information is as follows:)

WASHINGTON, D.C., *March 3, 1970.*

HON. ALLEN J. ELLENDER,
Chairman, Senate Committee on Agriculture and Forestry, 245 Old Senate Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: When the National Grange testified before the Committee on Agriculture and Forestry we were asked to supply some additional information for the record to help clarify the Grange's position on certain points in our testimony.

Senator Miller asked if we would comment on his suggestion for a substitute for our "Consumer Protection Reserve", which would reduce the amount held in the reserve if the carry-over of a commodity was in excess of the reserve. We do not see where this is necessary as the "Consumer Protection Reserve" is a part of the carry-over and is isolated from the market by a price mechanism. The amounts of each commodity in our reserve are levels at which we do not want the reserve supply to fall below and would be considered in the normal carryover.

This would allow closer figuring of our national allotments to better match supply with demand. If the amount of land planted could be just at the national needs or a little less, we would not have carry-overs, and if we fell short, consumers would be protected and the market could react to the shortage up to the trigger price set up in the reserve.

This also can be taken care of by not allowing sale of C.C.C.-held commodities at less than 120% of national average loan rate, plus carrying charges or allowing the recall of loans as long as stocks held by the C.C.C. are at the levels outlined in our bill. If we are to obtain more of our price from the market places, farmers must have greater control over production and they must be protected from dumping by the C.C.C. of stocks on an increasing market.

Please find enclosed a copy of a letter from Jack L. DeWitt, a Washington State wheat grower, to Dr. Brunthaver, Associate Administrator of the ASCS in the U.S.D.A., in which he sets forth one way of handling the changing of conserving base for wheat farms.

DIVERTED ACREAGE

In response to the request of Senator Miller as to the number of acres the Grange feels would need to be retired to reduce production to manageable levels, we refer you to pages 10 and 11 of Exhibit A of our statement made at the Senate hearing which reflects the success of the present program in 1969 sign-ups. We believe that supply-management can best be achieved by retiring productive acres that are now being used for crops that are in surplus and that the goal in specific crops cannot be reached unless there is a rather careful mix of the acreage retired.

In any program of land retirement that is adopted, the Grange suggests that it should include 60 million acres of land being presently cropped in wheat and feed grains; 10 to 15 million acres in a Cropland Adjustment program; 10 million acres in 10-year contracts; 5 million acres in 5-year contracts; and 5 million acres in a rather permanent-type conservation program designed to create and maintain "green belts" in areas around the large urbanizing centers.

41-649—70———17

LIMITATION OF PAYMENTS

At the Chairman's request that we consider ways in which limitations of payments could be imposed, we would like to again state that the Grange is opposed to limitation of payments if they will be a deterrent to participation in programs. We are willing, however, to give serious consideration to accepting a limitation on payments if designed on a workable sliding scale, perhaps somewhat like the payment provisions of the Sugar Act.

AGRICULTURAL EXPORTS

There has been much discussion and the Act of '65 has been criticized because of the decline in agricultural exports in 1969. U.S. agricultural exports totalled $5.9 billion in calendar year 1969 which was a 5 percent drop from 1968 but 5 percent above the 1961–65 average of $5.6 billion. The 1969 decrease can be traced directly to the first quarter dock strike at many Atlantic and Gulf ports. As reported by the Foreign Agricultural Service of the U.S. Department of Agriculture, the strike contributed strongly to the 43% decline in agricultural exports from a year earlier. The slowness of exports during the first quarter was also attributed to sizable world stocks of grains and cotton. This temporary reduction in agricultural exports can in no way be attributed to the Act of 1965 but rather the Act of '65 has done much to keep exports at their present high level.

Sincerely,

JOHN W. SCOTT,
Master, National Grange.

(The letter referred to above is as follows:)

DECEMBER 13, 1969.

DR. CARROLL BRUNTHAVER,
Associate Administrator, ASCS,
Department of Agriculture, Washington, D.C.

DEAR DR. BRUNTHAVER: I wish to thank you for attending our Washington Wheat Grower convention in Spokane last week. Your candid and sincere remarks during the morning session were especially appreciated by me, and I am sure by most people in the room. I hope, however, that you can understand producer concern over the set-aside program as it relates to parity and loan adjustments and to conserving base requirements. It is the conserving base problem which appears to be the most difficult to absolve, and my main purpose in writing to you is to offer a possible solution.

First, let me restate the problem as it affects Washington Wheat Growers. Enclosed is a copy of a memo prepared by me and sent to our Special National Legislative Committee, of which you may have already received a copy from Gene Moos. The basic problem is that the extent of freedom to plant, granted through the set-aside program would be dependent upon one's conserving base requirements—the lower the base the greater the freedom. In the two examples given on the enclosure, the Pleasant View farmer would not be able to plant as much grain under the 100% set-aside as he can plant in 1970, but the Dixie farmer, with exactly the same set-aside, could increase his grain production by 77 per cent. The farm which I manage lies adjacent to the Dixie area, is annually cropped, and has a low conserving base. I personally would welcome this freedom to increase my grain production. However, I feel the increased production which would result under this program in the Northwest would soon result in even greater surpluses and lower prices.

The relationship existing between these two Walla Walla County ASC communities exists on a broader scale between states. Washington has held the line on conserving base adjustments, and therefore has a high conserving base compared to other states. Summer fallow areas which have low conserving bases would be able to put their set-aside on what would normally be fallow anyway, thus growing at 100 per cent capacity and contributing nothing to production control.

Lowering conserving bases for everyone is not an equitable answer. As pointed out in the previous paragraph, summer fallow farmers would soon be at 100 per cent production, and all production control would have to be exercised by the annual crop farmer who would have no choice but to set-aside normally-cropped areas. The inequity of this arrangement is obvious, even if the annual crop farmer has a zero conserving base. Raising conserving bases to past levels

would be unacceptable to those who have worked to reduce them over the past few years, and since the records show that most farmers the country over have done so, this solution appears unworkable.

The possible solution to this dilemma begins with the elimination of conserving bases and the establishment of new criteria. I am proposing that a base period be selected and acreage on all farms be classified as to "normal crop" and "normal idle." The average summer-fallow farm would then consist of 50 per cent normal cropland and 50% normal idle land. A true annual crop farm would consist of 100 per cent normal cropland. There would, of course, be many farms falling between these two extremes. A third classification may be necessary to identify rangeland, natural pasture, or other land uses which would not be properly classified as "crop" or "idle."

Once these acreages were established a farmer would be permitted to grow any combination of crops on his normal cropland. But to be eligible for payment on any crop, he would be required to set-aside one acre for each four acres of wheat, feed grain, cotton or other government supported crops he grew. (The ratio could be set differently for different crops at the discretion of the Secretary.) Payments would be determined as now proposed under the set-aside draft legislation, using domestic allotment with loss of base if a farmer chose to accept payment for a crop he did not grow. He would be eligible for commodity loans on his entire production of the above crops.

To compare this plan with the examples shown in the enclosure, the average Pleasant View and Dixie farmers might divide their acreage as follows:

	Pleasant View	Dixie
Idle land	500	[1] 158
Set-aside	100	100–168
Wheat, barley	400	400–674
Peas	0	342–0
Total	1,000	1,000

[1] If this acreage consisted of hay, grass seed, or other permanent crops, it would be reclassified as normal cropland, giving the farmer the option to plant up to 800 acres of grain if he set aside 200 acres. However, most farmers in this category would probably plant very little more grain than now since a greater set-aside would be required.

By tying the set-aside to the amount of acreage seeded to surplus crops, the farmer who increases his acreage of those crops also increases his contribution to over-all production control. This penalty would tend to keep grain production in line in the annual crop areas that can grow non-restricted crops—such as peas, oil seeds, grass seed, hay, or pasture for beef.

The elimination of conserving bases and the establishment of "normal cropland" and "normal idle land" would correct some serious inequities which occurred upon commencement of the present program. During the base years, some farms in Walla Walla County were growing grass for seed instead of barley. Soon thereafter grass seed became unprofitable and they switched back to barley. When the present program was applied, the farmer affected was left without a barley base, and in addition those acres were declared "normal conserving", thus limiting options on those acres to either crops of a permanent nature or summer fallow. The farm which I manage is one such farm. We have a barley base equal to one per cent of our cropland, while the average for our ASC community is 13.7 per cent. Our conserving base has been adjusted downward through appeal, but it rightfully should be at zero.

Farmers in other areas were growing oats or rye instead of barley during the base years, and have not been given a fair shake on the substitution privilege. Still others were experimenting with safflower or other crops, and were thus left without a barley base. The changes I am suggesting would correct these inequities.

Secretary Hardin and the Department staff is to be commended for trying to work out a program that will give more managerial flexibility to farmers and at the same time increase farm income without increasing government costs. If production of various commodities can be shifted to areas where they can be produced most efficiently without creating greater surpluses or great hardships on some farmers, the aforementioned goals can be achieved.

The proposals herein stated have been discussed with leaders of the Washington Association of Wheat Growers and with Glen Hofer, and a copy of this letter is being sent to them. My remarks are those of an individual farmer, and cannot at this point be construed as Wheat Grower policy. I do feel, however, that these proposals would be fair to both the annual and fallow cropping areas of the country, and on this premise could be made acceptable to a large majority of farmers.

Let me thank you again for attending our convention, and for the privilege of personally meeting you after your luncheon speech.

Sincerely,

J. L. DEWITT.

The CHAIRMAN. And then another thing that we might draw from. As all of us know, the farmer can get a loan on his crop and at the expiration of that loan, if he doesn't take it over it goes to the Commodity Credit Corporation and if it goes there, then the Commodity Credit can't sell that generally at less than what the carrying charges were plus the cost, plus at $1.10 or $1.05 for cotton and $1.10 for wheat, so there you have some protection and you might consider that in figuring out the kind of programs you have, because it strikes me that we ought to be able to—if the Commodity Credit Corporation must take over, let's say, X number of bushels of wheat from the farmer, you are already protected there because it can't be sold for less than so much over and above parity or the cost and the carrying charges.

And it strikes me that we ought to be able to work some kind of protection in that way, Senator Miller.

You see the protection that the farmers have now is that whenever there is more wheat than necessary and that the farmer borrows on that commodity, then it goes to the Commodity Credit and the Commodity Credit can't sell it except under certain conditions.

Senator MILLER. I don't know whether they are proposing this as a substitute for that or not.

The CHAIRMAN. I am not suggesting that.

Senator MILLER. I mean, I don't know whether they are.

The CHAIRMAN. But in considering it, they ought to take that into consideration.

Mr. FREDERICK. That is the part——

Senator YOUNG. Mr. Chairman, I wonder if I could ask a question. One of the most troublesome problems we have to deal with now in these programs in order to make them equitable between farmers is the conserving acre base. It depends a whole lot, Mr. Chairman, on how the farmers farm. If a farmer farmed from fence to fence, he doesn't have much of a conserving base and it is easier for him to comply.

Another farmer who complied with our programs has a big conserving base as a result and it makes it more difficult for him to comply. There is a big difference in this between States. In some States the law was enforced differently than in others, so some States don't have much of a conserving base and the others have a big one.

I was wondering if you had any ideas on that. If you do, I would greatly appreciate it if you would file it for the record as to how we can deal with this. In order to make this program workable we are going to have to do something about this conserving acre base.

Mr. FREDERICK. Of course, it is particularly vital to the wheat programs, and I think that it would be our recommendation, particularly if we are going to have to go to a set-aside mechanism which has been

proposed by the Department as a new program, that we would have to wipe out all the conserving bases we have today and start fresh and with new conserving bases for each State and more equitably between the various States.

Senator YOUNG. The National Association of Wheat Growers in their last newsletter has figures on the level of conserving acre base in various States. I would like to put this in the record. Montana has 49 percent of the cropland acres classed as conserving acres. Wyoming, 48; Washington, 42; Oregon, 40; Colorado, 35; Idaho, 33; North Dakota, 24; Kansas, 22; Nebraska, 19; South Dakota, 19; Oklahoma, 15; Texas, only 8 percent.

Senator CURTIS. What are those figures?

Senator YOUNG. Texas, only 8.

Senator CURTIS. What are they about? I didn't hear your first comment.

Senator YOUNG. Nebraska is one of the lowest, but the highest one is Montana with 49 percent. Many of these farmers are idling the same land 2 years in a row in order to comply. This is the sticky problem we have to deal with. The wheat growers when they appear will have more to say on that.

(The document referred to above follows:)

[Report From Washington, No. 7, 1970]

NATIONAL ASSOCIATION OF WHEAT GROWERS,
February 13, 1970.

DEAR WHEATGROWER: The House Subcommittee on Livestock and Grains took the wheat segment of the farm bill in hand this week and began the laborious job of reconciling the recommendations from the USDA with those legislative proposals previously referred to that subcommittee. This includes, of course, the Coalition Bill which was cosponsored in the House by 38 Congressmen and is supported by 24 farm organizations. Committee work was interrupted the past few days by the absence of a number of Republican lawmakers who were out making Lincoln Day speeches, but the labors are scheduled to begin again Monday. The sessions are naturally of the closed variety but reports filtering out indicate that two issues which are proving difficult to settle revolve around the support loan level and the adjustment of normal conserving base.

It has been NAWG's hope that present language holding the loan level at $1.25 national average could be retained. When the market price has been at or near loan level during the past two years, substantial quantities of wheat *have* moved into feed grain channels, and certainly the constantly spiraling production cost per bushel of wheat is threatening to overtake the blend price received now under the $1.25 loan and 100% parity domestic price combination. A 10 to 15 cent loan value reduction with the inevitable corresponding market reaction could wipe out the pitifully small profit margin that an average crop of wheat now returns to the producer.

The normal conserving base problem is a stickier wicket. If the "set-aside" is settled upon as the method of controlling production, its advertised benefit of providing more planting freedom to individual producers depends entirely upon their respective situations in regard to normal conserving acres. A look at the percentage of normal conserving acres to cropland acres in the NAWG states shows how varied the existing pattern is:

Montana, normal conserving acres are 49% of cropland acres.
Wyoming, normal conserving acres are 48% of cropland acres.
Washington, normal conserving acres are 42% of cropland acres.
Oregon, normal conserving acres are 40% of cropland acres.
Colorado, normal conserving acres are 35% of cropland acres.
Idaho, normal conserving acres are 33% of cropland acres.
North Dakota, normal conserving acres are 24% of cropland acres.
Kansas, normal conserving acres are 22% of cropland acres.
Nebraska, normal conserving acres are 19% of cropland acres.

South Dakota, normal conserving acres are 19% of cropland acres.
Oklahoma, normal conserving acres are 15% of cropland acres.
Texas, normal conserving acres are 8% of cropland acres.
United States (48 States), normal conserving acres are 23% of cropland acres.

Those are state percentages, but there are also cases of wide variance between neighboring counties and sometimes even between neighboring farms. Obviously, inequities exist and adjustment must be made if the set-aside is to work fairly.

The other side of the coin is the fact that the normal conserving base is a major element in production control and if too lenient a hand is used in loosening the requirements, the resulting production surge would cause an ache in yet another part of our anatomy.

Cordially,

GLEN HOFER, *Executive Vice President.*

Mr. FREDERICK. There have been several promising ones from the wheat growers in the State of Washington filed with the Department and with the House committee, and I have a copy of it and will be glad to file it with the Senate committee.

A new proposal which would make equal the conserving base among all States.

Senator YOUNG. I have asked the Department of Agriculture to make a study of it and make some recommendations, too.

(For the information above, see p. 255.)

The CHAIRMAN. Proceed.

Mr. SCOTT. We are on page 17.

There is one other feature of the proposed legislation from the Department that is most objectionable, and that is the method of funding.

5. In the draft legislation released by the Department on February 3, 1970, it is stated:

The program would be carried out through the Commodity Credit Corporation but payments could not be made unless the Corporation has received an appropriation to cover such payments, but the Corporation could incur obligations for making payments in such amount as may be authorized in the appropriation act.

This would mean that payments to producers could only be made after specific appropriations were made by Congress. In our judgment, this takes farm program legislation away from the Agriculture Committees and places control over farm programs in the hands of the Appropriations Committees.

I might say it is not with the agriculture subcommittee that we are concerned but we are concerned with the whole of Appropriations Committee.

In addition, the amount of money required for the farm programs would not, and could not, be known until after the farmers have signed up in the programs. This would mean that during a rather short 3- or 4-month period following program signup, Congress would have to make appropriations in order that farmers could be paid for participating in production-control programs, resulting in undue burdens on Congress and, as often happens, if Congress could not agree, or legislation was delayed by the pressure of other business, farmers would simply have to wait for payments.

The effect on signup prior to knowing the amount of appropriations or, in fact, if any moneys at all would be appropriated for farm programs, would greatly reduce producer participation in the wheat,

feed grains, and cotton programs, resulting in ineffective supply management, lowering of farm income, accompanied by the rapid buildup of agricultural surpluses and economic hardships to the commercial family farm in America.

LIMITATION OF PAYMENTS

The delegate body of the 103d Annual Session of the National Grange passed the following resolution pertaining to limitation of payments:

FARM PROGRAM PAYMENT LIMITATIONS

Supply management programs in agriculture must include producers of all acreage or unit levels to be effective. Payments under present programs to a few large producers has resulted in unfavorable publicity and creation of an unfavorable image of farm programs, through misunderstanding of the objectives and purpose of supply management farm programs.

We must recognize the increasing pressure for limitation of payments that may arise in considering new farm program legislation. We therefore authorize and instruct the National Master and Executive Committee to carefully review all proposals for payment limitations; their effect in the consideration and passage of farm program legislation; and the effect on proper administration and implementation of farm programs and take such action as will be in the best interests of agriculture as a whole.

We urge that no payment limitation be imposed unless workable supply control measures be simultaneously developed and we further urge that any payment limitation that might be imposed be such that the constitutionality of the cotton and wheat certificate programs will not be jeopardized.

Please allow me to add that agricultural support and adjustment programs have been long recognized as a means of strengthening our national economy and of assuring consumers of an adequate supply of food and fiber to meet all essential needs plus an additional reserve supply to protect against shortages which might otherwise arise from short crops or other unforeseeable conditions. Without such a program, the additional reserve supply which is essential to protect the consuming public against food and fiber shortages would unfairly depress the price of agricultural products and destroy the productive capability of American agriculture and severely injure our national economy.

In the midfifties producer payments were adopted and used in varying degrees as a method of implementing the production adjustment program. The carrying out of price supports in part through the use of payments had as its objective and effect the lowering of the price of the commodities in the marketplace to a point substantially below parity or the fair market value which would have otherwise resulted from a loan or purchase-type program.

This lowering of the price through payments had the effect of making our agricultural products more competitive in the export market and to a large degree eliminated export subsidies, but, of even greater significance, such payments served to reduce the price of agricultural commodities in the marketplace to the benefit of consumers.

Thus the payments to farmers currently being made under the existing price support and adjustment programs clearly cannot fairly be categorized or analogized to gifts or welfare-payments. They are, in fact, payments for the purpose of offsetting the price reductions which farmers are taking for their products in the marketplace.

If, therefore, we are to obtain and maintain the production needed and an agricultural plant capable of supplying such level of production to constantly assure consumers of an adequate supply to meet their needs and reserves to protect against short supplies, we must maintain an adjustment-support program through loans, payments, or other operations which will assure producers cost of production and fair return for their products.

Any attempt, therefore, to arbitrarily limit payments or price support, except in relationship to the quantity produced under the production adjustment program, would endanger the productive capability of American agriculture to meet consumer requirements and would rapidly impair our national economy by destroying the balance between agriculture and the other segments of our economy.

If we have learned anything in the past, we have learned that the industrial and agricultural segments of our economy are interdependent and that one cannot prosper without the other.

The CHAIRMAN. Did you testify before the House?

Mr. SCOTT. Yes, we did, sir.

The CHAIRMAN. Well, from what I understand, the House will have to probably put in its bill limitation on payments to get it through.

Now, have you worked sufficiently on a formula that you could maybe tell us how that could be done, particularly in reference to crops in which payments are made on the voluntary basis, that is, the program is on the voluntary basis?

Mr. SCOTT. Mr. Chairman, we have worked on it, we have thought about it, discussed it. We do not have the formula. But as the delegate body did feel that this is a real serious problem, you will notice in the policy adopted at the session they gave the master and executive committee authority to work with programs which are being developed and get in support of one that we felt would not have the effect of pushing people out of the program.

The Grange will support programs that will pick up the contracts which are expiring under the original Soil Bank Act and, in addition, urges that this committee authorize the necessary funds to expand the two programs discussed earlier in our statement that will encourage long-range conservation of our natural resources.

However, it still seems to us to be more fiscally prudent to tie reduction of acreage programs, which are designed to reduce surpluses, to the commodity or commodities which are being overproduced. In fact, we may say that it makes the most sense to do this in connection with crops which have a limitation on production that is not expressed in acres allotted to the particular crop. Therefore, we submit to this committee that diversion payments which are related to the wheat program, for example, make the most sense because they lead to an inevitable and predictable reduction in the crops.

These, however, are not a sufficient basis for any encouragement that a long-range adjustment in agricultural production can be accomplished in this manner. We have heard a great deal from a number of so-called scholars in the field to the point that land is the basic requirement for production and, therefore, land must be retired from production in order to adjust the production of agricultural commodities to the demands of the market.

The National Grange wishes to enter a vigorous dissent to this prevalent opinion. We would point out that the day when the factors of production in order of importance were land, labor, and capital has been completely outlived and the reverse is now true, because a most important factor in production is now capital, with labor second and land third.

A more positive program would be the use of our productive and marketing know-how to expand the use of American agricultural production in food-deficient areas of the world.

This would include the use of food for capital to pay for labor and to be the basis of investment; it would include expanded food relief programs, both at home and abroad, and it would have as its objective the adequate nutrition of all of the people of the world. The locking up of the productive facilities of American agriculture in a permanent program of acreage reserves is unconscionable in a needy world. Temporary expediency, of course, requires that this be done now. As a solution to our food surplus problem, it would appear to this witness and his organization that the latter is highly preferable.

The National Grange commends this administration, especially the President and Agriculture Secretary Clifford Hardin, and this committee, the chairman, and the Congress, for proposing a decisive shift toward more food aid for the undernourished.

The biggest increase in the proposed USDA budget for fiscal 1971 is in the food stamps plan, which will more than double, if Congress approves the $1.25 billion provided in the budget. The program would then reach 7.5 million people, 2 million more than in this fiscal year and double the number reached in fiscal 1969.

Increases are planned, also, in direct food disbursement, school lunch, and other child nutrition programs. The total for child nutrition is projected at $572 million. Free milk for children in schools in low-income areas probably will be continued and expanded. Altogether, USDA would be spending about $2 billion of the $8 billion budget on food aid.

The above program proposal in the USDA budget will have the full support of the National Grange. In addition, we will urge that the special school milk program be continued and funded at $125 million and that Public Law 480 be made permanent and funded at its present level. In our efforts to combat hunger and malnutrition here at home, we cannot forget the needs of our brothers in foreign lands who also are suffering from the lack of life's most important necessity, plus having the misfortune of living in an underdeveloped land that needs food aid assistance in its struggle for development.

To adopt a land retirement program on the basis of a permanent solution to the problems of agriculture by this committee would seem to be premature and inconsistent with policies of national and international welfare.

What we are saying is that we will give enthusiastic endorsement and support to those programs which are permanent in nature, which remove for the foreseeable future land from production and put it into productive use that is not confined to the production of agricultural commodities.

However, the whole farm retirement concept is one which needs to be most carefully considered, because this is the one which also retires the village businessman, and makes it most severe impact upon a community. However, we recognize that there are points beyond which the partial retirement of a farm is not longer practical, because of the requirements for machinery which would still remain.

Such a program as is conceived and carried out must contribute to rural welfare, instead of contributing to a decline of the welfare of rural people. That means, in other words, that again it must be correlated with efforts to disperse industry and provide employment opportunities in rural areas. The social and emotional factor of the displacement of people must be given equal consideration with the economic desirability of some of these programs.

It would appear to us that it would be possible to use land as capital for community development and to make available land a basis for the dispersal of industry and to attract this industry into the rural areas.

However, the Grange would hold that this must be done with considerable caution and that we must not permit this kind of a program to be a refuge for fugitive industry whose excuse for moving from one area to another is only that they are trying to avoid the responsibilities for paying a living wage to the people who are employed in these areas.

By and large, the moving of industries from place to place has not solved any of the problems of American life. Indeed, in many instances they have intensified these problems. However, within the concept which was developed by the Area Redevelopment Administration, the placing of expanded facilities for existing plants in other areas where there are supplies of labor, and the paying in other areas where there are supplies of labor, and the paying to the labor in these new areas a wage consistent with that which is paid in other plants owned by the same company, is a positive and constructive method of solving some of the problems of both our rural and urban communities.

Much has been said about the cost of current programs and that we in agriculture must continue to do what we have been doing—but on less money. We will grant that the cost does seem rather substantial, but it has not been a critical factor in our economy.

In fact, in a publication by the Economic Research Service, USDA, April 1968, entitled "Estimates of Farm Production, Prices and Income, 1961–67, in the Absence of Farm Programs," states:

> The impact on net farm income under the "free market" conditions would have been even greater than the impact on production and prices. Increased volume of markets would have held gross realized farm income during individual study years at levels of 80 to 90 percent of their actual 1961–67 levels. Net realized farm income, however, would have declined sharply. It would have been an estimated 76 percent of the actual in 1961, and 54 percent of the actual in 1967 as the cumulative impacts of lower livestock prices were fully realized.
>
> For the entire period of 1961–67, net realized farm incomes under actual farm programs totaled to 95.4 billion. Under the "free market" situation, net realized farm income was estimated at $60.9 billion. Thus, net realized farm income would have been lower by a total of 36 percent between 1961 and 1967 if farm price supports, acreage diversion, and export subsidy programs had been eliminated.

Likewise, in a similar publication by the Department of Agriculture entitled "Summary—Farm Program Needs, 1968–70," March 1967, it states:

> Agriculture's surplus problem has been significantly diminished, as a result of the elimination of the surplus carryover stocks. According to earlier studies, if farm programs—both annual and long-term diversion—had been terminated in earlier years while these large surplus carryover stocks were hanging over the market, net realized farm income would have been reduced about 50 percent. This analysis indicates that with the elimination of surplus grain stocks, if the annual programs were now terminated—while continuing the long-term cropland diversion programs—realized net farm income would be reduced by over 30 percent.
>
> Net farm income would fall by more than $5 billion from the 1966 level. But Government costs of the farm programs would be reduced by only $3 billion. Thus the decline in farm income would be substantially greater than the reduction in Government costs.
>
> Such a decline in net income obviously would have an adverse effect on farm land values. Farmers' net worth probably would decline much more than the reduction in net income.

In light of these studies, we would submit to the committee that farm programs, in fact, have paid in the national interest and have not been as costly as the bare figures published would indicate.

In connection with some proposed farm legislation, several studies have been discussed regarding cost of long-term whole-farm land retirement. The studies referred to are "Farm Programs for the 1970's," CAED Report No. 32, from Iowa State University and "Analysis of a General Cropland Retirement Program," ERS–3777, May 1968.

The above studies indicated that it would take between 60 and 70 million acres placed in a cropland retirement program, at a cost of between $1.2 billion and $1.4 billion to the Government.

The ERS study concludes:

> More than 70 million acres would have to be retired from total crop production to balance supplies with market demands at 1967 prices. Also, special provisions would be required to achieve a balanced reduction of wheat, feed grains, and cotton.

Because of the attractiveness of the low estimated cost of such programs, they have received wide publicity and much support from various segments of our economy and educational institutions. However, with the present programs diverting in excess of 60 million acres, we failed to see in the programs any real promise of a success in supply-management and certainly no increase or improvement in present farm prices. In addition, we felt that the cost estimates were underestimated by a considerable margin if, in fact, productive land was to be removed from crop use.

In a letter to Senator George McGovern from the Legislative Reference Service of the Library of Congress, our doubts about the program cost in relationship to farm price levels were substantiated.

The letter from the specialist stated:

> Although the Iowa State study states, "The 60 million acre retirement plan would provide a net income for agriculture in aggregate at about the 1967 level," a majority of a small group of university and U.S. Department of Agriculture economists, in reviewing these studies recently, expressed reservations with respect to this conclusion.
>
> This group has not, as yet, filed a written report, but a majority of them, after reviewing the methodology of these studies, concluded that substantially

more than 70 million acres of cropland would have to be retired to achieve supply adjustment of the price-supported crops, cotton, wheat, feed grains, and soybeans, which would assure them prices and incomes comparable to those obtained in 1965–68.

Senator YOUNG. This would be based on the expectation that imports could be kept at the present level and not increased, wouldn't it? If we retire acreage here and had no protection against imports, you would fail.

Mr. FREDERICK. I don't know, Senator, whether that was a criterion in this method study or not, but it would seem that it would be.

Senator MILLER. Mr. Chairman, could I ask a question on that point? Do you agree with that 70 million figure?

Mr. SCOTT. That 70 million would do the job, you mean?

Senator MILLER. I mean, is this what the Grange envisions would happen under the bill you are testifying in behalf of?

The CHAIRMAN. No. You are quoting from a report.

Senator MILLER. They are quoting from the Iowa State report. I want to know what the——

Mr. SCOTT. We are now quoting from a letter from the Library of Congress.

Senator MILLER. Well then, you had another study in there from Iowa State. Well, in any event, I want to know what is the target on acreage retirement that the Grange thinks is necessary? Do you agree that the 70 million acres is the target?

Mr. SCOTT. Senator, we don't think that the agricultural revolution which has removed acreage is a good rule, or yardstick, because of the other factors which enter into production today. New varieties, new opportunities, fertilizer, and everything else. And especially under this type of land retirement where they are bidding for the lands to be retired, the less productive acres would be retired first and they would not even affect production, in other words, 60 million acres retired under this program would not necessarily represent as much reduction in production as the present program type of retirement does.

Senator MILLER. Well, suppose this bill is enacted? How many acres would you think would be the target for 1971 retirement?

Mr. FREDERICK. Which bill are you referring to?

Senator MILLER. The one you are testifying in behalf of.

Mr. FREDERICK. The coalition bill, leaves the explained adjustment amount up to the discretion of the Secretary. We haven't done anything on a specific amount.

Senator MILLER. I know it is under the discretion of the Secretary but I wonder if you have anything in mind about how much would be retired.

Mr. FREDERICK. At the present time, with all programs, including all the feed grain programs, wheat, cotton, in excess of 60 million acres retired in 1968. So that if we are going to maintain present price levels, we would have to do at least that much, if not more.

The first Iowa study was saying 50 to 60 million acres would maintain price levels. Subsequently, in studies from Iowa, and at this meeting that was held in Washington which we are quoting from now, they are saying that to maintain price levels at the 1965–68 price levels, you would have to go perhaps as high as 90 million if

whole farmland retirement was to be substituted for present farm programs, and that was the basis for the Iowa study.

Senator MILLER. I know you can get all involved in whether you are going to retire productive land or marginal land or semiproductive land, but in the present state of affairs, you say it is upward, nearer 60. I understood it was somewhere around 50 million, slightly in excess of 50 million. And it would be your thought that—that is what the staff gave me yesterday, but for the sake of discussion here, it would be your thought that the same amount of acreage would probably—and the same type of acreage would have to be retired next year and would be retired under this bill you are testifying in behalf of.

Mr. FREDERICK. I believe it would run around the same number.

The CHAIRMAN. We might get an answer from the Farm Bureau tomorrow. Theirs is based on the——

Mr. FREDERICK. In our legislation it would depend on how much money was funded for cropland adjustment. A program which has not been funded in the past 2 years. It would depend on how much was funded for conservation of our land resourse through cropland adjustment.

Senator MILLER. Well, what would be the Grange's idea of the most desirable mix? Do you want to have this cropland retirement program fully funded? Do you want to have the conservation reserve fully funded, the soil bank returned, or what? I would appreciate it if you could give us some expression of what you would recommend to the Secretary of Agriculture be the mix in retired acreage under this bill to achieve the optimum results.

Mr. FREDERICK. We have not put in any figures, but earlier in our statement——

The CHAIRMAN. Suppose you put it in in connection with this after you give it a little study.

Mr. FREDERICK. We will be glad to do so. I don't think we will come up with an exact number of acres.

The CHAIRAN. Just give us an idea.

Senator MILLER. I think it would be helpful to find out what we are talking about here.

Mr. SCOTT. We have felt that increased funding for conservation reserve would have been advisable.

Senator MILLER. Well, how much increase? Give us your thoughts on it. That is what I would like.

Mr. SCOTT. Bob, will you take a note on that.

(For the information above, see p. 251.)

Mr. SCOTT. Inasmuch as we have discussed on this page 27 here, and, Senator, it is starting to get late, I will skip over the rest of page 27 which was all dealing with this subject.

Going over to the middle of page 28, it has been suggested that the cost of such programs to the Government can be reduced by permitting grazing on cropland placed in land retirement programs.

One of the brightest spots in American agriculture is the livestock industry. We feel this has been brought about by several factors, the first of which is the tremendous effort on the part of the meat industry, through advertising, to increase the per capita consumption of red meat.

Second, they have been benefited by the Food and Agriculture Act of 1965 which has provided a stable and reasonable price for feed grains.

Third, we feel that food stamps and food distribution programs have started and helped develop new eating habits and improved diets of American consumers who, up until this time and until such programs were available, did not have or could not afford red meat.

Now we find being advocated and arising in American agriculture a new horse to ride. That horse is the beef cow. There seem to be some indications that all problems in American agriculture now can be solved by shifting resources out of certain factions of agricultural production into beef cattle production. This is now the panacea for the solving of farm problems. Gentlemen it is just not so, for in the immediate future, taking diverted acreage or whole-farm land retirement or easement retirement, or whatever type of long-range land retirement you wish to call it, and putting it into grass is not going to increase immediately the amount of beef and thereby bring about a decrease in the price of beef.

We have to look at cattle numbers. To increase the number of cattle available for slaughter in the future, we must increase our cow herds, and to increase the cow herds, we will have to start taking heifers off the cattle market, instead of taking them to slaughter. In doing so, we would face immediate and sharp increases in the price of beef because of the decrease in supply.

Such programs entered into without a considerable amount of planning or forethought lead to, first, a rapid increase in cost of beef because of the decrease in numbers by withdrawing the heifers; second, such programs in the long run, if we encourage overproduction by grazing, will bring beef back down to the disastrous price of 19 cents a pound and kill a prosperous segment of agriculture. You cannot solve American farm problems by shifting from one crop to another any more than you can solve American farm problems in foreign ports through an unrealistic export policy.

It is for these reasons that the National Grange must oppose any legislation that contains a plan for long-range-whole-farm land retirement as a substitute for the present commodity programs. We believe it is a wiser use of funds to divert productive cropland than to start an experimental long-range land retirement program by buying cropping rights from producers.

CONCLUSION

It is stated in Ecclesiastes 4:10, "Woe to him that is alone when he falleth, for he hath not another to help him up." This is about where American agriculture is today. Those of us who have lived through the agricultural revolution, who have seen the abundance possible, are suffering as the result of it.

Senator MILLER. Mr. Chairman, may I ask a question?

I don't want to differ with Ecclesiastes, but do you have any thoughts on shifting away in part from this year-to-year retirement or acreage diversion program into longer term contracts, 3, 5 and 10 years?

Iowa State University in their study of November 1968 recommended that longer term contracts rather than the 1-year approach be put into this mix to be more effective in achieving a control over production.

Mr. FREDERICK. Well, before you came into the room, Senator Miller, we put forth Grange policy that we would be willing to pick up and see reinstated land that has been in long-range cropland adjustment, pick up these contracts and see this program funded. It hasn't been funded for the last several years.

Senator MILLER. Those are 10 years. Now, what about in addition to that? Instead of making contracts with farmers for an annual acreage diversion program, what if we shifted some of that into 3 or 5 or maybe even 10 years?

Mr. FREDERICK. We have stated in our statement that the Grange position is that by taking wheat land out of wheat production, taking corn land out of corn production, and cotton land out of cotton production, that is a better method of controlling production than by just taking land, period, out of production.

Senator MILLER. That is right, but would you do this under a 3-, 5-, or 10-year contract period rather than a 1-year period, or would you advocate some it in the mix?

Mr. FREDERICK. I think most has to be annual because of the needs and adjustments. We don't reach up on the shelf and take off farm products. Farm production is responsive to nature. Most of it therefore, has to be on the annual diversion.

Senator MILLER. When you say "most", say it was 75 percent that way and 25 percent under 5-year contracts.

Mr. FREDERICK. The Grange doesn't have at its disposal the expertise to sit down and figure this out for the entire agricultural production areas of the United States.

The CHAIRMAN. We must go vote now. I wonder if you could conclude your statement, if you desire. We have another witness this evening. I thought you would highlight most of it. It is quite long.

Mr. SCOTT. In conclusion, Senator, in the short run our choices amount to an economic and political dilemma. With voluntary programs, we must have supply management control. And over on page 32 we say that the Grange, of course, as you know, strongly supports the extension of the Food and Agriculture Act, as amended by S. 3068, as permanent legislation.

There is a great need for the farmer being able to maintain—being able to plan into the future instead of facing a deadline in a program such as we face right now. We don't stand alone in this proceeding, as you know. There is a combined effort of 26 farm organizations now and commodity groups that met with us and developed this program of unity regarding future farm legislation.

We ask for your thoughtful consideration of views of American agriculture and your advice on future deliberations of the farm coalition.

We wish to thank you, Senator Ellender and the committee, for your many years of working so diligently for and with agriculture in this field of legislation. We wish to thank each and every member of the committee for many of you have put in long years and long days and nights of labor in this work. We know and appreciate the terrific job

that lies ahead and we feel that out of these hearings will come a real consensus farm bill that will meet the needs of the producer and the consumer.

Thank you, Mr. Chairman, for being so patient with this rather long testimony.

The CHAIRMAN. That goes for the whole committee.

Mr. SCOTT. The appendices are here for your information and we hope they will be in the record.

The CHAIRMAN. You have some data attached to your statement and it will be filed for the record.

Mr. SCOTT. Thank you, sir.

(The attachments referred to above are as follows:)

EXHIBIT A

FOOD AND AGRICULTURE ACT OF 1965

"Gross and net farm income are up from 1968 levels, with the parity ratio at 81%. While the parity ratio of income between farm and non-farm people shows a steady gain from 55% in 1960, it must be realized this is the result of many factors—relatively higher prices for meat and poultry products and division of net farm income among fewer farmers. Realized net farm income is second highest in history again the result of many factors—including the contribution made by the Grange-oriented farm programs. However, farm income is still far below the equitable financial reward agriculture desires for the efficient production of food and fiber.

"Therefore, the Grange supports the extension of the Food and Agriculture Act of 1965 as a basic farm program. History has proven over and over in recent times that orderly marketing alone cannot bring a reasonable and fair return to agriculture when the agricultural plant produced more of a given product than the market could absorb. Price times volume in an excessive surplus situation has never meant more income from a given crop. After the favorable market price reaction to a balanced supply and demand situation as experienced in 1966, American farmers will do all they can to maintain the favorable market price levels which were reached, by controlling production and at the same time, produce the additional quantities desired for export, provided such additional production is not permitted to adversely affect prices on the domestic market.

"The National Grange vigorously supports a Consumer Protection Reserve of food and fiber, as contained in S. 3068, isolated from the market in such a way that its release could not be obtained except at a parity price level. This very sensible emergency reserve of food and fiber would make possible the setting of production goals for these commodities much closer to actual need without fear of jeopardizing the managed abundance of food supplies that has resulted in the consumer expending a little over 16% of his expendable income for food, and at the same time to maintain an emergency reserve to meet any world demand.

"The Grange believes a voluntary supply-management program of basic crops is workable. However, such a program must have sufficient incentive by direct payments to producers to generate a high percentage of participation.

"The Grange reaffirms its belief in the family-type farm system, not only as very efficient in the production of food and fiber, but as the backbone of the rural society comprising rural America.

"The Grange does not envision a static size family farm system, but rather growing farms because of ever-developing new technology, larger machinery and automation.

"Seventy percent of our population is already jammed onto two percent of the land. And we face the possibility that another 80 million people will have to join them in the next 30 years.

"Many people say this shift to the cities is a historical and world-wide pattern, inevitable in a modern society. Some say it is desirable. But more are saying it is not in the national interest, is not inevitable, and is not desirable.

"Instead of jamming more people in big cities, heaping up their problems already almost insurmountable, the Grange recommends that industry and

business come out to rural America and strengthen our rural society that rests on a thriving family farm system.

"Large corporate structures in food processing and retailing are demanding a large volume of a given product of specified quality, at the time they want it. They are finding it advantageous to have control of their source of food production by owning and operating land and feeding livestock worked by wage labor, or through contracts. Either way leaves the farmer's role as little more than a hired man. However, family farmers can supply the needs of the big corporate structure by organizing horizontally and marketing through group action.

"The Grange recommends and urges that agricultural producers form marketing groups, using present cooperative structures, but new ones where necessary. Also, to support legislation that would strengthen producer group action."

To date, the Act of '65 has not entirely corrected the basic problem facing modern agriculture.

The inequity that is built into our economy by legislation which has been designed to improve the income of business and the wages of labor without correspondingly building and making improvements on the income situation of the American farmer must be corrected. The cost of the products that farmers buy has little relation to the law of supply and demand. The supply-management of labor and the production controls of industry effectively counteract the so-called "automatic stabilizers" which are a part of the "supply and demand" theory of economic distribution.

The Agriculture Act of 1965 has been severely criticized by the public and some farm organizations because it has not returned to the farmer the increase in net income we all would have liked to have seen. However, this is the result of the cost-price squeeze in which American agriculture finds itself caught. We would like to point out that the Agriculture Act of 1965 was not meant to, and certainly cannot, stop the cost-price squeeze that has hit hardest at agricultural net income. This is brought about by conditions of our economy far outside the control of the American farmer.

An article appearing in the February 2, 1970 *Wall Street Journal* tells the story of farm income:

"WASHINGTON—The index of prices paid by farmers rose 1.5% in the month ended Jan. 15, the biggest jump in 19 years, the Agriculture Department reported.

"The index, which covers prices paid by farmers for commodities and services as well as interest, taxes and farm-wage rates, thus set another record and was 5% above a year earlier. The department said the major part of the latest month's increase was due to higher taxes, interest rates and wages.

"During the latest month, the index of prices received by farmers went up by a more modest one-third of 1% from mid-December, though the new level is the highest since September 1952 and 9% above January 1969. Higher prices for cattle and hogs were chiefly responsible for the rise. These increases were partially offset by seasonally lower prices for eggs and cotton.

"*Because farm costs rose at a faster rate than farm prices, the farm-parity ratio, or farmers' buying power, dropped to 75 in mid-January from 76 a month earlier, but was still above the 72 recorded in January 1969. The adjusted parity ratio also fell one point during the month, to 81. In mid-January of last year it stood at 78.*

"The parity ratio represents the relationship between the prices farmers receive and those they pay. It's expressed in terms of a 1910–14 base, an especially good period for U.S. Agriculture. *Theoretically, farmers last month had 75% of the 1910–14 buying power. The 'adjusted' ratio of 81 takes into account the Government's direct payments to farmers, which aren't reflected in the regular figure.*" (emphasis added)

The Food and Agriculture Act of 1965, as extended in 1968, was meant to provide an abundance of food and fiber for the American consumer at fair and reasonable prices and at the same time try to supply to the farm economy a return that would make it equal to its counterparts in the other segments of the nation's economy. We will agree that this has not been completely accomplished to the satisfaction of the farmers or to their organizations. However, it is because of the tremendous inflation that has gripped our country that this

has not been brought about, and not because of the failure of the Food and Agriculture Act of 1965.

The Grange was in strong support of the extension of the surtax both in the House and in the Senate. We feel that it is the Government's responsibility to its citizens to bring the rapidly rising spiral of inflation to a halt.

We do not believe that you can formulate any program to solve the problems of American agriculture in the face of the rapidly rising spiral of inflation that has our country in its grips, a condition to which, we might add, the American farmer is the victim and not the contributor.

Therefore, serious consideration and prompt action must be given to the economics of other segments of our economy before there can be any improvement in the position that agriculture faces today. Our support of the extension of the Agriculture Act of 1965 is not to be interpreted as abandonment of a field in which we have equal interest, since the level of farm costs is directly related to net farm income in a way which, at the present time, is even more critical than farm income itself. The Grange is also in favor of, and has stated that there must be, cuts in the Federal budget. These cuts should not be made at the expense of farm programs, because the farm sector cannot afford a reduction in income or we may find ourselves in a position that we have been in before. The continued spiral of inflation will find a recession taking place in the farm economy which can lead to a very serious depression or a serious recession in the nation's economy. This cannot be allowed to happen. Therefore, it seems to us quite inconsistent for people to be complaining about the deficiency of the present farm program in terms of farm income, and at the very same time, suggesting that $3 billion of farm income be dropped by eliminating the wheat, feed grains and cotton programs.

The Agriculture Act of 1965 was not, and is not, perfect legislation, if indeed there has ever been perfect legislation, but it was solid and it is sound and productive legislation which can be perfected if the Congress will take the time and expend the effort to do so just as was done in 1965 and in previous years.

I think, in judging the accomplishments of the Act of '65, we first have to go back to 1961. The problem then and the problem still is that at the core of this problem is the American farmer's fantastic ability to produce more and more for a highly inelastic market. In 1961 agriculture was confronted by a nightmare—the prospect of a half billion bushels of grain rotting on the ground. There were 2 billion bushels of corn in storage, there was enough grain sorghum to carry us for a full year and a half, plus more than enough wheat to fill our domestic needs for two years. The leaking dike of price support was all that kept this ocean of grain from breaking loose and ravaging the agricultural economy. The then-existing programs virtually guaranteed that the situation would worsen unless decisive action were taken. If production in 1961 continued at the 1960 levels, we would add up to 400 million bushels of surplus feed grains to our already almost uncontrollable stocks. Grain was stored in every conceivable space, even on ships. New bin sites and new elevators dotted the landscape everywhere. Storage cost was a national scandal, costing taxpayers more than a million dollars a day. There simply was no place for a half billion bushels of surplus grain to go except on the ground. The consequences for grain producers, livestock farmers, the grain industry and rural America in general appeared to be disastrous. The then farm programs, the bulwark of farm income stabilization, simply were not dealing realistically with the situation. To be more specific, the wheat carryover which had been only 256 million bushels in 1952, was 1,411 million bushels and the feed grain carryover, 20.1 million tons in 1952, was 85 million tons.

The Government actually owned roughly $6 billion worth of farm commodities. As farmers produced more, their income became less. Farm net income was $14 billion in 1952 and in 1960 was only $11.7 billion, a drop of 17 per cent. Beginning in 1961, a series of voluntary production adjustment programs were hammered out to replace the ineffective programs under which the surpluses had developed.

I need not dwell too long on the situation that faced the American farmers and the American farm economy in 1961, because most of you gentlemen lived through this period and helped to hammer out the legislation that corrected the surplus situation that then existed. The Agriculture Act of 1965 has hit hard and reversed the downward trend in farm prices and farm income from those commodities which were under support programs. True, it has used

Government money as part of the income of farmers, but it was money which has been well earned by the American farmer who has contributed not only to the stability of the cost of living in terms of a particularly static wholesale price index for farm products, thereby saving consumers millions of dollars in extra food costs, but also has made the greatest contribution of any segment of our economy to the solution of the extremely critical problem of foreign exchange and balance of payments.

There has been no cheap food policy, as some have charged. The policy of the Department of Agriculture under the present programs has been, in setting price support levels, clear and simple—to protect farm income while enabling farm products to compete in the market. Every price support level in effect today is higher than in 1960 and most are considerably higher. Where we have allowed prices to seek market levels for competitive purposes, we have protected farm income through direct payments. Let me point out here that these are not welfare payments; they are payments made to American agriculture, as an integral part of supply-management, and in their proper sense should be referred to as consumer subsidies.

If American agriculture has not earned the gratitude of the American people because of our contribution to the highest standard of living which has ever been enjoyed by any people in history and at the least amount of cost in terms of hours worked for their food in all the history of the world, then we should have at least earned their gratitude for the contribution that we have made to the economic welfare of the United States. This was accomplished by the Agricultural Act of 1965. Therefore, Mr. Chairman and Members of the Committee, the Grange comes before you today without any apology for farmers or for what they have received from the Government when the prices of agricultural commodities in the market place were not adequate for the financial requirements of the producers of America's food and fiber.

Net farm income in 1969 was at $16 billion, some 39 per cent higher than in 1960. During the past eight years, net farm income has averaged $13.7 billion. This is nearly $1.8 billion a year more than the average of the preceding eight years. Net income per farm this year is estimated at $5,468, about $2,500 more than in 1960. Farm people also earn more from off-farm jobs. The total per capita expendable income (income after taxes) of farm people in 1960 was about $1,100. This year we estimate it at in excess of $2,000, or roughly double that of 1960.

In 1960 the average person on a farm had only a little more than half as much income as the average non-farm person. This year he has about three-fourths as much. The income gap between farmers and non-farmers has been cut in half. From January 1961 to January 1968, owner equities in agriculture increased by more than $55 billion, or $18,000 per farm. Even after allowing for inflation, the improvement in the balance sheets of agriculture during these years has been very substantial. Farmers are obviously moving closer to economic equality with non-farm people. We cannot turn our backs on the past and on present programs and turn to some unknown and untried programs because of a few of our commodities now are in somewhat of a problem.

1969 U.S.D.A. SIGN-UP

I think perhaps one of the greatest indications of the popularity and the success of the supply-management aspects of the Food and Agriculture Act of 1965 was the tremendous response of American farmers in signing up for the program in 1969. I think it would be well to put into the record and bring to the Committee's attention the sign-up for the following programs:

Wheat.—Farms signed up—981,153. That's 139,019 more than were enrolled in 1968 and record percentage of national allotment acreage on signed farms was 88.7 per cent, compared to 85.4 percent in 1968. The 981,153 farms represent 45,722,428 acres in allotments, a 13 percent average cutback from the 1968 program. A total of 11 million acres have been diverted.

Cotton.—Farms signed up—477,587 compared with 463,800 in 1968. Allotments totalling 14,948,744 acres in 1969 compares with 14,760,561 acres in the final 1968 report, representing 90.5 percent of the national total.

Feed Grains.—Farms signed up—1,661,770, which is 161,411 more than were enrolled in 1968. A total of 41,342,442 acres were diverted by the signed farmers who had feed grain base acreage totalling 94,005,566 acres.

The 1969 farm enrollment was 161,411 greater than the 1968 record number of 1,500,359. Base acreage on signed farms in 1969 totalled 7 million acres more than the record of 87 million set in 1965. Total diversion was nearly 5 million acres greater than the record of 36.7 million acres established in 1965. It was 7 million acres larger than the total for 1968. A total of 60.3 million acres were diverted in 1969, made up as follows: 41.3 million in feed grains; 11 million acres in wheat; 3 million conservation reserve; 4 million cropland adjustment; 1 million in crop conversion, for a total of 60.3 million acres diverted in 1969. Total number of farms enrolled in wheat, feed grains and upland cotton programs: Wheat 981,153 farms; upland cotton 477,587 farms; and feed grains 1,661,770, for a total of 3,120,510 farms.

We think this is indicative of the interest of the American producer, the interest of the guy out there on the farm in present farm programs and his willingness to divert and control acreage on a voluntary basis to bring supply in line with demand. Once again, let us point out that the greatest benefactor of supply-management under present farm programs is the American consumer because it provides him with a managed abundance of food and fiber for him to feed and clothe his family.

EXHIBIT B

DAIRY PROGRAM AMENDMENTS

The National Grange respectfully requests that the Food and Agriculture Act of 1965 be amended by amending Section 101. (a), The Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937.

The amendments to the Act that are contained in S. 3068 are, in brief, as follows:

(1) to extend the Class I Base Plan for fluid milk and make it permanent legislation.

(2) to establish and provide for a system of mandatory check-off in market orders for milk to provide for the development of projects on research, advertising and promotion of dairy products.

(3) the first sentence of Section 201 of the Agricultural Act of 1949, as amended (7 U.S.C. 1446), is amended by striking the words "milk, butterfat, and the products of milk and butterfat" and inserting in lieu thereof the words "and milk."

Paragraph (c) of Section 201 of the Agricultural Act of 1949, as amended (7 U.S.C. 1446 (c)), is amended to read as follows:

(c) "The price of milk shall be supported at such level not in excess of 90 percentum nor less than 75 percentum of the parity price therefor as the Secretary determines necessary in order to assure an adequate supply. Such price support shall be provided through purchases of milk and the products of milk."

The National Grange appreciates the opportunity to support the proposed amendments to title I, Food and Agricultural Act of 1965. These amendments represent the long-term objectives of the National Grange and we believe they will make the Class I Milk Base Plan more attractive and equitable to dairy farmers and provide stability to the marketing of dairy products which will directly benefit the American consumer.

Our position on Class I Base Plan for fluid milk has been stated repeatedly in our Annual Conventions, most recently at our 102nd Annual Session in Peoria, Illinois, in November, 1968, when the Delegate Body passed the following Dairy Policy:

DAIRY POLICY

1. The Grange reaffirms support of the Class I Base Plan. To strengthen this, we favor amendments to the Marketing Agreement Act providing for a promotional checkoff and Dairy Association bloc voting on marketing orders. We recommend the following amendments to the Class I Base Plan:

(*a*) Allow holders of base to share equitably any increase in Class I sales.

(*b*) Allow new producers to earn a base.

(*c*) Remove the 1969 termination date of the Class I Base Plan.

(*d*) Allocations of undelivered base milk amongst all producers.

(*e*) Make provision that in case any amendment to the Class I Base Plan receive unfavorable vote, it would not change the status of the rest of the order.

2. We believe the present standby pool program has provided stability to fluid milk marketing and a much-needed market for Class I supplies not now under regulation of a Federal order.

The National Grange was an original supporter of the marketing order concept and supported its application to the milk industry, which was in a chaotic condition at that time. The purpose of such orders was to pool the Class I markets in the various marketing orders, so that the competition for this market would not result in a chaotic condition in the market and the disruption of adequate supplies for the consumer. It was not the intent of the early legislation to set up a system whereby the producers of milk for the lowest use classification would be required to continue to produce excessive amounts of this lowest-price milk in order that they might maintain their share of the Class I market.

However, the blend-pricing formula which was introduced in the orders has had exactly this result. Under this system, there is no way to reduce the production of the milk that is sold for the lowest use classification by the individual producer without reducing his share of the Class I market. It is a corollary of this that there is also no way for him to increase his share of the Class I sale without increasing his production of the milk that is sold for the lowest use classification price. There is no way in which he can protect his share of the Class I sale from those who would expand their production, thereby diluting the Class I market and reducing everyone's share of this market except those who are expanding their production.

Under the blend-pricing system, the only alternative they have for improving their income is to increase their production. Thus, we enter a vicious circle which is self-destroying and in which the producer continues to increase his production in order to maintain even a substandard living level and, by his very action, further reduces his net income and his standard of living.

The Food and Agriculture Act of '65 which provided for the Class I Base Plan permits the producer to manage his own business by removing the impairment of the blend-price system and allowing the farmer to make adjustments in production, which is the first mark of every well-regulated business. Every man that tries to improve his net income, regardless of what business he is conducting, has as his first rule the elimination of the loss factors of his business. The adoption of the Class I Base Program is an expression of democratic principles, it is an incentive to better business management, and it has the added advantage of reducing the supply of low-classification milk in the higher-priced Class I areas and permits the dairy farmer to produce for the market that he is best equipped to produce for and removes the "race for base" that occurred under the blend-price system, which, in turn, led to surpluses in the dairy industry.

We apologize to the Committee for going back over old history in setting the case for a Class I Base Plan. However, we felt it necessary so all would know that this legislation is needed to remove the inequities in the '65 amendments so as to make the Plan more attractive to other marketing areas that would benefit from the Class I Base Plan but have been reluctant to adopt the Plan unless the suggseted amendments were adopted.

The major reasons for the Class I Base Plan not being adopted are removed by our recommended amendments.

1. Making the legislation permanent will permit dairymen every where to plan and set up Class I Base Plans knowing and having confidence that it will be long-term. In addition, urgent action is needed. We can not wait for studies or further needless delays, as it took from May of 1966 until July of 1967 to have the first Class I Base Plan approved. In order for dairymen to start plans, urgent action is needed now, not in 1970.

2. Because of the way the Department of Agriculture has insisted on administering the Class I Base Plans, an amendment is needed to permit dairymen to alter the way in which the "base" for each producer is computed. The Department of Agriculture has insisted that only a single representative period of market deliveries be used in allocating a permanent base to all producers. To maintain this rule is to say that all cows and all dairymen should wear a size 40 suit. To avoid this "pegging" of the base, the legislation would permit allocation of Class I Bases so that individual marketing histories would be recognized and so that the necessary adjustments could be made.

3. The current law does not permit the present base holder to share in any increase in Class I milk base, nor does it permit a non-base holder to share in any part of the Class I base on a decreasing market. This feature, perhaps more than any other, is the reason that more orders do not contain the Class I Base Plan. The Legislation under consideration of this Committee removes this severe hardship on both "new" producers and existing base holders. The amendments include two sentences covering treatment of new producer: "Provision shall be made in the order for the allocation of bases under this clause (e) to new producers and for the allevation of hardship and inequity among producers and prescribing terms and conditions under which new producers may *obtain* bases on an equitable basis with old producers. Producers holding bases so allocated or obtained shall thereafter participate pro rata in the market in the same manner as other producers." In addition, the proposed amendments would allow established producers to share equitably in the benefits of market growth, growth to which they have been the largest contributors.

4. We should also point out that excess sales now going to new producers and hardship cases are frequently priced much higher than base sales. In a growing market, therefore, there exists a harmful attraction for established dairymen to drop out of the regulated market and become free-lance adventurers. The amendments correct this inequity and preserve the dairy market for the dairyman who is willing to curtail his production to the demand of the market.

The enactment into law of the proposed amendments would remove the stumbling blocks in the amendments of '65 to the agricultural Marketing Agreement Act of 1937, as amended and make the Class I Base Plan more attractive to other marketing areas that want this type of milk pricing.

The objection to the legislation on the grounds that only one area has adopted such a plan is a paper tiger and cannot be defended in light of the proposed amendment, which will remove the objections dairymen have to the present Class I Base Plan.

If the objecting organization is so sure that dairymen do not want a Class I Base Plan, why not pass the legislation and give the milk producer a chance to vote on the Plan? Because a Class I Base Plan cannot be adopted as part of an order without an individual vote by the producer (Sec. 8c(19)(e)).

Mr. Chairman, this portion of the proposed amendments to the Food and Agriculture Act of 1965 are the same as were proposed by Congressman Meeds in H.R. 7996 and identical bills introduced by Congresswoman May, a distinguished member of this Committee, and Congresswoman Hansen, all from the state of Washington, earlier in the 91st Congress.

Hearings were held by the subcommittee, and it was favorably reported to the full committee, where it is still pending. Hearings were held during the 90th Congress, on the same amendments. The bill was favorably reported by this Committee to the House. It passed the House by a substantial majority and failed to get through the Senate, due to the pressure for adjournment.

We would like to emphasize a statement made before the subcommittee that held hearings on H.R. 7996 by Congressman Meeds of Washington.

"Mr. Chairman, I wish to conclude by re-affirming the intent of this legislation and the purpose of the Congress in writing Title I of the Food and Agriculture Act of 1965. *It is by (and our) understanding that certain voices in the Department of Agriculture are contending that Class I Base Plans should be available to producers only in those areas where a damaging milk surplus is undermining the market.* Reduction of surplus milk production was a key aim of the 1965 Act, *but to my own thinking* (and that of the National Grange) *the central purpose was to re-invest the individual dairyman with more control of his production, more determination of what his actions were going to be in response to the market.* Dairymen in the Puget Sound region responded quickly to the authorizing legislation because they had suffered long enough under the blend-pricing syndrome in which output and more output was essential for economic survival. With the new provisions of H.R. 7996, we can continue our support for orderly growth compatible with stability and with economic self-determination." (Italic and bracketed phrases are ours.)

We agree with the distinguished Congressman from Washington and submit to this Committee that a recent request for hearings on a Class I Base Plan in Southeast Florida was denied by the Department of Agriculture because they claimed a surplus did not exist.

We would like to point out to the Committee that once again the decision of

whether to have a Class I Base Plan or not to have a Plan was based on the amount of surplus milk in the areas and not upon the economic advantages of the Class I Base Plan to the producer of fluid milk—in this case, 75 to 80 percent of the fluid milk produced in the market area in Southeast Florida.

We submit to this Committee that the primary reason a surplus has not developed is because, in this case in Florida, 74 of 88 producers in the area have operated a Class I Base Plan outside the order "to encourage members to adjust their production to the needs of the market." At the same time the production of the other 14 producers, outside of the Independent Dairy Farmers' Association (I.D.F.A.), grew by leaps and bounds at the expense of those responsible for creating the market.

We further wish to point out to this Committee that it is this type of uncontrolled production and marketing in the dairy industry that has forced the smaller producers out and brought economic havoc to parts of rural America. The larger grow larger at the expense of the medium-to-small producer, forcing him from the industry to seek a livelihood in the urban jungle where he is ill-equipped to compete.

We urge this Committee and the Congress to oversee the Administration of the laws that they have approved and passed to see *that the Congressional intent of the law is carried out as well as the letter of the law.*

The National Grange is of the opinion that if this were done, plus the approval and extension of the proposed amendments to the Act of '65 by this Committee and the Congress, that the dairy industry will continue to be a healthy, growing segment of agriculture and aid in the growth of the national economy; further, that marketing orders such as in Southeastern Florida that want to add a Class I Base Plan to their marketing order would be able to do so without the necessity of overcoming administrative interpretations that were not the intent of Congress.

Dairy promotion today is being conducted by the industry on a voluntary basis. The proposed amendment would make it mandatory for all producers, if "approved by producers separately from other provisions, in the manner provided for the approval of marketing orders." We believe in self-help promotion and advertising programs and firmly believe that all producers, whose sales can benefit from such programs, should share in the cost. The proposed amendment will accomplish this objective.

The Dairy Committee of the Grange, working with the National Milk Producers Federation, has been very conscious of the weak competitive position of butterfat. We have been losing per capita consumption of butterfat, not only with respect to butter, but also in the fluid milk market. These two outlets, when considered together, provide a market for about 75 percent of all butterfat sold by farmers in the milk that they market.

The decline in per capita consumption of butterfat must be arrested and reversed if the size of the dairy industry is to be maintained and to prosper. Notwithstanding the weak competitive position of butterfat, however, the prices paid farmers for milk has been inadequate when measured in relationship to costs, and milk production is not keeping pace with population growth.

To improve the competitive position of butterfat while at the same time maintaining price supports to farmers for milk, the dairy industry proposes to amend the Agricultural Act of 1949 by eliminating the reference to butterfat. This can be done, since butterfat originally was included as a means of providing price support to farmers marketing farm-separated cream. Farm-separated cream marketings today, however, represent less than 1.5 percent of total marketings of milk by farmers.

If the Agricultural Act of 1949 were amended, the price support program would work as follows: (1) the price support level for manufacturing milk would be announced as at present; (2) the support price for milk, as at present, would be assured through the purchase program of the Commodity Credit Corporation, modified only to the extent that the purchase price of butter would be established at the discretionary level, rather than at a level necessary to assure the mandatory support level for butterfat as now contained in the law. Any reduction in the purchase price of butter would require a compensating increase in the purchase price of non-fat dry milk to maintain the support level to farmers for milk. This program has the advantage in that it would result in maintaining price support levels for manufacturing milk, while at the same time improving the competitive price of butterfat when sold as butter, in other dairy products, or even as fluid milk. The program reduces the value of butterfat in milk sold by farmers which competi-

tively is losing ground, and it would increase the value of milk solids-not-fat which is increasing in consumer acceptance. The government would be relieved of the burden and cost of accumulation and storing butter to the extent now necessary.

It is anticipated that the Government would purchase sufficient butter for authorized programs, such as school lunch. The Government would perhaps purchase larger quantities of nonfat dry milk. This is a low-cost item for the Government to handle and is readily adaptable for programs to improve nutrition at home and abroad. Consumers would benefit by more favorable prices for butter than under the current program.

Exhibit C

WHEAT PROGRAM

Simply stated, the amendments we are proposing are as follows and, with the exception of No. 3, are in S. 3068:

1. Make the wheat program permanent legislation by removing the December 31, 1970 expiration date.
2. Provide for an export certificate on a portion of the cooperator's production.
3. Establish the national average support price loan value of $1.25 per bushel at harvest time rather than at loan maturity.
4. To provide that a producer will not have a reduction in his projected yield for any year by over 5% of the preceding year by reason of a natural disaster.
5. Provide for the payment of at least 50% of value of domestic and export marketing certificates at time of program sign-up.

We are not proposing any changes in the domestic certificate, the substitution clause, the overseeding privilege or any other provisions of the present wheat program of the 1965 Farm Act.

EXPORT CERTIFICATE

Despite the desirable features of the wheat provisions of the 1965 Food and Agriculture Act, the commercial wheat farm economy is deteriorating rapidly. The domestic certificate assuring 100% of parity on domestically-consumed wheat has been an important bulwark against the cost-price squeeze the farmer is suffering. However, even the domestic certificate has been unable to hold wheat returns at a survival level.

In the three years since the certificate program went into effect the blend price for compliers (national average market price per bushel plus returns for certificates) has been: 1966—2.22; 1967—1.87; and 1968—1.79.

In addition to this disastrous drop in blend price, the wheat farmer has had his allotment cut 32% and has seen his input costs rise by 15%. Large wheat stocks throughout the world have depressed prices to or below the loan level. Relief is desperately needed.

At the present time, the American farmer is carrying the full cost of wheat that is exported as a part of our foreign policy and wheat exported under the "Food for Peace" programs. This is unfair to the American farmer. If such programs are a part of our international policies, they should be supported by Americans and not just U.S. wheat farmers.

For these reasons, we are requesting an export certificate which would in effect, make a three-price program for wheat.

Using this year's parity price and also this year's domestic certificate percentages, a complying farmer would receive:

Domestic, $2.77 per bushel for 43% of his normal yield.

Export, $1.80 per bushel for 40% of his normal yield (if minimum 65% of parity was used).

Non-certificated—$1.25 per bushel for 17% of his normal yield. Thus the blend price to farmers would be $2.12 per bushel for the normal yield on allotted acres.

LOAN VALUE AT HARVEST

It is now the practice to subtract 10 cents per bushel storage cost from the support loan price if the wheat is placed in commercial storage at time of harvest. It is our suggestion to get the full loan rate paid when the wheat is put into storage at harvest time and then make the farmer liable for paying his own

storage cost when his wheat is either sold or turned over to the Commodity Credit Corporation.

In effect, this would set the market price floor, which is dependent on the loan level, 10 cents higher at harvest time. We believe the effect on the market price would be most desirable, whereby the loan rate of $1.25 would set the market price, being 10 cents higher than under the present operation of the program, more farmers would sell a portion or all of their wheat at harvest rather than place wheat under the loan and it would return 10 cents more per bushel to the small farmer who is less likely to be in a position to store on the farm or to have capital to place his wheat in commercial storage.

REDUCTION OF PROJECTED YIELD

Under the present provisions of the wheat program in the Food and Agriculture Act of 1965, there is no protection from having a very low per-acre yield caused by fire, hail, flood or other Acts of God, used as a part of the formula setting a farm's projected yield. This, of course, can drastically reduce the number of domestic certificates a farmer is eligible for, thereby reducing his income through no fault of his own.

We are asking that a limit of 5% be set as the most a projected yield might be reduced as the result of any one bad year due to Acts of God.

ADVANCE PAYMENTS

Our reasons for supporting this amendment briefly are: First, it would bring the wheat program into conformity with cotton and feed grains in which advance payments are made a considerable time before the harvesting and the final compliance with the program.

Second, and more importantly, the advance payments would be received at a time of relatively great need as far as the farmer's production expenses are concerned. If the payments were made after the spring sign-up and preceding the market receipts for the wheat by several months, this would be an economic advantage of no small consequence to the farmer, who finds himself in a hard-pressed credit situation at this time.

Our third reason for supporting this bill is that we believe it would be an additional factor to strengthen the program and to increase compliance in the program. We also are convinced that the larger the number of wheat growers complying in the program, the better the program will be and the easier to administer. The planning that is a part of the programming would be simplified considerably as well.

Since these payments are basically made as a reward for compliance in the programs, it does not seem to us to be particularly reasonable to assume that the farmer has not complied at the time he has planted his acreage within this allotment. The change in Departmental procedures to permit certification of compliance with only spot checking to determine whether or not the farmers were in compliance indicates that the Department itself is convinced that, in general, the farmer is to be trusted when he certifies that he has complied with is acreage allotments.

At the National Grange's 102nd Annual Session held in Peoria, Illinois, in November of 1968, the Delegate Body passed the following resolution which indicates the Grange's strong support of the certificate plan for wheat.

"CERTIFICATE PLAN FOR WHEAT FOLLOWING TERMINATION OF 1968 EXTENSION

"Whereas, the 1968 U.S. wheat crop of over 1.6 billion bushels has exceeded all expectations; and

"Whereas, this production may jeopardize the current farm program, including the certificate plan of payment; and

"Whereas, the certificate plan of payment for wheat domestically consumed of 600 million bushels provides the basic income for wheat growers to survive and continue in business; and

"Whereas, this is a form of insurance in case of minimal yields in future years; and

"Whereas, there are certain farm organizations, milling companies, exporters, and others who want the certificate plan of payment eliminated now or later, thus gaining at the expense of the growers; there, be it

"Resolved, (1) that the National Grange opposes any move to destroy said certificate plan; and

"(2) that we oppose any other additional move to destroy the economic base of wheat growers of this country."

Exhibit D

FEED GRAINS, SOYBEANS AND FLAXSEED, MARKETING ORDERS, CONSUMER PROTECTION RESERVE AND CROPLAND ADJUSTMENT AND CONSERVATION PRACTICES

There is now a provision in the Food and Agriculture Act of 1965 for Cropland Adjustment, with a limit of $225,000,000 authorized for the program. However, the program has not been funded during the past few years to permit any new land going into the program.

We would suggest that the Food and Agriculture Act of 1965 be amended to make this section of the Act permanent and to provide for open end authorization.

In addition, we respectfully suggest that the Conservation Practice Act be properly funded to provide for higher incentive payments for placing land in long-range conservation uses, such as recreational areas, hunting reserves, etc.

The use of the Conservation Practice Act to accomplish basic concepts of conservation reserve appears to us to be highly desirable. There is no question but that there is a great need for recreational and open-space areas, room for children to play, room to develop and preserve the beauty of the great outdoors, and room to provide for the orderly expansion of the living space of rapidly multiplying population.

This public use obviously should include watershed protection. The failure to develop adequate soil conservation and watershed protection programs in the upper Midwest has been a costly experience. How much better would it have been to have spent the money that was required, both for the retirement of land and the improvement of the watershed and water conservation characteristics of this land, than to be spending the hundreds of millions of dollars to clean up the debris and restore the economic life of communities which can never fully recover from the losses that have been sustained from natural disasters.

FEED GRAINS

The feed grains programs of the Food and Agriculture Act of '65 have been the most successful features of the Act, especially from the standpoint of matching supply to demand. Therefore, we are in strong support of the permanent extension of the present feed grains programs.

We would suggest that Sec. 105(e) of the Act be amended by inserting after the fourth sentence thereof a new sentence as follows:

"In no event shall the farm projected yield for any crop of feed grains for any year be reduced by more than 5 per centum below what it was for the immediately preceding crop if the actual yield from such farm was reduced as the result of drought, flood, or other natural disaster."

SOYBEANS AND FLAXSEED

We join with other farm organizations and commodity groups in supporting a diversion program for soybeans and urge that the Act of '65 be amended to include such a program. Provision should be made to carry out such a program in any year that the Secretary determines that the total combined stocks of soybeans and flaxseed of the Commodity Credit Corporation (including such stocks under Government loan) as of August 31 of any year (a) exceed 150 million bu. (including the bu. equivalent of any soybean and flaxseed meal and oil held by the Corporation); or (b) exceed by 15 per centum or more the number of bu. of such commodities utilized (domestic and export) in the immediately preceding year. Such a diversion program should include a level of price support for such commodities of not less than 75% of the parity price therefor as the Secretary determines necessary to achieve the acreage reduction goal established by him for such crop.

We firmly believe that such a program should be available to the Secretary to control the production of soybeans and to protect the income of the producer.

If the Committee wishes, we will be glad to supply for the record a draft of the proposed amendment.

MARKETING ORDERS

The Grange is a firm believer in the marketing order concept of farm legislation; therefore, we respectfully suggest that the Food and Agriculture Act of 1965 be amended to extend the use of market orders to all crops.

We believe that it would help farmers market their products more efficiently and gain a greater return from their production if market order authority were expanded to include all agricultural commodities. Growers of those crops now covered are permitted to vote on whether to establish market orders for their commodities. This privilege should be extended to producers of all commodities.

CONSUMER PROTECTION RESERVE

We believe that our past Worthy Master, Herschel D. Newsom, summed up agriculture's need for a Consumer Reserve of Food and Fiber in his last address to the Delegate Body, in Peoria, Illinois, in November 1968, and I quote:

"The fact that American agriculture has been called upon, in World War I; in World War II; in the Korean War; and as recently as 1967, to produce in the national interest—to 'Arm and Feed our Allies to Make the World Safe for Democracy', and as Secretary Claude Wickard put it, because 'Food Will Win the War and Write the Peace', and as we were told in the Korean War and only as recently as two years ago that 'the world has grown to depend upon U.S. strategic food supplies and reserves'—always to discover later that when these emergencies were passed and markets disappeared rapidly, that depression prices resulted—all these factors have established a very discouraging pattern of economic injustice and the consequent rising rates of indebtedness on U.S. farmers. And unfortunately, in many cases, these injustices have to some extent been passed along to farmers of the rest of the world. All farmers have been hurt from the consequences of expecting farmers to produce without regard to who's going to pay for the extra production.

"No other segment of the American economy has been called upon to produce its products in excess of market demands without a firm guarantee of cost plus 10 percent or some other such factor, in addition to a clear and unmistakable pledge on the part of the Government of the United States to 'stockpile' or place in 'reserve' such extra production—so that the extra production would not destroy the price level and threaten the financial integrity of the producers of such 'national requirement'.

"This Annual Session of the National Grange should emphasize with all the vigor at its command, that neither American agriculture, rural America, nor the nation as a whole, can tolerate this sort of needless and unwise exploitation of American farmers. American farmers cannot shoulder a disproportionate share of the cost of our foreign relations program. Farmers want to produce for hungry people, but if we are to preserve a capitalistic structure, a diverse, individual enterprise structure, which in all American history has served America well, then we must recognize that American farmers in equity and justice, as well as in the national interest, must receive comparable treatment to that accorded to every other producer in America called upon to produce for the national interest. Further delay in incorporating food bank or strategic food and fiber reserve provisions, reasonably defined and equitably administered, is intolerable and, indeed, is a threat to the national interest, as well as to agricultural well-being."

We now have carry-over supplies of these products. But no program has been established to maintain a proper reserve to protect us in the event of emergency which could either boost demand or sharply reduce production.

With such a reserve, greater accuracy in supply-management by commodity programs would be possible. This then would permit us to more closely and consistently approach price and income goals.

This reserve would provide that:

1. To the maximum extent practical, reserve stocks of agricultural commodities be maintained under producer control.

2. The reserve level of a commodity for any marketing year be established at a percentage of the estimated export and domestic consumption of the commodity.

3. Whenever, during any marketing year, the uncommitted stocks of wheat,

feed grains, cotton or soybeans owned by Commodity Credit Corporation fall below the reserve level established for such a commodity, CCC should acquire those quantities of the commodity necessary to rebuild the reserve at a purchase price at the prevailing market level.

4. When these commodities have been purchased and placed in the reserve, they must be held in such a manner so as not to affect market prices.

Exhibit E

What if the 1965 Food and Agriculture Act is not extended or replaced?

If the Congress should not pass new farm legislation (the Food and Agriculture Act of 1965 expires on the crop harvest of 1970), statutes and programs in effect before 1966 then would automatically be reactivated.

Program provisions

Wheat.—The Secretary would be required to determine and announce whether the supply of wheat is likely to be excessive, and if so to proclaim a marketing quota program subject to grower referendum. Based on the national marketing quota, individual farm quotas would be established in terms of acreage allotments.

1. If marketing quotas are proclaimed and are approved by ⅔ or more of the farmers voting in a referendum, marketing quotas would be in effect and land-use penalty would apply for failure to make mandatory diversion but there would be no diversion payments. A wheat marketing certificate program would be in effect—domestic certificates plus loan not less than 65 percent or more than 90 percent of parity with processors required to pay full value of domestic certificates.

2. If marketing quotas are disapproved in referendum, there would be no marketing quotas, no land-use penalty, no wheat certificates, and no diversion payments. Price support through loans and purchases would be available to producers who comply with their allotment at 50 percent of parity.

3. If marketing quotas are not proclaimed, there would be no marketing quotas, no land-use penalty, no wheat certificates or no diversion payments. Price support through loans or purchases would be available to producers who comply with their allotment at 75 percent to 90 percent of parity the maximum level depending on the supply percentage.

Under any alternative, there would be no authority for wheat-feed grains substitution as in the present program.

Feed Grains.—No diversion, price support payments, or corn bases. Price support through loans or purchases for corn would be available to all at such level not less than 50 percent or more than 90 percent of parity as the Secretary determines will not result in increasing CCC stocks of corn (other feed grains at a level which is fair and reasonable in relation to the level for corn).

Cotton.—The Secretary would be required to determine and announce whether the total supply of cotton would exceed normal, and if so to proclaim a marketing quota program subject to grower referendum. Based on the national marketing quota, individual farm quotas would be established in terms of acreage allotments.

1. If marketing quotas are proclaimed and are approved by ⅔rds or more of the farmers voting in a referendum, marketing quotas would be in effect, but no diversion or price support payments. Price support loans would be available to producers who comply with their allotments through loans or purchases at not less than 65 percent or more than 90 percent of parity as determined by the Secretary. There would be no authority to make cotton available to domestic mills at the world price if such is lower than legal minimum price for unrestricted use.

2. If marketing quotas are disapproved in referendum, there would be no marketing quotas, no diversion or price support payments. Price support through loans or purchases would be available to producers who comply with their allotments at 50 percent of parity.

3. If marketing quotas are not proclaimed, there would be no diversion or price support payments. Price support would be at 65 percent or 90 percent of parity. Compliance with allotments could be required as a condition of eligibility for price support.

Under any alternative, there would be no authority to sell, lease or transfer cotton allotments.

Wool.—Wool again would become a non-basic commodity. The direct price support payment would stop. Price support would come through loans or purchases discretionary with the Secretary at not more than 90 percent of parity.

CROPLAND ADJUSTMENT PROGRAM

There would be no authority to conduct CAP.

PROBABLE RESULTS

With the removal of production restraints on feed grain production, feed grain output would increase sharply. In view of the prospect, the corn loan rate probably would have to be set at the minimum—or about 90 cents per bushel. Not all of the 41 million acres diverted under the Feed Grain Program in 1969 would return to grain production. Nor would the yields on these diverted acres be equal to the land presently cropped. Use would be up too, but not nearly as much the first year as output. Thus, feed grain supply could outrun use by as much as nearly 40 million tons. Virtually all of this would wind up in CCC hands.

Cotton output would increase also, with the loan at over 31 cents per pound. The higher price would impede domestic use of the crop, as well as exports, with the result that supply would outrun use by probably around 6 million bales. All of this would wind up in CCC hands.

With wheat quotas, production would fall a little short of use and carryover decline slightly. If quotas were rejected, production would outrun use and around 175 million bushels probably accumulate in CCC hands.

On balance, Government program costs under basic legislation in 1971 would be lower than 1969 estimated costs . . . about $450 million less if wheat quotas were approved and about $800 million less if quotas were rejected. Program costs would be less for wheat and feed grains would be lower . . . cotton higher.

Total net farm income would decline more than program costs—about $800 million below 1969 estimated levels if wheat quotas were approved and $1.3 billion if quotas were rejected. However, the effects would not be spread evenly among farmers.

Cotton producers, thanks to the higher price support, would have higher incomes—with the reduction greater in case the quotas were rejected.

The higher net returns from cotton and lower net returns from wheat would be shared among individual farmers about in the same proportion as these crops are produced on the individual farms.

Returns from feed grains would decline as a result of the lower price and the cost of the added output on the diverted acres brought back into production. However, those who produced feed grain for sale would suffer an income loss, resulting from lower feed grain prices . . . and of this group, those who had participated in the feed grain program and could add to their output by producing on the acres no longer diverted would feel the impact less than those who had not participated and already were in full production with no chance to increase output.

In one year's time not much change in total beef and hog output could be expected—nor in dairy. Some increase in poultry would be probable. Feeding would be at a heavier rate for all classes of livestock. But the sum total impact in the first year probably would not be sufficient to seriously weaken livestock prices. So there would be little or no income loss in 1971 for the livestock farmer who fed all his grain—even though the price of grain was lower. In fact, the lower price tags on feed would increase the net profit in this first year for those who bought feed. Their gain would be the cash grain producer's loss.

Obviously, however, the wider feeding margins would bring forth increased livestock and poultry output in subsequent years and with this, lower prices and profits for livestock and poultry producers.

SUMMING UP

Total net farm income in 1971 probably would be $800 million to $1.2 billion lower than 1969 estimated levels if farm programs return to basic legislation in that year.

Cotton income would rise, but this would be more than offset by lower incomes from feed grains and wheat. The income decline would be limited to this level only because of sizable accumulation of feed grains and cotton in Government hands—probably nearly 40 million tons of feed grains and 6 million bales of cotton.

Even with the sizable stock accumulations, the Government program costs would decline some $450 to $800 million below 1969 estimated costs. But there would be a shift in the nature of these costs—from sizable direct payments to costs through loan activity and loan default. And if the program were continued for subsequent years, program costs would mount through rising handling and storage costs of the mounting feed grain and cotton stockpile.

Obviously it is questionable how long the public would continue to support the funding of a farm program which built up stocks at such a pace—and which was in effect putting cotton out of business as the textile industry rapidly shifted to synthetics in the face of the excessively high and non-competitive cotton price support.

The CHAIRMAN. We will be back for the next and last witness.

(Whereupon, there was a short recess.)

The CHAIRMAN. The committee will please come to order.

Mr. Staley, will you identify yourself for the record, please.

STATEMENT OF OREN LEE STALEY, PRESIDENT, NATIONAL FARMERS ORGANIZATION, AND HARRY L. GRAHAM, LEGISLATIVE REPRESENTATIVE, NATIONAL FARMERS ORGANIZATION

Mr. STALEY. I am Oren Lee Staley, president of the National Farmers Organization.

The CHAIRMAN. You may proceed.

Mr. STALEY. Thank you, Mr. Chairman and members of the committee.

I am Oren Lee Staley, president of the National Farmers Organization—NFO. I have with me Harry Graham, a veteran legislative representative, who is now full-time legislative representative for the NFO based here in Washington, D.C. We appreciate the opportunity to appear before this distinguished committee.

The NFO is an organization of farmers. Its membership is made up entirely of farm producers. It has had the most rapid growth in the history of any farm organization. The NFO now has organizations in all 48 States of the continental United States. The NFO's program is collective bargaining for agriculture.

Farmers and ranchers, for the first time in the history of agriculture, have been able to develop enough economic strength to bring about price increases on many farm commodities. The last 12 months has been a period of unexpected price increases on several commodities. The theory of the law of supply and demand has been upset. Even though there has been little change in the supply of agricultural commodities, and in some instances an increase in supply, the price has gone up substantially on many farm commodities because of the NFO efforts.

The NFO has been able to achieve this because:

It has a total bargaining structure in 48 States, where it is either bargaining or has the capability to bargain.

It has been able to prevent low price areas from tearing down high price areas.

It has been able to secure contracts with many large companies on various commodities, which include pricing formulas.

It has become the price leader for farmers because when it bargains out a better price for its members every buyer who is not receiving production going under that contract tries to beat the price NFO members receive.

It has been able to establish upward price pressure, which has forced processors to be more aggressive in pricing agricultural products.

It has found the key to collective bargaining in agriculture to be farmers bargaining together and selling together in a nationwide structure so they can compete with large companies that buy in all agricultural productive areas of the 48 States of the continental United States.

NFO members realize that the only way they can compete at the marketplace is through the NFO collective bargaining program. But, at the same time, they do not want farm programs weakened and certainly not destroyed, because although farm programs cannot be expected to get farmers a fair price, they can serve as a minimum.

It is with pleasure and with great satisfaction that NFO, as a part of a coalition farm effort, heartedly supports and endorses the farm coalition bill, which is Senate bill 248, introduced September 25, 1969. The farm coalition, made up of some 24 farm organizations, since I guess it has been increased two more, after lengthy discussions, agreed to solidify their efforts on farm legislation and present a bill which they could all support.

This effort is the result of several years of behind-the-scenes agreement on many points of previous farm program proposals. This agreement has now surfaced and the unity among the farm organizations making up the farm coalition, is building and strengthening. This is a great step forward for agriculture and as the consideration of a farm bill continues in the Senate, the farm coalition, I feel certain, will continue to strengthen its position and will not compromise or yield on any point that would reduce farm income even 1 penny. Farmers and ranchers have enthusiastically supported the cooperation developed among the farm organizations making up the farm coalition.

A recent poll taken by the Prairie Farmer, the agricultural publication which blankets the States of Illinois and Indiana, proved that the farm coalition is now speaking the viewpoints of the American farmers. The poll shows that only 20 percent of the Farm Bureau rank-and-file members support the basic policy of the Farm Bureau. This is an overwhelming denunciation of the Farm Bureau proposals to phase farm programs out within a 5-year period of time and to replace them with a farm retirement program. The Farm Bureau is out of tune with farmer's thinking.

(The information referred to above is as follows:)

[Reprinted from Prairie Farmer, Jan. 3, 1970]

DO FARMERS WANT AN END TO PROGRAMS IN 5 YEARS?

Farm Bureau obviously assumes that the majority of its members favor a 5-year phaseout of current farm programs. This is the heart of the AFBF's national farm policy.

By the same yardstick, the American Farm Bureau Federation assumes that the majority of its members support a large-scale program of whole farm rental for retirement from production.

Neither Indiana nor Illinois is the whole USA, but they do happen to be the 2 largest state Farm Bureaus in the nation. According to a recent Prairie Farmer opinion poll, the 5-year phaseout and land retirement proposals have very little support (15½%) as basic farm policy among all Indiana and Illinois farmers.

We asked this question at the request of a farmer who said he believed most farmers wanted a compulsory program of crop controls with a guarantee of 100% of parity. "Ask both of these questions in your next poll," he requested, "and you'll really find out something."

The something we found out wasn't all he expected. Most farmers had little sympathy for either compulsion or phaseout.

Officially both the Indiana and Illinois Farm Bureaus support the AFBF's 5-year farm program phaseout policy with massive land retirement.

If our polls are right, and we have no reason to doubt them, only 20% of the Farm Bureau rank and file members support this basic policy.

Why is there such an overwhelming discrepancy between member opinion and Farm Bureau policy? It's an interesting question.

Mr. STALEY. The farm coalition today, calling for a continuation of the Agricultural Act of 1965, represents the desires and hopes of farmers and ranchers.

The Farm Bureau policies would cause chaos in farm areas and rural America. The Farm Bureau proposals to do away with price-support programs would force farmers into forced sales at harvesttime and would mean very low grain prices, which would mean low livestock prices.

Commodity credit loans are nothing more than loans on crops that have been harvested. It would be very difficult for lending institutions to advance sufficient credit at harvesttime so farmers could decide, with a freedom of choice, as to the time of year they want to sell their crops.

The Farm Bureau has joined the side of the big grain companies and big processors in fighting farm programs. Farm programs should be as well accepted in our present-day economy as social security and minimum wage laws.

Farm unity among farm organizations is building. And unity of purpose and thought among farmers has reached an all-time high. Farmers, ranchers, and rural business people are vitally interested in seeing farm income increased. They are vigorously opposed to any program or legislative procedures that will reduce rural income.

Rural people have been the forgotten people of this economy. They will no longer allow themselves to remain in this category. Farmers and ranchers are intelligent and well-educated people. They are well aware that more and more is being done for other segments of the economy. They are shocked at the attitude of unconcern about their problems.

Farmers and ranchers are going to do more and more for themselves through the NFO collective bargaining program. They know this is their only answer, but they also know that while they are willing to stand on their own feet, that more and more benefits are going to other segments of the economy and, therefore, they are in no mood to be pushed around and to see farm programs weakened in any manner.

They will not be fooled by hedging, political statements. Farmers and ranchers expect their Senators and Congressmen to protect their welfare with as much vigor as Senators and Congressmen protect the welfare of other groups.

Partisan political support is rapidly disappearing in rural America. Farmers and ranchers, in the future, will support the Senators and

Congressmen who support them, and they will vote against those who do not look after their interests.

Traditionally, this has not been true. But in the past few elections, you have seen more and more of a swing vote among farmers and ranchers. This trend started with the election of Franklin D. Roosevelt. It continued when the farm and rural vote elected Harry Truman. It was the statement by Dwight D. Eisenhower that he favored 90 percent of parity that really swung farm votes.

Farmers and ranchers were hopeful that Lyndon Johnson, because of his record, would protect farmers equally as well as he worked for the protection of other groups. They became more and more disenchanted with the lack of aggressive action on the part of the Johnson administration.

They voted for Richard Nixon because they had the feeling that farm programs would not deteriorate any more under his administration. This was based on a statement that he made concerning his position on farm policy, and because Hubert Humphrey avoided the farm issue.

Farmers, ranchers, and people in rural America did not vote for Richard Nixon to have farm programs weakened or farm income reduced. The NFO will use all of its strength to be sure that candidates for political office, in the future, make their position on farm and rural issues clear.

The political atmosphere in rural America is different today than ever before. Farmers, ranchers, and rural business people have closer economic ties than ever before because of the large volume of business that is transacted in rural America. All are dependent upon the income level in agriculture for their welfare.

We want to make it clear that the NFO will advise its members to support the senatorial and congressional candidates on the basis of their votes, and not on political promises, excuses, or party affiliation. The voting power of rural America, which includes farmers, ranchers, and rural business people, is still the biggest bloc of votes in this Nation. This strength must and will be used for the benefit of rural America.

We would observe that it is most unfortunate that farmers are now subject to one of the most viscious attacks on farmers and farming in our history. This attack is from many sources. Vested interest groups, whose profits are enhanced by depressed farm prices, are in the forefront. The recent successful assault on market orders by the National Canners Association was particularly foreboding as it was the forerunner of yet other assaults on Federal market orders. The reversal of a long record of extending the list of crops eligible for market orders is of great concern to us.

Too much credence is being given to the economic and academic community whose oversimplified application of classical, economic theories seem to indicate that they think agriculture exists in a vacuum. The idea that a "free market" agriculture can exist in a dual economic system where the rest of the economy operates under conditions of controlled production and increasing costs passed on to the farmers, while the same system prevents the farmer from passing his costs on to the user of his products, is ridiculous.

Included in this group are those who want to decrease the prices on our export commodities as a means of increasing out volume of export and gross earnings. They assume that a 10-percent cut in prices will lead to a 10-percent increase in volume and that the income of farmers will be improved by this arrangement. They fail to recognize that any increase in production and sales at less than the cost of production will inevitably lead to increased losses. This is a one-way street to farm bankruptcy.

This is what happened in the 1920's, when a continually depressed agriculture existed in an inflated and prosperous economy. The inevitable collapse of agriculture here and abroad was a significant cause of the economic collapse of the free world.

The coalition farm bill is built on experience and is the only proposal advanced which shows any hope of improving farm income. The present program has insured farmers against disastrously low farm prices.

There must be no reduction in support prices and program payments because there is simply no room for reduction in farm income.

We support the proposal for a consumer security reserve. It can be developed without additional cost and with worthwhile and measurable benefits.

We support addition of agricultural commodities under marketing orders.

NFO is solidly behind the present program for diversion payments. We believe that experience has proven that tying program payments to the program gets the best results for the Government and for its investment.

The NFO feels strongly that the parity concept of support level must be continued and, in no case, substituted with other formulas.

Commodity credit loans must be continued. Storage facility loans are absolutely necessary and must be made available by congressional action if satisfactory provisions are not made available by administrative decision in the Department of Agriculture.

The NFO supports the other provisions pertaining to dairy, wool, cotton, wheat, and rice and, from time to time, will cooperate with the farm coalition in making additional suggestions to increase farm income.

Those who criticize farm programs are very unfair in their criticism. They do not stick with the facts. We want to point out that the export of agricultural commodities under domestic Government programs has totaled $29,974 million in desperately needed goals in 1965. Agricultural exports have been twice as great as that of any other American industry. Without that income from agricultural exports, the shaky situation of the dollar would probably have been a disastrous devaluation of the dollar with all its ramifications to the world.

We would point out for the record that, at the time when our agricultural exports had dropped to an insignificant level, some farm organizations, supposedly representing their members, agreed to a reduction in their prices in order to stimulate our exports. The results were phenomenal for everyone but the farmer. The direct subsidy approach was an attempt to pay the farmers a minimum price for their products whose prices had been depressed by competitive world prices.

There was one complication which had to be avoided. That was the use of Government subsidies to stimulate cash exports. This was a direct violation of the GATT, the General Agreement on Tariff and Trade, which our country signed and which is a treaty approved by this body. The use of diversion payments, conservation payments, market and treasury certificates, were all means of accomplishing the dual ends of maintaining minimum farm income and maximum export earnings.

The export subsidy called for in the coalition farm bill simply provides for economic equity and elemental justice. Some of these Government earnings should be returned to those who made these profits possible.

Senator MILLER. Would you yield at that point? I very much appreciate the fact and I believe you are the only witness so far who has pointed out a problem I have been raising about the GATT rules and that is that the direct subsidy, as you pointed out, is to all my information a violation of them. I am wondering whether or not this certificate program in the coalition bill would not also be a violation of it?

Mr. STALEY. We don't think so. I am going to ask Harry to comment because he has had a lot of experience and has been on the GATT negotiations. I was somewhat familiar with them, Senator Miller. I know that in the early discussions which I have severe disagreement on, serious, as bad as you can have, with Secretary of Agriculture Freeman and Under Secretary Schnittker at the time because we had an opportunity as we understood it that, to start with, the countries of the economic community would have gone for something like 40 cents higher in wheat prices, in the world price at the time, but it was our policies that were the ones that led the price downward at that time when other countries would have entered into agreements that would have meant much higher prices to farmers.

In addition, a very vital point, as we understood it, and as we have been told by representatives of the Common Market countries in our offices, and of course we are always very careful to be on the side of our Government first, but I would like to analyze what your policies are.

Senator MILLER. What prompts this question—

Mr. STALEY. I would like to finish this if I might because it is very pertinent to the subject. They would have gone farther than the rates, increasing the world price, but they also would have been a part of a pool taking part of the production in the various manners and mechanisms that would have been necessary with the exporting countries and importing countries and with excess markets, and putting a part of the total production into a pool that would have been used to develop underdeveloped countries, to develop new markets which would have been a total responsibility to all who were party to the agreement.

This is things we didn't hear much about on the surface and we were very unhappy about it.

Now, with that brief background I would like for Harry to say about the mechanics. He is more familiar with the actual mechanics and what we are talking about.

Senator MILLER. Let me add a footnote. What prompts this, as you know, the Secretary's proposed bill would not have the export cer-

tificates but would seek to make up the difference to the farmer, as I understand it, by improved payments so that the farmer comes out the same way, and that is what we are looking for, looking for that very nebulous and yet terribly important formula under which the farmer will come out the same but we will not be in violation of GATT.

Mr. STALEY. I think, first, before Harry answers on GATT, I would disagree, as my testimony gets on down here to the total provisions incorporated in the administration's bill, because there are so many factors that happen to be involved in it, but as far as GATT——

Mr. GRAHAM. The Senator is most correct and the Secretary's apprehension is well founded in that any subsidy for exports in industry are illegal. No question on that one. There is a little bit of wavy ground in here when you get into agricultural products.

Now, they have never contended that the way we have had of adding payments to get farm income is illegal, nor do I think they would until we get into a position of trying to increase our share of the export market by some subsidy, whether it was hidden or not. They know the difference. We are not kidding them at all.

Senator MILLER. No, but they seem to be kidding us.

Mr. GRAHAM. Yes, I know. They seem to be kidding us, but they are letting us get by with this one without too much trouble.

Really, we are within the GATT at this point, but if we try to use a subsidy to increase our share, then we would be in violation of the GATT.

Now, at this point I think France and the Common Market is as a whole is in violation of the GATT agreement by the subsidy they put under their grain export to get into markets that they never had.

Senator MILLER. Are you satisfied that this export subsidy called for in the bill you are testifying in behalf of which Mr. Staley has just referred to would be in compliance with the GATT?

Mr. GRAHAM. I think it would have to be added somewhere else in program payments. I think we need the money but I don't think we can call it an export subsidy.

Senator YOUNG. Canada really doesn't have a free market in wheat. The Canadian Government sets the price from day to day.

Mr. GRAHAM. The Canadian Wheat Board owns all the wheat.

Senator YOUNG. You would think we ought to be able to set a price by subsidizing a certain amount. If the Federal Government in Canada can set the price to meet competition in the world we should be able to take some similar action.

Mr. GRAHAM. The problem that we get into there, and this is what the International Grains Agreement tried to do, set a price that would eliminate the need for export subsidies, and when we broke the GATT agreement, the IGA, then we turned around and said to our farmers, "You are going to have to take lower prices." We are going to have to subsidize exports in some way to get income back up where it was.

We would have much preferred going the International Grains Agreement's direction, in which we did set a price which wouldn't make it necessary to have an export subsidy.

Senator YOUNG. This whole wheat market is complicated. There is no such thing as a free market, as we used to have years ago at Liverpool, England.

Mr. GRAHAM. It doesn't exist.

Senator YOUNG. The market is rigged all over the world.

Mr. GRAHAM. If we are going to rig price, we had better be in on the rigging. We are not doing that at the present time.

We have got a supplement that we would add to this after it is over with that we are trying to destroy the rigging apparatus which in turn destroys prices for our people as well as anybody else.

Mr. STALEY. I think Harry has done a tremendous amount of work on this and he would be glad to supply the Senators with additional information and visit with you. He is one of the most knowledgeable people in the country on this. It is a very complicated system and structure but it is very important and vital to what happens, particularly on wheat.

Mr. GRAHAM. I think what we would like to put in here is a detailed blow-by-blow description of how the International Grains Agreement was destroyed, day by day.

Senator MILLER. I would like to have something like that in the record if you want to provide it.

Mr. GRAHAM. I have got it for you.

Mr. STALEY. We were just a little behind in preparation. We intend to include it as a supplement.

Mr. GRAHAM. It was supposed to be here but maybe it will come. (See appendix A.)

Senator MILLER. There will be plenty of time to put that in.

The CHAIRMAN. Yes, in connection with your testimony.

Mr. STALEY. We note with great apprehension the addition of the section under title I of the proposal that has been tentatively adopted by the House. This would change the method of judicial review of milk marketing orders. This addition has several bad features. It requires the complete exhaustion of administrative appeals before court action can be instituted. In the establishment of a market order, objections to the proposed orders are received and supposedly considered. Their review by the judicial office at this time would be preferable. The proposal provides a means of indefinite delay.

The proposal to place jurisdiction in the court of appeals instead of the Federal district court removes the subject from the home court of the appellants. It forces the appellants to bear the cost of printing the hearing records. If the plaintiff can win the case in the Federal district court, then the cost of the appeal must be borne by the Government agency. Their legal staff of printing resources are paid by taxpayer money. To reverse this procedure forces a man to contest an opponent which he helps to finance. This is too much of a strain on justice.

The most important and most objectional part of this proposal is the elimination of "class" suits.

This is a part we are very concerned about because we have had some experience with these, that to change this would be very bad, we think.

This prevents a number of agreed individuals from combining their cases to share their very substantial costs, and to achieve some equity before the court. Otherwise, the individual farmer who thinks he has been unjustly deprived of his economic rights simply is deprived of

his day in court, and the possibility of economic aggression by autocratic bureaucrats against defenseless citizens is enhanced. We will also file with the committee a more complete brief of this legislation and the judicial history of the problem which lead to the introduction of this proposal, which, incidentally, does not have the support of the total coalition of farm organizations. (See appendix B.)

The NFO opposes the limitation of payments.

Senator CURTIS. Before you leave the dairy business, I asked the Grange people if they favored the proposal of the Milk Producer Cooperatives in—to change the procedure of support of manufacturing milk and the support would be based on all the components of milk instead of butterfat.

Mr. STALEY. The economic factor—changes to the economic factors.

Senator CURTIS. It would eliminate the support on butterfat.

Mr. STALEY. Harry, would you like to comment on that?

Senator CURTIS. I understand it involves about 1½ percent of the total but, of course, it is important to that 1½ percent.

Mr. GRAHAM. I think you have given the answer, Senator, that the income of 1½ percent of farmers is still something of importance, too, otherwise what do they do?

Senator CURTIS. It is not 1½ percent of the farmers. One and a half percent of the farmers that are marketing dairy products.

Mr. GRAHAM. I bet it is more than 1½ percent of the farmers, though. These are the little farmers with 10 cows who don't have a milk truck coming into their plant picking it up. They are out on the edges. At any rate, they have a right to some equity in their price structure, the same as a man on a milk route and sells his production to Class I markets.

It would seem to me another factor is involved in here and that is that a small amount of unprotected commodity has an adverse effect on the market far beyond the amount of the commodity.

Senator CURTIS. So you are not joining with these other members of the coalition to support that?

Mr. STALEY. No.

Mr. GRAHAM. That is one we couldn't quite do.

Senator CURTIS. I don't think they have offered it as part of the coalition package.

Mr. STALEY. I don't understand that they have.

I would like to add something further. When you have that type of a situation, it is usually in an area that is a relatively low production area as far as dairy is concerned.

It is an isolated area and there is—in the other normal market areas you have almost all the producers either Grade A or at least the book type operation. But these people can be deprived very easily because they are sitting over in an isolated area somewhere and, consequently, they are subject to more economic power from a big company than maybe is the only buyer of that particular product, and this is the seriousness of something like this.

I am thinking of outlying areas where you don't even have bulk tank deliveries, for example, and there is no other market.

Now, in the areas where there is heavy milk production, the people go out of it because there is no place to market it there, so this would

deprive a group of farmers of the benefits of being able to have some justice from real economic powers where big companies are the only buyers. For that reason, I think it should contain it.

The CHAIRMAN. Proceed.

Mr. STALEY. The NFO opposes the limitation of payments. Limitation of payments only hurts the effectiveness of voluntary programs. The objective of a voluntary program is to take acres out of production. We are for the preservation and strengthening of the family type farm, which is the owner-operator type of agriculture. Limitation of payments would be harmful to the family type operator because it would release those acres that are prohibited from receiving any program payments for some type of agricultural production outside the programs and, therefore, would hurt the effects that are trying to be achieved by the program.

If Congress really wants to slow down corporate structures entering agriculture, then a true reform of our tax laws prohibiting tax write-offs on farm losses is the way to do it.

The NFO is seriously concerned about the proposed administration farm bill. The proposed administration farm bill is an attempt to grab power over agriculture prices, because it gives the Secretary discretionary power to lower price supports to zero if he so desires. There are 82 different provisions in the bill that give the Secretary of Agriculture the sole authority to make determinations that could be used to lower farm prices. This is too much power for any Secretary of Agriculture.

Farmers are becoming more concerned every day about steps being taken by the Department of Agriculture that either lower farm prices or keep farm prices at a low level. People in key positions in the Department of Agriculture and in the Council of Economic Advisers such as Palmby, Bruenhaver, Pallberg and Dr. Hauthaker should be replaced. They have a long record of statements on agricultural policy which would lower farm prices and be particularly beneficial to big grain companies.

The reason for our concern is now a long string of decisions that have been made by the Department of Agriculture in recent months, which all lower farm prices.

1. Reduction of support price on soybeans from $2.50 per bushel to $2.19 per bushel.

2. Decreased the effectiveness of the International Grain Agreement on wheat which resulted in a 15-cent-per-bushel drop in wheat prices.

Senator BELLMON. When did this drop occur?

Mr. STALEY. This is where we will put in our supplemental step by step, which will show——

Senator BELLMON. I think you should back this statement up or take it out of your testimony.

Mr. STALEY. We will. That is why we said earlier we will have a supplemental sheet.

Senator BELLMON. You are not taking it out until you can back it up?

Mr. STALEY. We can back it up. Harry, will you present it step by step?

Mr. GRAHAM. There was a drop in grain prices and grain prices stayed low after this.

Senator BELLMON. You are talking wheat prices.

Mr. GRAHAM. I am talking about wheat prices. It only had to do with wheat prices for a time and there has been some increase since that time but I don't think the increase—the decrease prior to this or the increase since this action, either one, has anything to do with the International Grains Agreement. They had to do with an oversupply of grain a year ago and a reduced supply this year in the Asian markets.

Mr. STALEY. Harry, would you proceed to tell them, step by step, what happened.

Senator BELLMON. I want an answer to this question. When did wheat go down 15 cents a bushel?

Mr. GRAHAM. Let us supply this for the record, and if we can't, we will take it out.

Mr. STALEY. It is a——

Senator BELLMON. The wheat price hasn't changed 15 cents in 2 years.

Mr. STALEY (continuing). Yes; they have.

Senator BELLMON. Not at the county elevators. I am in the wheat business and I watch it every day. I am trying to get rid of my wheat.

Mr. STALEY. What is the rate in your area?

Senator BELLMON. $1.30, $1.29.

Mr. STALEY. You are fortunate.

Senator DOLE. It is stronger now.

Senator BELLMON. It is higher than it has been any time since Nixon went into office. Why do you say it has gone down 15 cents?

Mr. STALEY. It went down from the price it was and then came back since, but it was a direct result of what happened in not upholding the GATT agreement.

Mr. GRAHAM. The beginning of the break in GATT started before Mr. Nixon became President.

Senator BELLMON. From what I gather from your testimony you said that the Department of Agriculture in recent months has made decisions that lower farm prices and you list these things and you list as No. 2 a 15-cent drop in wheat prices.

Mr. GRAHAM. That is correct, and the Department of Agriculture made the decision. The first major one we made in the United States was in October of 1968. But it was still a Department decision.

Senator BELLMON. In recent months.

Mr. GRAHAM. Well, that is——

Senator DOLE. The Senator raised a good point, Mr. Chairman.

The CHAIRMAN. I wonder if you could be more specific in your statement. If there has been a 15-cent decrease, state when, as the Senator asks.

Mr. STALEY. If we can't provide it, we will withdraw it, but you don't quarrel on the other point.

Senator BELLMON. Well, I do, but I am not going to get that specific.

(For the information above, see p. 308.)

Senator MILLER. I would like to ask this, and correct me if I am wrong, but I had understood the soybean price support had been dropped to $2.25.

Mr. STALEY. You are right, but they changed the basis from No. 2 soybeans to No. 1, which meant another 6-cent drop, which was something that very few people understood and realized.

The CHAIRMAN. No. 1 was $2.25.

Mr. STALEY. But before we had that, Senator, the price based on No. 2 soybean at $2.50, and then what we did or the change was in the drop of 25 cents. They changed the basis from No. 2 soybeans to No. 1, which really is 6 cents more.

The CHAIRMAN. Well, I saw where it was reinstated the same as it was last year, which was $2.25. Now, the basis for that is on No. 1.

Mr. STALEY. But it used to be on No. 2, is my point.

The CHAIRMAN. I know, but——

Senator MILLER. You mean it was $2.25 on No. 2.

Mr. STALEY. $2.50 on No. 2.

Senator MILLER. I mean when it went back to $2.25.

Mr. GRAHAM. It went back on No. 1.

Mr. STALEY. They changed that basis to No. 1.

Senator MILLER. That original $2.25 which I think it was at, before it went up to $2.50, was that on No. 2?

Mr. STALEY. Yes. It had always been on No. 2 before.

The CHAIRMAN. Will you provide for the record——

Mr. STALEY. I will be glad to.

The CHAIRMAN (continuing). That information to show what you state there because——

Mr. STALEY. Right. As a farmer storing soybeans, and all—I get these every time, so at the farm level this is pretty well known.

Senator MILLER. What is the proportion of the bean crop in No. 1 and No. 2? Do you have any idea?

Mr. STALEY. Not right offhand. It varies by areas and by years, depending on the season. In some years you have a high percentage of No. 1, in some years, depending on the season, some years you have 50 or 60 percent that will go into No. 2's.

Senator MILLER. It had been my information that we were faced with really an alarming carryover of soybeans and that our exports of soybeans were in a precarious position and that was why this was cut back. I don't know of anybody over here at the Department of Agriculture who wants to cut down on the income of farmers, but when we have a mounting carryover problem, I think that was what underlay it really.

Mr. GRAHAM. There was another item in there, though, and that was that the Department itself, and it had a study, and it had a very exhaustive study of alternatives, and their study showed that a reduction to $2.25 would not substantially increase the exports or would it substantially alter the production. Actually it showed in that study that there would be more of a carryover as a result of this action than there would be if they left it where it was and they have to down under $2 a bushel, I think down to $1.90, when it begins to adversely affect the production.

Senator MILLER. I might interject here that I received a rather exhaustive study on this and I sent it out to some economists at Iowa State University, the research center out there, because I wanted to have them put their best thinking on this, and it was quite interesting

to me, and certainly they have no axe to grind out there, that they came up with the conclusion that $2.25 was about the right figure on it for all of these purposes, and I thought it was a very interesting thing that the Secretary came out with the same figure.

I mention this because I know that you, Mr. Staley, have dealt with Iowa State and you know that they are not grinding any axe for anybody. They are just trying to come up with the best answers.

Mr. STALEY. Right.

3. The restriction of storage facility loans——

Senator YOUNG. If I may interrupt a minute, not long ago the Grain Exchange in Minneapolis did something that adversely affected the wheat farmers. In the past No. 1 wheat could have a test weight as low as 58 pounds per bushel. They raised that to 60. It was another way of rooking the farmers.

Mr. GRAHAM. They changed the grade by one.

Senator YOUNG. Fifty-eight-pound wheat can be just as good milling wheat, sometimes better than the 60-, or 61-, or 62-pound wheat.

Mr. STALEY. Right.

The CHAIRMAN. Now, reverting to the question asked by Senator Miller about the soybeans, just as the Senator from Oklahoma pointed out, about the 15 cents here, you are not specific in it. Now, the reduction was not in recent months from $2.50 to $2.19. It was from $2.50 to $2.25. Isn't that right?

Mr. STALEY. Well——

The CHAIRMAN. I mean the first reduction.

Mr. GRAHAM. May I try to explain that to the Senator? The $2.50 for No. 2's really meant that No. 1's were selling 6 cents higher, which was $2.56 for No. 1's. So what they did, when they reduced this on No. 1's—on No. 2's to $2.25, they had a difference really from $2.56 to $2.25.

The CHAIRMAN. Did you say a while ago that the first reduction was from $2.50 to $2.25?

Mr. GRAHAM. I was wrong. $2.50 were No. 1, and No. 2 then would have been $2.44.

The CHAIRMAN. Why don't you say that in your statement?

Mr. STALEY. We can qualify it if you like.

The CHAIRMAN. It is certainly misleading.

Senator DOLE. Is it still only 25 cents instead of 31?

Mr. GAHAM. The total reduction, because they changed the grades, it was 25 cents plus the 6 cents from a change of grade.

The CHAIRMAN. Then on the first reduction there was a decrease of 25 cents.

Mr. STALEY. But the addition——

The CHAIRMAN. Am I right or wrong?

Mr. GRAHAM. That isn't quite right. The difference is you based the price of apples and you were selling pears, too. This is where the problem comes in. There is one price—$2.50 was for No. 1's but they did not reduce that price to $2.25 for No. 1's.

The CHAIRMAN. You mean the first time?

Mr. GRAHAM. Yes.

The CHAIRMAN. How about the second time?

Mr. GRAHAM. They changed—wait a minute. They just reduced it once.

The CHAIRMAN. No, no. They have just simply extended it.

Mr. GRAHAM. Yes.

The CHAIRMAN. The first reduction was 25 cents, then the second reduction you said——

Mr. GRAHAM. No. No.

The CHAIRMAN. Well, you have got——

Mr. GRAHAM. Let's see if we can write it out more completely so we can get it where it will be fully understood.

The CHAIRMAN. I will suggest that you take your statement in respect to those two items and decribe what you have got there. If you have got anything else that we can discover.

Senator DOLE. There are others. In fact, the next six.

The CHAIRMAN. Simply put it as it is.

Mr. STALEY. Okay. We will be glad to do it. We will get you the ASC regulations that they sent out. The previous ones, and then the new ones.

The CHAIRMAN. Well, I saw a recent announcement where the support price was retained at $2.25.

Mr. STALEY. This on No. 1 beans; correct. That is right. This is what we have said.

The CHAIRMAN. But you don't say that here.

Mr. STALEY. We will be glad to qualify it.

The CHAIRMAN. That is what is misleading.

(The supplemental statement filed by Mr. Graham is as follows:)

Before reduction of supports, the support price on No. 2 Soybeans was $2.50. The market price shows a differential of 7 cents between No. 1 and No. 2 beans so No. 1 beans were $2.50 plus .07 or $2.57.

Changing the support price to $2.25 for No. 1 beans leaves a difference of 32 cents.

The support on No. 2 beans then reflected the 7-cent differential so they then were supported at $2.18.

Either way, the comparable prices declined $0.32 for each grade.

All right. Proceed.

Mr. STALEY. The farmers out there dealing with it every day understand this and they know, and I just—we will get the regulations that were given on it.

3. The restriction of storage facility loans to the point that they are of little value to the farmer which deprives the producer of a means to prevent forced sales of grain at harvest time.

Senator DOLE. I don't understand that one. Can you explain how many dollars are involved there?

Mr. STALEY. There were three things. Well, I think the thing that really affects us is whether a farmer is forced to sell at harvest time, Senator, and whether he can get the money.

Senator DOLE. What has been done? Have there been some forced sales? Do you have any records?

Mr. STALEY. Yes. In a lot of the areas there were forced sales, particularly areas that had switched from cotton acres to soybean acres where they have no storage.

A copy of the changes—I would want to stand corrected on this. I am basing this on memory. The interest went up but this wasn't the important factor. It used to be that—I know from my own experience because I went and got 12,000 bushel bins, two bins set up, about

15,000-bushel storage on my own farm. This time when I went there were several restrictions. First, if I remember—and I don't want this in the record without being able to justify it by what has happened—the first thing that happened, instead of you being able to borrow 90 percent on it, it was reduced to 65 percent that you could borrow, and the next point was that you then, if I remember correctly, you could only—you could borrow for only on that amount that would cover 1 year's storage. This was a change to what it previously had been.

So it was—they figured if you had enough storage for 1 year's crop and you had 1 year, that was all. They wouldn't loan to you.

And then there were a lot of different things that went into the drying facilities, that changed. It was a very complicated situation that developed out there.

Senator DOLE. The only point I make is it could be better, if it were a general policy, and if there were some reason for the change not just an arbitrary ruling, such as a shortage of money. We ought to have more than just a conclusion. The same way with No. 4 and probably No. 5 and No. 7.

Mr. STALEY. I say these points are debatable from the point of view but to a farmer that had to sell at harvest time, and on soybeans or because he could not get facility loans, and he sold soybeans in the Arkansas Delta, southern Missouri area, down the delta—I am using this as one example, there are many more—that sold his soybeans at harvest time for $2.19 to $2.22 now when the soybeans are something like $2.45 in that area; this is a subtantial loss because he was not able to secure facility loans where he would have under normal——

Senator DOLE. The only point I am making, let's complete the record, not just make a statement. I say the same with reference to points 4, 5, and 7.

Mr. STALEY. Well, we will be glad to get the previous regulations that they operated under, a copy of those, and we will then put in a copy of the present regulations.

Senator DOLE. If there is no reason for the change, maybe we can correct it. That is my objective.

Mr. STALEY. This is the reason we bring it up. It is rather serious.

Senator DOLE. This is a severe indictment of the Nixon administration, and since there are five of us on this side, we are glad to be looking at that.

The CHAIRMAN. With only one Democrat present, I guess it would be a heck of a spot for me to be in.

Mr. STALEY. As Senator Dole knows—he has spoken to our State meetings—we have never played any favorites and we want to point these points out because we feel as we go on through that these are points that the congressional leaders are going to have to take a more active interest in because what we are talking about is not something that has just happened now. It has been a long-term progressive effect of continuing to decrease the use of many of these things for farmers, not just this time but for the last 10 or 15 years.

Senator DOLE. At least you haven't suggested any of us be replaced like you did with the other fellows.

Mr. STALEY. And I would furnish the statements of each of those people to back this up, if you would like.

Senator MILLER. Mr. Chairman, I just would like to make a comment in connection with Mr. Staley's statement that some of these people had forced sales because they couldn't get facility loans.

I can understand another reason for that. That is because they couldn't get boxcars in to ship some of this grain out. And I have had many, many complaints—I have had far more complaints on the basis of the fact that we didn't have enough boxcars around than I have on the basis of the fact that they couldn't get facility loans.

I think that ought to be brought in and I would like to add one more thing, referring to what I said about the Secretary's decision on this lowering of the price support on soybeans.

The staff has given me a report here which shows that carryover of soybeans for 1966 was 90 million bushels; in 1967 it was 166 million; in 1968 it went up to 324 million, and in 1969, which is the year in which the Secretary made that, it went up to 365 million bushels.

So I think that that was the basis for the Secretary's decision. I would guess that is the basis for the Iowa State study rather than any desire to lower income for farmers. It was just a case of where these surpluses were getting out of hand.

Mr. STALEY. May I answer you on the facility loans, Senator? I think, though, what you are saying is that the very purpose of the facility loans is to keep the farmers from getting in position so that they can put the storage on their farms so you wouldn't have this accumulation of grain that had to be moved at harvest time, so that when you did not have, and this was the situation in several areas, some places in Nebraska they had to pile it on the ground——

Senator MILLER. That is right.

Mr. STALEY. But I think the point I am trying to make, in making an analysis of the situation, the very necessity of having storage facility loans adequate so that they do have places to store so it does not glut the market at harvest time, and so they are not forced to sell. That is a very vital, important point.

Senator MILLER. That is right, but when you are trying to draw a line on how much to make and you look at the previous years' availability of box cars, and then this year for some reason or other they get stuck in the East and you don't get them out there, then I think that that should be taken into account. Some of these things are unexpected and as you well know, a good many of us have taken some action to try to relieve that box car problem, but I have had more letters of complaint on the failures to move grain, based upon the unavailability of box cars than I have had on the nonavailability of additional money for storage facilities.

Mr. STALEY. May I ask a question, though? Did these complaints come from the elevator people or the farm people?

Senator MILLER. Both.

Mr. STALEY. Well, the elevator people I can understand. The farm people——

Senator MILLER. The farm people were complaining because they went down to the elevator and the elevator couldn't store it, and the elevator operator said if I can just get some box cars in here we can get it out and take care of your grain.

Mr. STALEY. One thing we would like to do is either get some congressional action on facilities loans or at least get the administration to change their position on it.

Senator MILLER. I think we are going to do both. But work on the boxcars. We already did on that tax bill last year. I hope it will be productive.

Mr. GRAHAM. Senator Miller, may I interject that this boxcar thing as you well know is nothing new. Every year we get in that same jam and you are perfectly right, that has got to be solved some way. It is a pressing, eternal problem that we have had.

Mr. STALEY. They are two separate matters, but still they are connected and coordinated as far as the welfare of the farmer.

Senator MILLER. And the farmer gets caught. That is right.

The CHAIRMAN. Proceed.

Mr. STALEY. No. 4. Decreased acres eligible for diversion payments for wheat and feed grains.

5. Reduction in projection of cotton yields to offset legal increase and program payments.

Mr. GRAHAM. May I make a quick explanation of that? The cotton payments went up because of the amendment named after the chairman of the committee that was on the cotton bill.

The CHAIRMAN. That is 65 percent of parity.

Mr. GRAHAM. Right. Then they reduced the projected yields by 13 percent and this is just about an equal offset. In California in some areas they are reducing the projected yields another 13 percent, which is the basis on which these payments are made.

The CHAIRMAN. What was the difference in the formula used at that time compared to previous years?

Mr. GRAHAM. I don't know. Not now.

Mr. STALEY. The call that we had from California representing several cotton farmers out there was that they had reduced the projected yield some 10 percent, which was in line with this. They bought their fertilizer and everything on the basis of this and now after having this, what they are planting out there—it has been reduced another 10 percent projected yield, which cuts down the payment which has a very detrimental effect.

The CHAIRMAN. I got quite a few letters in regard to the subject. I called a certain Mr. Palmby, I think, to discuss the matter and then those complaining also went to the Department, and we tried to get reasons for the action and it still is unsolved. If you can give us any information as to whether or not the change in formula previously used—we would like to get that.

Mr. GRAHAM. As I remember in the legislation, when the Ellender amendment was added to it, there wasn't a corresponding change in formula in your amendment; was there?

The CHAIRMAN. Well, it wasn't done at the time. This change took place after, as I understand it. Now, if I am incorrect in that I wish you would——

Mr. STALEY. That is the way I understand it. And the calls just came in, another 10-percent reduction in projected yields?

The CHAIRMAN. This situation developed as I recall last year.

Mr. STALEY. Right.

The CHAIRMAN. There was no complaint before that.

Mr. STALEY. Right.

The CHAIRMAN. Now, evidently they must have used a different formula or changed it or reduced it last year from what it was the year

before. And that—if you have any—if you can produce any facts about that, or evidence, I would appreciate it.

All right. Proceed.

Mr. STALEY. Six. No advance payments. This is bodly needed money by producers and is really a hardship for producers in preparing for planting. Legislation should be passed to require 50 percent advance payments.

Senator MILLER. Mr. Chairman, I would like to make a comment on that, in fairness, to keep the record clear. It is true that decision was made not to have any advance payments, but it is also true, and this should also be shown, that the decision was made to accelerate total payments, those which had been coming in in late September or October, and into July.

So, to complete the picture, I think we ought to be fair about this and say, yes, a decision was made that there will be no advance payments, but there was another decision made which was on the plus side.

Mr. STALEY. I don't agree that the other was on the plus side.

Senator MILLER. You don't agree that accelerating payments which normally would come in in October into July is on the plus side?

Mr. STALEY. In fact, I think that this is not correct the way it is going to happen. If I remember right, my last advance payments have been coming sometime in August, if I remember. I could be—I could go back and check.

Senator MILLER. Your last advance payments? Your last payments——

Mr. STALEY. Last program payments. Not the last advance payments. I stand corrected.

Now, I read the other day, it may still be in August now but the important point is that there are two important considerations as far as the banker is concerned. This is where advance payments are concerned.

The first is there is no certainty of crop which the fact is that if he complies this is really immaterial. But as far as credit considerations at the February-March period of time, that is the most critical period because that is when he has to have his biggest draw on production money on a grain farmer, and this is what we are talking about, a grain farmer.

Senator MILLER. I thought that most of the grain farmers carried their crops over and sold them at that time.

Mr. STALEY. Well, what I am talking about is the production costs. He has to go in and make arrangements for his seed, fertilizer, and all, some time before the first of April and whatever money he gets then is just that much money he won't have to pay interest on, but the important thing is of the credit consideration, if he has got this much cash to pay down, it helps his credit that much, and this is the reason, and particularly now, and this I do not know how factual it is, all I am doing is hearing a lot of reports that——

Senator MILLER. I have had letters complaining about this. I have pointed out that on a national basis the Department states that only 12 percent of the payments have been advance payments and that as a compensating offset for not having advance payments, they were go-

ing to accelerate the total payments from October or September, or maybe as they came in in late August into July, and I am told that they have the authority and the mechanism to make those in July and that should relieve the borrowing at the other end. And I have asked the people who have written to me to let me know whether it works out that may because I don't know whether it is going to work out that way or not.

I want them to let me know so that we will find out whether or not this has worked out that way.

But my point in picking this up is that I do think that the whole picture ought to be given here.

Now, if it doesn't work out that way, then that is something else. But the decision was made to accelerate payments and that is the first time that decision has been made, as I understand it.

Senator Bellmon. Mr. Chairman, let me make a comment. I agree with Mr. Staley on this point but I think they can do both. They can make an advance payment and they can still move up the payment of the second half and get it to you in August. There is no sense in dribbling this money clear up to Christmas. That is what happened in our country and I don't know why they wouldn't write the checks. They owe the money. They might as well pay off.

The Chairman. As I stated early today, I think there is merit in having these payments and if we do have them, we will make them uniform. Make it apply to all crops.

Mr. Staley. That will be fine. I would like to, so the record doesn't show that I finished a statement saying I wasn't sure of the facts, that was not pertaining to farmers' need of credit, and when they need it. That I know.

Senator Miller. I am sure this is true.

Mr. Staley. The other part is that what I understand, and something I think we should watch very carefully, we have various reports from almost every State and it is at this point a little hard to determine what the credit situation is because of the interest and tight money situation that is developing, but we keep getting reports from substantial operators that the money has left the rural banks in many cases for higher Treasury notes and outside outlets which is meaning the availability of actual money in the rural areas is greatly—is not available as it has been in the past which, Senator Miller, would be a very important factor of giving the cash at that time, too.

This is the part I was referring to.

No. 7. Stepped up recall of grain under loan which is used to keep prices low. This is the most serious possible misuse of Government programs to control farm prices.

Senator Bellmon. Wait a minute. Let's be specific again.

Mr. Staley. All right. In the last few days, this week, the Government recalled the wheat on 1964, 1965, and 1966, if I remember right, on farms. They recalled the 1967 commercial storage wheat.

Now, this is at a time, and this has not been our objection just with this department, it has been a continuous objection for a long time of the use of Government stocks that every time the price starts showing a little strength, then we see movement of grain.

Senator Bellmon. Don't we have requirements that prohibit the sale of these commodities at less than a certain percent of parity?

Are you suggesting we should raise that?

Mr. STALEY. Yes.

Senator BELLMON. Apparently if what you are saying is true, the Department is operating according to the provisions of law.

Mr. STALEY. Well, what happens is there is corn which was released in Iowa—I have forgotten the exact figure—9 million bushels the week before last. What happened is supposedly it is going out of storage, out of condition, storage condition. What happens is that we have had some of our people buying, members in the various counties buying and some bins—it is a real question of whether it is or whether it isn't out of condition when you send one grain out. One place you will get a grain that it is, and the other you won't.

We have been sending it to independent grainers. The whole fact of the matter is that now is a time when it was showing some strength. We have milo that was used in—the milo grain sorghum price has greatly increased in our area and others, and we had a very serious struggle with the department over the release of these. It is a situation where as far as we are concerned it ties in with whatever you want to call it, a reserve, set-aside, or carryover, that that part that should be the total responsibility of—the entire population of a certain amount of necessary reserve supplies. The trouble is that right now, when the farmers are held totally responsible for carrying all the reserves of food that is necessary in this country in the way of grain supplies, as far as the market interests are concerned, this total amount is available for the market. They can use the regulations, rightfully or wrongfully, to release the grain, and it can be very detrimental to the price when there is starting to be some strength in grain prices. This is a matter that——

Senator BELLMON. You are saying the department abuses the present law by claiming that these feed grains are going out of condition and they sell them at a lower price than the law allows.

Mr. STALEY. It has been done.

Senator BELLMON. Do you have proof of this?

Mr. STALEY. We can send you tests of grain showing that as far as the independent tester is concerned——

Senator BELLMON. It would seem to me somebody could be prosecuted for this.

Mr. STALEY. This is a matter of judgment on it.

The CHAIRMAN. How old is that grain that was released?

Mr. GRAHAM. It was corn—1967 corn.

Mr. STALEY. 1967 elevator storage.

Senator YOUNG. The farm stored wheat was 1964, 1965, and 1966 crops.

Mr. STALEY. But elevator storage from the 1967 commercial storage, and there should be no reason why commercial storage grain should be going out of condition, just 1967 grain.

Mr. GRAHAM. Certainly not. My gosh, they took wheat out of King Tut's Tomb and it grew. Literally the truth. Corn will go off condition in 5 to 7 years. But this is cutting it pretty close.

I think the other thing Mr. Staley didn't say was in the case of the recall of the grain sorghum, that broke prices 35 cents on the country elevators.

Senator BELLMON. That program was quickly discontinued.

Mr. STALEY. Yes. We were in the middle of that one and we appreciate the department doing that. I mean we really do. And we meant it and said it and we sent word to them publicly that we appreciated it. But there was the matter again of our concern about grain being used in this manner when the market starts showing some strength.

Senator BELLMON. It seems to me the law needs to be tightened up if they are able to get around it.

Mr. STALEY. This is the reason we brought the point up. We think these are the types of things that are going to have to be written, studied very carefully for congressional action rather than administrative judgment on some of these points.

The CHAIRMAN. Proceed.

Mr. STALEY. Cotton producers are being hurt very badly now because of the latest adjustments in projected yields that we had the complaints on. It is time that Congress wrote into law specific policies to be followed by the Department of Agriculture.

Administrative decisions seem to be all that can be left in the Department of Agriculture.

That is getting back to the point that we were bringing up these points, Senator Bellmon, for real deep consideration of many of these methods that have not just pertained now but have been happening for a long period of time.

It is time that farm programs be taken out of politics and the discretionary power of the Secretary be taken away wherever possible as far as making decision on farm prices or being able to make administrative decisions that can be used to keep farm prices low.

Now, this refers to the very point of having discretionary authority from 0 to 90 percent authority. We feel very strongly that there has to be minimums put in the law.

The CHAIRMAN. I think the committee has agreed, in fact, we discussed it, that 65 percent of parity is about as low as you should go.

Mr. STALEY. I think that is a matter, since it is the farm coalition that we will meet, and I would rather not state what our recommendation would be. This is part of the coalition bill. But I think we definitely—at what rate I think we definitely all know that we have to have some minimum rather than to have that much discretion.

The CHAIRMAN. A floor.

Mr. STALEY. Right.

Senator YOUNG. Mr. Chairman, I was greatly disappointed with the draft farm bill that was put out, and I still don't quite understand the reason for it because it doesn't represent the final views of either Secretary Hardin or President Nixon. I talked with both of them and, this is the encouragng part of it, they are willing to give and take. I am convinced that if we write a bill something along the line that we have now, the President wouldn't be averse to it. I think the chairman has much the same view.

The CHAIRMAN. That is right.

Mr. GRAHAM. We were of the same opinion and I guess it might just as well be put in the record. All of us have had lengthy conferences and consultations with people in the department and we thought some of those things that were most objectionable when they put out a draft

of the draft were going to be removed, and we were quite surprised when the draft came out and it had the same things in it.

Senator YOUNG. I think one of the real problems is the Secretary has had to work with a great number of Members of the Congress, especially the House, some of whom don't believe in any farm program at all. They are trying to develop the majority necessary to pass the bill.

The House chairman had a difficult problem and he is doing the very best he can, I think.

Mr. GRAHAM. We have got one problem in the President's office, though, in terms of Dr. Houthhaker. I heard the speech he made at North Carolina State where he said the support process should be dropped to where they were actually at disaster price levels.

Now, this is pretty high caliber advice, to be advising that.

Senator MILLER. May I add this, that I am pleased to tell you, however, that Dr. Houthhaker is only one of three and the other two members of the Council of Economic Advisers, including the chairman who, as you know, is a former Iowan, are not in agreement with Dr. Houthhaker. So I mean you are going to find some differences of opinion.

To me what is important is whether you have got a lone wolf out here making a speech or whether that is the majority on the Council.

Mr. STALEY. Senator Miller, as you well know, and in your fine speeches you have made at our State meetings what we are trying to do is make the political leaders of either party aware of the problems and hopefully they will correct them, but we are nonpartisan, bipartisan. All we are interested in is seeing that farmers get as much income as they possibly can and everything that you can do as we did in previous administrations to urge correction of these and maintain farm income, that is the reason we point them out.

Senator MILLER. My only point on this, Mr. Staley, would be that in any group of economists you are going to have different views. The President has tried to appoint three able economists. Some have greater expertise in some things than others. I can well understand the sensitivity of farmers to a couple of statements that Dr. Houthhaker made. I might say that I shared them. I might say that I tried to do something about them.

I think what is important is whether or not this represents the view of the Council of Economic Advisers or only one member, and I am glad to tell you it represents the view of only one member.

Mr. GRAHAM. We have no way of knowing that, Senator Miller. We don't know whether that is official pronouncement of the administration or not. When a man goes out from the Council of Economic Advisers and makes a speech——

Mr. STALEY. We are glad to hear the other two may not have the same opinion.

The CHAIRMAN. You withhold your criticism until the Congress acts. We have something to say about it.

Mr. GRAHAM. I haven't been with the NFO but a year but I well remember the hell they raised with John Schnittker and the department before when they pulled in 2 years' corn crop and broke farm prices before.

Senator Bellmon, this isn't anything new. They have been pretty consistent on this.

Mr. STALEY. That is right.

Senator BELLMON. Mr. Chairman, if I may, I would like to just say—I am a farmer and I feel like the Department of Agriculture is very frequently operated as if it is not the farmer's friend, and I intend to see it is stopped, or do everything I can to see that it is stopped, and I don't approve of some of these decisions that you say have been made.

I wasn't aware of them. I want to ask specifically about the NFO's operation, which I don't see too much about here in the statement, but let's assume I am a wheat farmer and an NFO official comes to my farm and wants to become my agent. That is the word you use. And I sign a contract.

Mr. STALEY. Bargaining agent.

Senator BELLMON. And I sign a contract that lets you handle the sale of my commodity. Is this right? This is the way do you it?

Mr. STALEY. We are bargaining agents but we cannot make a contract that binds you until there is a two-thirds vote approval of the members affected.

Now, we have not operated that far yet in binding contracts with the members. It is all strictly because of the membership agreement. It says you shall be free to market as you choose until such time as the two-thirds vote.

Senator BELLMON. Let's assume you go ahead and get the two-thirds and your arrangement, goes into effect. What would be the goal of the NFO in its bargaining arrangement? What do you propose to do?

Mr. STALEY. The goal is cost of production, plus a reasonable profit.

Senator BELLMON. Let's get specific. On wheat, what would this price be?

Mr. STALEY. Well, on the wheat we would take the factor at the time the contract went into effect, and supposedly there is complete success, because with it couples the surplus disposal program, promotion program, when this contract goes into effect. Two percent goes into surplus disposal. A half percent goes into promotion.

Senator BELLMON. But you still haven't answered my question. How much will you give me for my wheat?

Mr. STALEY. That would be the determination that would be based—well, it would depend upon what position we had in bargaining.

Ultimate goal? It would be based on the cost of production plus a reasonable profit.

Senator BELLMON. Get down to dollars and cents. How much a bushel for the wheat?

Mr. STALEY. This will have to be determined at the time the contract is signed because the factors change. The cost factors change and so what we do is to take—at one time we had hogs. We had $22.75 on hogs. They would have to be considerably higher.

Senator BELLMON. Let's stay with wheat. I want to know how much you are trying to get for wheat that you have under contract now. I have a reason for asking this.

Mr. STALEY. Well, we are not that far along in bargaining. Now all we are doing——

Senator BELLMON. Let me put it to you this way: Do you intend to bargain for a price that is what we call an American price for wheat?

Mr. STALEY. Yes.

Senator BELLMON. What are you going to do, then, in my case? Let's say I am a wheat farmer with, say, 300 acres of wheat production. If you get an American price for my wheat, what is going to happen to the rest of my production?

Mr. STALEY. All right. The surplus disposal program money from all commodities goes into a central fund and on this we would hope to probably attack it in three different ways. We would be happy to be able—and I say hope because at this point it has not actually operated in full capacity. We are in intermediate steps where we are signing intermediate contracts.

Senator BELLMON. But I think you have to know what you are trying to contract.

Mr. STALEY. This we do. If you will just wait until I finish you will find out. I will explain it to you. Because what you have here in a situation I am talking about, three levels really.

The first level of bargaining is where we are at now, where we can have enough production together, where we can go in the market because of volume and because of the ability to deliver this volume on a quality basis. This is the level we are at now.

Senator BELLMON. Let me call your attention to your statement on page 4, "They will not be fooled by hedging, political statements."

You are not fooling me a bit. I want to know how much you expect to get for my wheat.

Mr. STALEY. I must let the politician go ahead and talk, at least, but if you will let me finish I will tell you three levels.

Senator BELLMON. All right. Let's get to the point.

Mr. STALEY. All right. You want me to just talk about the one utopian goal that we intend to reach, or do you want me to talk about the steps leading to that goal? I will talk about where we are now.

Senator BELLMON. I have neighbors that write me every day saying what a wonderful thing NFO is going to do for them, what they are going to get for their wheat, and I want you to tell me what you have been telling them.

Mr. STALEY. We are already proving it to them because in this first step we are in now, we are taking wheat on a volume basis that usually means a few more cents a bushel. It means a protein payment they have not gotten in the past. Usually in many areas like yours the farmers generally—the producer has gotten 11, 12-percent protein, an exceptional protein payment that is based on the price. We have been able to get protein tests where we have supervised, along with the companies that we are dealing with, intermediate people that would help inspect, it goes up considerably higher. This is the first step. This is what we are doing right now in many areas.

The second step is to improve those contracts, to improve the volume and, of course, to raise the price level. That step that we are talking to farmers on the basis of volunteering at this point, putting part of

their total production into a pool to help develop new markets at whatever price they can get to compete in world prices while they are maintaining the better price, the American price level.

The third step is the ultimate goal of contracts where the producers, the NFO members, have, by a two-thirds vote approval, approved contracts which then makes their—they are bound with a 10-percent penalty clause if they do not deliver as the members had voted.

At that point you have a half percent going into promotions, 2 percent into surplus disposal programs, that goes into a total surplus disposal program on all commodities, grain being one of the most vital commodities. You can do something on cattle, hogs, maybe some other commodities on reducing the tonnage through contracts with incentives of vital weight hogs and cattle which means we should be able to keep the production in balance with consumption on several commodities by the use of contracts.

But then we would be able to take the surplus disposal money from those products and put it into a total fund that could be used largely on grain.

Senator BELLMON. You haven't answered my question.

Mr. STALEY. You want to know what price?

Senator BELLMON. Right.

Mr. STALEY. I think the price is $2.60 or something of that nature.

Senator BELLMON. So you propose to sell the American wheatgrower on the idea that by joining your organization he can get $2.60 a bushel for his wheat.

Mr. STALEY. We don't promise him anything. We promise that farmers will have the economic power and economic strength if they get together to meet their problems. That is all we promise. Because nobody can promise anything until you have the farmers willing to do it.

Senator BELLMON. All right. Now, you are going to get $2.65 a bushel for my wheat that I raise on my 300 acres. Is that your proposal?

Mr. STALEY. We would get that for the portion that we could get the American price for, including payments.

Senator BELLMON. All right. How much is that?

Mr. STALEY. Well, that would be determined on the usage that particular year.

Senator BELLMON. We are talking about a real situation. What is it today? What is the usage?

Mr. STALEY. About 43, 44 percent.

Senator BELLMON. That is right. So I would, in my case, be able to grow 129 acres of wheat for that price.

Mr. STALEY. The organization cannot set production controls. Only the Government can do that.

Senator BELLMON. But the organization can raise the expectations of wheat farmers to an unrealistic level.

Mr. STALEY. We are not doing that.

Senator BELLMON. You are if you are talking about me getting $2.65 a bushel for all the wheat I raise. This is my point. You have gone around and made a lot of people believe unrealistically. You are doing them a disservice, you are doing a disservice to the committee. We want to help the farmers but we can't do it when some outfit promises them pie in the sky.

Mr. STALEY. We are not promising pie in the sky and you do not understand the program. You don't understand it yet. If we had enough money in the disposal program——

Senator BELLMON. Whose money?

Mr. STALEY. Farmers' money who make up the members of the NFO.

Senator BELLMON. Two percent.

Mr. STALEY. From all commodities which might be enough if wheat was the only commodity that we had a problem with.

Senator BELLMON. So you are going to take money from the corn farmers of Iowa and put it into a fund to pay the wheat farmers of Oklahoma.

Mr. STALEY. We have told them and we stick by it and it is absolutely true and it has been proven by Government programs, if you do not work on all commodities and bring them up in relative balance, then it simply means that what is going to happen in any program, whether it is a Government program, whether it is a bargaining program, that it is going to be short lived, to have a short-lived effect, because farmers will shift their production from one commodity to the other. This has been true historically in Government programs when you get one product up above the others, unless you bring them up in relative balance, and that is the reason we explained to the corn farmer, the hog farmer, the producer, cattle feeder or anybody else, that any gains that are made in his commodity are going to be short-lived unless there is a total leveling of prices in an upward manner and within balance.

Senator BELLMON. Then do you feel that this committee is going to be duplicating your efforts if we stayed with the present two-price system for wheat?

Mr. STALEY. No. We feel that anything that the committee does in the way of price supports, in the way of land uses, is beneficial to bargaining efforts.

Senator BELLMON. But you are, by your holding up this price, this hoped-for $2.65 on wheat, and then your criticism of price supports at whatever level we finally arrive at, making it look to the wheatgrower as if the Government is falling down on its job and our problem, as I understand the situation, is that in this country at the present time we are producing about 60 percent more wheat than we need for domestic food consumption.

Mr. STALEY. Somewhere around there. 55—60 percent.

Senator BELLMON. You said 40.

Mr. STALEY. Domestic.

Mr. GRAHAM. That is for food purposes. There is some more——

Senator BELLMON. Domestic food. That is what I am talking about.

Mr. GRAHAM. Domestic.

Senator BELLMON. For human consumption.

Mr. GRAHAM. Human consumption is 43 and then we use some for seed and——

Senator BELLMON. Wouldn't you say that a program, and this is my reason for asking all these series of questions, would you favor a program that gave an American wheatgrower an American price for that portion of his production that is used for human consumption in this

country and give him the option of raising as much additional wheat as he wished for feed grain or world market prices?

Mr. STALEY. No. Not if you are going to destroy the other commodities in the process of doing it. Now, it depends on what the situation is as far as total needs, total usage of all the other commodities.

Senator BELLMON. Again, I don't like this hedging. We face a real situation. We know what the situation is.

Mr. STALEY. I will have to ask you a question, then, in order to answer it.

Senator BELLMON. OK.

Mr. STALEY. What are you saying, that you are going to do first on the type of a program that is going to do as far as land usage on feed grains is concerned? This is the first thing.

Senator BELLMON. The program that the Secretary has recommended has a set-aside for all export commodities which is intended to reduce total production to the level of consumption.

Mr. STALEY. But what about the price support?

Senator BELLMON. The price support, as I say, is established at near, so far as wheat is concerned, the world market price.

Mr. STALEY. What about the other commodities in the proposal?

Senator BELLMON. They are established at a percentage of parity, as you know.

Mr. STALEY. What does the provision say?

Senator BELLMON. Well, the Secretary's provision, and I frankly don't agree with him, he wants the leeway to set that percentage.

Mr. STALEY. What percentage?

Senator BELLMON. The percentage that he agrees, but the committee is going to have to choose a percentage of parity if we go the way I think probably we are going to head, but my point in this whole business is are we going to put the American wheat farmer 50 percent, 57 percent out of business and just grow the 43 percent for American production at $2.65 a bushel?

Mr. STALEY. What I am trying to say, and the point I was trying to get across, is that we have a total number of acres that we have cultivated, acres that can be used for the various commodities.

In some areas we have acres that can be used for either wheat, grain sorghum, or corn. We are talking about a total line usage, is really what we are talking about.

So to make a determination on what you are going to do on one commodity has to take into consideration how many acres you are either going to take out of production or that you need in the other commodities.

In other words, what I am trying to say is that that is the reason that you have to consider the total program and the total acres that you are goiing to use, and then the programs that can be used in the consideration of all the commodities.

You have got the same situation as far as the cotton acres are concerned. What is going to happen to the total acres where they can be shifted either to soybeans or to grain sorghum in several areas. So when you are talking about a program, you are talking about consideration of the total line usage and the need and the production of certain commodities that you are doing to have involved in the total program.

The CHAIRMAN. When you make your contracts with the farmer, do you take his whole acreage?

Mr. STALEY. Well, he contracts——

The CHAIRMAN. Senator Bellmon was asking about a particular crop.

Mr. STALEY (continuing). He authorizes the NFO to be the bargaining agent on all commodities he markets from his farm that he owns and controls.

The CHAIRMAN. Where did you get your authority for all this?

Mr. STALEY. Capper-Volstead Act.

The CHAIRMAN. You are organized under the Capper-Volstead Act?

Mr. STALEY. Right.

The CHAIRMAN. And you follow its laws?

Mr. STALEY. Right. Our attorney, our first attorney, was Lyman Hulbert who you probably know, who gave us the first legal advice, and now our attorney is Lee Sinclair who you probably remember as enforcement officer of P. & S.

The CHAIRMAN. How many founders have you altogether?

Mr. STALEY. We never even have totaled it up. We haven't released the figures of our members because in bargaining there are two things that are important. One is it is not the number of members. It is the amount of production they represent.

The other is that——

The CHAIRMAN. What percentage, let us say, of the wheat that you handle or any——

Mr. STALEY (continuing). I really can't tell you. We don't take it by commodity.

The CHAIRMAN. According to your opening statement here, the first two pages, you have made a utopia for quite a few farmers there.

Mr. STALEY. Well, I would want to say this. I will be glad to send you, which I know you are familiar with, the production figures on several commodities where we have had large participation in and from our members on hogs with about, approximately the same supply, for the hogs some $10 to $11 a hundred higher. We have feeder cattle with approximately the same production up a little, $4 to $5 higher.

The CHAIRMAN. Do you take credit for the high price of hogs and cattle that now prevail?

Mr. STALEY. Well, if the feeder cares, we were able to do something on fat cattle but we did not have enough production. We had contracts with packers in various areas, Upper Missouri River area mostly, that would have established the beginning of a floor price contract which said that our members would not receive less than 65 cents a hundred below the previous price close of the dressed meat market. We did not have enough when the drop came to enforce it. We would either have put the packers out of business or had lawsuits, one or the other, so we went to our voters and voted a stay, who had voted to approve that contract on this provision. In the grain sorghums, for the first time in 16 years they are above support price level with a carryover that you are familiar with.

Our contracts that were established were publicized, in the Farm Journal. We honored 204 contracts in the panhandle area. We were able then to sign contracts of comparable nature. By comparable na-

ture I am talking about transportation differentials, and all, in the other areas, or if we had not been able to, it would have meant that they would have shipped grain sorghums from other areas into there to kill the effects of our contract.

So these facts are all there, that with the supply about the same on these commodities and the people are participating in the commodities. The members I would say feel that they did—they just voted to increase their dues from $25 a year to $75 a year because they feel we are gaining. They had to do it by two-thirds vote majority, and they did it by 70.6 or 70.7 percent. So we feel that——

The CHAIRMAN. Any further questions?

If there be no further questions, the committee——

Mr. GRAHAM. Mr. Chairman, can we just clear one thing? We said something about adding—one was a legal brief on this section that has been added to the dairy and one on the IGA.

Mr. STALEY. And then the other——

The CHAIRMAN (continuing). What we will permit you to do is to attach to your present statement further explanation in line with what we discussed, and it will follow your testimony.

Mr. GRAHAM. Yes, all right.

(The statements are as follows:)

APPENDIX A

BREAKING THE INTERNATIONAL GRAINS AGREEMENT

The basic problem facing American exporters and American farmers in Jan. 1969 was the decline of markets due to increased production around the world. India, which had been our largest "customer", increased her production from 74 million metric tons in 1967 to 110 million metric tons in 1968. Two factors were responsible for this, the end of the drought and the introduction of the new high-yielding varieties of wheat. Pakistan, another of our major export outlets had the same results and for the same reasons. Indeed, Pakistan is predicting that it will become an exporting nation of wheat in another couple of years. India won't attain this goal, but it will become relatively self-sufficient. Good crops in Russia have reduced their import demands and caused her and China both to cancel their import commitments with Canada.

Good weather in the southern hemisphere added to the problems of production as did the increasing yields and production in the European economic community. There simply is too much wheat being grown in the world at the present time for its available markets.

The French sold a sizable amount of "feed wheat" to Taiwan in 1968 at less than the minimum I.G.A. price. Australia was manipulating her freight rates to give her an overall economic advantage, especially in the western Pacific market. The U.S. sold a large order of wheat to the Japanese which was not up to specifications. The Japanese refused to take delivery and it was necessary to renegotiate a price and to make a refund to the Japanese which brought the U.S. price considerably below the I.G.A. minimums. So the I.G.A. had been shaken prior to the beginning of the new administration, but it was not dead.

After intensive negotiations during the Kennedy Round in the General Agreement on Tariff and Trade, exporting and importing countries had agreed to sell and buy at prices above an agreed minimum of approximately $1.84 per bushel base price for No. 2 hard winter wheat.

On this basis, there was also negotiated a price schedule for the various classes and grades of wheat. An additional agreement was reached on a schedule of transportation charges to be levied by all exporting countries. Machinery was provided for the re-negotiation of both prices and transportation charges when one or more exporters were unable to sell their traditional share of the market.

Dispite the vigorous opposition of the grain trade and the American Farm Bureau Federation as they attempted to prevent an agreement and then to pre-

vent the ratification of the treaty by the Senate, the treaty was ratified by a 3 to 1 vote, considerably above the required ⅔ majority.

Immediately after the inauguration, on January 22, 1969 the U.S.D.A. announced extension of the then existing export subsidies for April 15 through August 31. This was an official indication that the U.S. was prepared to break the agreement which would result in long term downward pressure.

Between January 23 and February 13, the U.S. sold 747,000 bushels of No. 2 DNS, 14% protein to the Netherlands for an east coast price of $1.64—20¢ under the relevant I.G.A. level of $1.84 per bushel. During the same period, the U.S. also sold 1,717,000 bushels of the same quality wheat for a $1.70 per bushel, 14¢ under the I.G.A. price of $1.84. From February 14 to 20, there was registered a sale to Taiwan to 576,000 bushels of No. 2 west white wheat for a west coast price of $1.54 as against a relevant I.G.A. level of $1.62.

By the third week of February, it was understood that the U.S. and Canadian governments had received official notes from Argentina, Australia protesting that U.S. wheat prices in the Atlantic area were up to 11¢ per bushel below the I.G.A. level for European marketing, and that some wheats sold from Pacific ports were priced up to 4¢ below the minimum.

From February 21 to 24, there was registered a sale of 394,000 bushels to Brazil for No. 2 hard winter wheat with a gulf price of $1.64 compared to the relevant I.G.A. price of $1.73.

On February 28, a meeting was called by the Assistant Secretary Palmby to which the farm organizations and representatives of the grain trade were invited. The farm organizations were called on first and warned that they were not to discuss the reasons for the developing crisis, but to confine their remarks to suggestions of action to be taken. These instructions were followed by the producers who took about one half hour.

The grain trade and the Farm Bureau for one and one-half hours completely disregarded the previous instructions from the chair, without any objection from the chair, to state their opinions of what was wrong with the I.G.A. The obvious bias of the meeting caused some of the farm organizations, especially the N.F.O. to object vigorously and to insist that the U.S.D.A. try to use the Agreement rather than destroy it. The N.F.O. told the meeting at that time that it would fight the attempts by the grain trade and the U.S.D.A. to break the agreement.

On February 29 and March 1 there was held an inconclusive meeting of the major exporting countries. It was reported that the U.S. explained that it's sales were disadvantaged by the shipping rates and this fact was recognized. The I.G.A. recognized that shipping rates may change over time, and that this change would call for periodic adjustments among the exporters. The U.S. did not make any serious efforts to negotiate changes in the I.G.A. in the days following the exporters meeting. Nor did the U.S. suggest that the price Review Committee of the I.G.A. meet for the purpose of changing price differentials. This committee had been created specifically for the purpose of making periodic adjustments. It had been recognized at the time of the negotiations of the I.G.A. that price differentials could not be conclusively and permanently set for all time, and the changing levels of production and demand would require temporary adjustments among differentials to work within the provisions of the I.G.A. at that juncture.

By mid-March, Canada announced that it would no longer hold to the I.G.A. minimums, as it had been doing, and cut prices by about 10¢ a bushel. This action was taken after further consultation with the U.S. by Canadian Ministers and no sign was given by the U.S. of an effort to move back up to the I.GA. level nor to formally rearrange the price structure through the mechanisms of the I.G.A.

Two sales were registered March 21–27, 735,000 bushels of No. 2 hard winter wheat, 12% protein was sold to Columbia for a gulf price of $1.64 compared to the relevant I.G.A. level of $1.73. 533,000 bushels of No. 2 western white wheat was sold to Japan for a wets coast price of $1.57—5¢ under the I.G.A. level.

By early April, another meeting of the major world wheat exporters was held, at which the exporting countries agreed to work within the framework of the I.G.A. to strengthen prices. Little, however, happened, and again so as can be ascertained the U.S. made no persistent effort to negotiate through the framework of the I.G.A., any improvements in the situation which would have allowed maintaining some relatively stable prices. Sessions were held in London as background for the Price Review Committee, but the Committee

was not asked to consider any concrete action or actions. During the May 9–15 registration period, the U.S. sold 1,521,000 bushels of No. 2 hard winter wheat, 11% protein, to Brazil for a gulf price of $1.62—11¢ under the I.G.A. level. (This is not a complete list of sales, but only those reported by the GRAIN MARKET NEWS. In succeeding weeks, the sale prices were significantly lower, but the exact price and particular transactions are no longer published in the GRAIN MARKET NEWS.)

Serious trouble then arose in May over extremely low French offer prices to Taiwan, not a traditional market for France. Vigorous protests were made, it is reported, by the U.S., and the EEC agreed to rectify the situation, at least in part. Just how far the EEC was prepared to go, and just how persistant the U.S. was in laying down the specifics of the prices it believed were reasonable for France in the far east, is not clear. The indications are, however, that the EEC was moving in the right direction by late June, after Secretary Hardin's visit to Mr. Mansholt, the Vice-President of the Common Market.

Sometime in June the U.S. suggested, in an informal discussion with other exporters in London, that Article 8 of the I.G.A. be invoked and that the minimum price schedule in the I.G.A. be suspended. The other exporting countries reacted strongly against this. Shortly afterwards the Prime Minister and Deputy Prime Minister of Australia and the Prime Minister of Canada asked President Nixon to convene urgently an exporters meeting.

On July 10 and 11 such a meeting was held in Washington. Certain understandings were reached, under the threat of the U.S. suggesting that prices be suspended. These understandings, it was reported, were designed to firm up world prices, and allow sales by Canada and the U.S., who, in spite of price cutting, had not been selling, it is not clear what the precise undertakings were, but it is clear that the Common Market reacted vigorously against the subsequent cuts by the U.S. on hard red winter wheat in the Atlantic. In a July 28 report from Brussels by Richard Post, the Common Market is reported to be extremely angered by the U.S. price cuts. The EEC communique is quoted as saying that:

> "The European Community had counted on the United States and Canada abstaining from unilateral measures which did not conform to their terms of the arrangement."

It is difficult to believe that such a communique would be issued if the United States had been working within an agreed framework, taking into account the top level governmental consideration these issues have had in recent weeks. It is difficult to believe the U.S. exhausted every remedy through the I.G.A. and bilaterally with the EEC before making the recent cuts.

U.S. wheat prices broke 6¢ that day.

It appears that these cuts in the Atlantic were far bigger than they at first appeared. The basic cut on hard red winter ordinaries was about 12¢, but other hard red wheats seem to have been cut up to 20¢.

The cut was apparently made into Europe only. Subsequently, and not surprisingly, Brazil and Japan, major importers of U.S. wheat, became angry and threatened to cease purchasing of U.S. wheats. Thus the U.S. not only seems to have jumped ahead of the ministerial level decisions of July 10 and 11, but also to have offended two of its biggest customers in the process.

It is not surprising then, that further price cuts had to be made into Brazil and Japan, by August 13. Australia and Canada followed, since this action appears to have further breached what ever understandings were reached by ministers in July.

At no time, except for a brief threat made in June to suspend the prices of the I.G.A., does the U.S. appear to have made any serious effort to work within the framework of this international treaty.

Was all of this aggressive price cutting necessary? The I.G.A. provisions do provide for adjustments in an orderly, agreed way. No where does the I.G.A. say that the minimums are rigid and unalterable. On the contrary, the provisions treat the minimums as indicators of when prices are weak, and when corrective action is to be called for. Article 8, very carefully negotiated with this in mind, and as subsequently carefully explained to the United States Senate, provides for an orderly international procedure for adjustment. The provisions of Article 6, the article providing the price schedule, are clearly conditioned by all of what is said in Article 8. In addition, however, specific mention is made in Article 6 of adjustments in accordance with Article 8 and 31 (see para. 4). Moreover, paragraphs 5 through 11 of Article 6 all refer to computa-

tion of equivalent maximum and minimum prices in terms of "currently prevailing transportation costs." Paragraph 16 states flatly that all of the price equivalences in paragraphs 5 through 11 "shall be computed at regular intervals by the Secretariat of the Council with the assistance of the Sub-Committee on Prices, having regard to the costs of ocean transportation which reflects the current method of movement generally employed and on the most comparable basis between the ports concerned." Moreover, under these two Articles, 6 and 8, new prices can be set for new qualities, in addition to adjustments for existing wheats defined in the price schedule.

Another article which qualifies the provisions of the price schedule is Article 4, which defines in paragraph 6 that the terms "consistent with the price range" shall be interpreted to mean that any prices, even those below the formal minimums of Article 6, are consistent with the price range if the provisions and procedures of Article 8 are adhered to.

What is important here to note is that the U.S. does not at any time appear to have tried to use the provisions of Article 8, and it seems to have ignored all of the provisions regarding price. The only reference to the provisions was in June when the U.S. government suggested suspension, not implementation, of Article 8.

Does cutting prices make any economic sense in the present world market situation? All wheat exporting countries have heavy surpluses. The world overhang will probably increase somewhat in coming months. On the other hand, Australia already seems to be taking steps to restrain production, and Canada seems ready to undertake measures of restraining.

The U.S. Department of Agriculture announced a 12% reduction in acreage in August. There is no evidence that this reduction was discussed with other countries, or that commitments were sought in precise terms as to what reductions other countries were prepared to make. Again American farmers were asked to bear the total burden of supply management for the world.

Demand for wheat is fairly unrealistic. As Senator McGovern said in the Senate on July 31:

> "A lower world price will not result in significanty larger wheat sales. Lower prices would only be helpful if the United States could move down alone, while other countries held back on their sales. But that degree of cooperation, where others agree to sell nothing, is impossible."

He also said:

> "Even if there were no I.G.A., the exporters under present market conditions would still need to seek some reasonable live-and-let-live understanding in order to avoid costly price wars. Moreover, no one among the key importing countries will be grateful for price wars. The United Kingdom will oppose substantial price reductions because of the interference with her domestic programs and will adjust her levies accordingly. Japan will oppose drastic downward movements because of her rice accumulation at high support prices. Those developing countries which are becoming increasingly self-sufficient and improving their export position will oppose major declines because it will damage their own export prospects."

World price cutting by the U.S. can be matched by the EEC. In fact, as U.S. wheat prices come down, EEC levies go up, helping to finance export subsidies for cheaper European export prices. The U.S. and the EEC have the money to compete on the basis of government budgets, but other countries do not. That is competition on the basis of subsidies, not efficiency. It is competition which does not hurt the country said to create the major problem for U.S. wheat.

If average world sales cannot be directly increased by price cuts, the purpose must be to let prices fall to the level necessary to make wheat competitive with other grains for feeding. This means an attack on domestic grain supports generally, obviously.

There is no reason, if that is not the objective, that the U.S. cannot in the present world surplus situation, work together with other countries to moderate the price effects of surpluses. The present world situation requires cooperative effort to relieve the burdens, while maximizing foreign exchange earnings at minimum budget costs, and not price wars which are self-defeating and have opposite results.

The results of these actions have been to increase government costs of subsidies, to reduce gold earnings, to depress domestic prices for wheat, to reduce the EEC demand for U.S. feed grains by pricing wheat down to the feed grains level and increasing the subsituation, to but further alienate out two great friends

among the exporters—Canada and Australia, and to seriously disturb the possibility of holding our two most important export markets—Japan and the EEC.

Recent consultations between Secretary Hardin and Vice-President Mansholt of the EEC have created some stability in the export market but at unacceptably low levels. However, the negotiations are continuing. Whether or not the main negotiation which is necessary will be attempted is not clear. That would be to renegotiate the prices and price schedules and transportation charges within the framework of the I.G.A. It may be significant that some progress was apparently made by these two great leaders in their consultations in Washington, D.C. on November 21 and 22. It may be significant that Mr. Palmby was in eastern Europe during this time. American agriculture and the national financial welfare would be best served if he were to be assigned permanently to Bucharest, Rumania or Vienna or Warsaw or some other equally important partner of the United States.

Appendix B

Analysis of Proposed Amendment to Sec. 8c(15) of Agricultural Marketing Agreement Act, Contained in Farm Legislation

The undisclosed intent and effect of the proposed amendment to Sec. 8c(15) of the Agricultural Marketing Agreement Act of 1937 is to strip the farmer of his right to effectively challenge a regulation of the Department of Agriculture. It takes away his present right to go into a U.S. District Court to seek a preliminary injunction against the Department in respect to a regulation that is illegal and discriminatory. It does so under the guise of affording the farmer an "administrative remedy" before the Department of Agriculture.

On its face, the proposed amendment appears to be giving the farmer the right to appear as an individual before the Department in an administrative proceeding for the purpose of challenging a regulation. But the farmer already has this right and, indeed, no regulation can even be issued without an administrative hearing and a decision containing findings in respect to the basis for insurance of a regulation. Hence, it is clear that a second administrative hearing would be totally unnecessary and duplicative of the first administrative hearing. It is also clear that the forced unnecessary second administrative hearing is proposed as a substitute for the present right of the farmer to challenge a regulation in the District Court.

The proposed legislative amendment takes away such right without advising you of such fact. At the present time, the farmer may obtain a preliminary injunction if he is sustaining irreparable injury as a result of an invalid regulation. If the regulation is exacting moneys from such farmer, the monies may be escrowed subject to the custody of the court pending a final decision in the case as to the legality of the regulation and the moneys exacted thereunder. The farmer may also proceed in the District Court as a representative of his class of similarly situated farmers in seeking relief from an unjust regulation, and his counsel fees, witness fees, court costs, etc., may be paid from the escrowed monies if the farmers are successful in their suit against the Departmental regulation.

Only three cases have been brought by grass-roots farmers in the past 35 years to challenge a regulation of the Department, and the success of those suits involving but one regulation is responsible for the proposed amendment which would strip them of their constitutional rights by purporting to accord them a worthless administrative remedy. It would force them to proceed before the Department on an individual rather than a class basis, and it would force the farmer to appeal from the second unnecessary administrative hearing to the Court of Appeals where printing costs for the record and briefs are prohibitive to anyone but a millionaire farmer. Most cases are never appealed from the Districts Courts where costs usually do not exceed $100, but one recent case involving appellate proceedings resulted in costs of about $40,000.00 for both sides.

Moreover, the farmer would be met with a battery of Departmental attorneys, economists and other experts in the unnecessary duplicative administrative hearing, and he would have to present both administrative records to the Court of Appeals. Where would the average farmer even find an attorney or economist to represent him if he had to proceed on an individual basis and could not go into

the District Court to seek a preliminary injunction and escrow order? There would be no escrow fund from out of which his court costs could be paid, and such cases usually take three years and require the full-time services of attorneys specializing in a complex field.

The unfair amendment then provides for a forced remand back to the Department from the appellate courts even if the farmer is successful on appeal. Thus the whole process can start over again, and the farmer is effectively discouraged from even beginning a challenge to a regulation that might have been fostered by influential organizations which are desirous of keeping their illegal preferences and the farmer in his place. Such an amendment would injure farmers and consumers alike, for the Supreme Court stated as follows on December 9, 1969, in ruling in favor of the farmers in *Hardin* v. *Allen, et al.:*

"This Court has been slow to attribute to Congress an intent to compensate for inefficient allocation of resources. * * * The Government's proposed reading of the Act, bottomed, as it is, on the historical payment of a premium to nearby producers during the monopolistic era of cooperative pools, would come to perpetuate economic distortion and freeze the milk industry into the competitive structure that prevailed during the 1920's."

Although that suit involved the question of paying farmers in one area a higher price than other farmers, such practices also injure the consumer by higher prices resulting from the lack of competition and subsidization of high-cost farmers by lower cost farmers or more efficient farmers in rural areas. If the proposed amendment is pushed through on behalf of those who lost that suit, they would simply reissue the regulation in the USDA on a different ground and it could not be challenged under such new legislation, and this is the undisclosed intent and effect of this dangerous amendment.

We would also like to point out that the proposed amendment to Sec. 8c(B)(ii)(d) of the Act takes away the present right of farmers to vote on any type of base plan while (v) thereof purports to give them such right in respect to the Class I base plan. The taking away of the farmer's right to cast his individual vote on any such plan and the giving of such right to his cooperative association, except as to the Class I base plan, is simply another undisclosed attempt to keep the farmer under complete control of associations that are often concerned more with their individual existence than the overall good of the farmer and consumer.

Senator Ellender. The committee will stand in recess until tomorrow at 10 o'clock.

(Thereupon, at 5:25 p.m. the hearing was recessed, to reconvene tomorrow, February 20, 1970, at 10 a.m.)

AGRICULTURAL ACT OF 1970

FRIDAY, FEBRUARY 20, 1970

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to recess, at 10:05 o'clock, in room 324, Old Senate Office Building, Hon. Allen J. Ellender (chairman), presiding.

Present: Senators Ellender (presiding), Holland, Jordan of North Carolina, McGovern, Aiken, Miller, Curtis, Dole, and Bellmon.

The CHAIRMAN. The committee will please come to order. I presume that we will have a better attendance later on.

We are continuing our hearings on farm legislation for the future, and the first witness this morning is Mr. Charles B. Shuman, president of the American Farm Bureau Federation.

Mr. Shuman, you may sit, sir. And I understand you have some——

Mr. SHUMAN. Mr. McLain, director of our Washington office, legislative director in the Washington office. I also have with me, Mr. Chairman and members of the committee, four State presidents, Mr. George Doup of Indiana, Mr. Merrill Anderson of Iowa, Mr. Lloyd Sommerville of Colorado, Mr. Keith Wallace of Vermont.

The CHAIRMAN. They are here present?

Mr. SHUMAN. Yes, they are here present.

STATEMENT OF CHARLES B. SHUMAN, PRESIDENT, AMERICAN FARM BUREAU FEDERATION

Mr. SHUMAN. Mr. Chairman, members of the committee, I would like to proceed by reading this rather brief summary statement and the attached supplements, exhibits A, and so forth, we will simply present for the record if it is agreeable.

The CHAIRMAN. I notice you have a prepared statement with all of the attachments.

Mr. SHUMAN. Yes.

The CHAIRMAN. Without objection, we will put this in the record at the end of your statement.

Mr. SHUMAN. Thank you.

We appreciate the opportunity to present Farm Bureau's views with respect to new farm program legislation to take effect when the Food and Agriculture Act of 1965 expires at the end of this year.

Farm Bureau is a general farm organization with 1,865,854 member families in 49 States and Puerto Rico. Many of our members produce commodities which are directly affected by the Food and Agriculture Act of 1965. Others produce commodities which are indi-

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rectly affected by this act because programs for individual commodities affect other commodities.

The CHAIRMAN. Mr. Shuman, a question arose yesterday as to the number of farmers that the Grange had and that your organization had and I think it was testified yesterday that in the Grange, about 50 percent of the members are farmers. Now, would you be able to tell what percentage of your membership are farmers?

Mr. SHUMAN. We have—most of our States do classify and identify who are farmers and who are not. A few do not. So, we cannot tell exactly. But based on those we have, plus surveys in those States that have not direct identification, we have approximately 75 percent of our membership who are farmers and interested in the farm operation by owning the land or producing on it.

The CHAIRMAN. Very well, sir.

Mr. SHUMAN. Thank you.

For example, the feed grain and cotton programs have affected acreage planted to soybeans; and the feed grain and wheat programs have affected—usually adversely—the producers of livestock, poultry and dairy products.

Farm Bureau vigorously opposed the original enactment of the major provisions of the 1965 act. Our members are even more convinced today that the programs authorized by this act are not in the long-time best interests of producers, consumers, or taxpayers.

Briefly, our principal reasons for opposing these programs are as follows: (1) Government supply-management has not worked; (2) Government-owned stocks are bad for farmers; (3) The operation of Government supply-management programs depends on political decisions; (4) These programs make farmers dependent on Government payments for a substantial part of their net incomes; and (5) Government supply-management programs create pressures for international commodity agreements.

Each of these points was discussed in detail in our statement at the committee hearing on April 4, 1968. In order to save time today, I will not repeat this detailed discussion; however, I would like to offer for the record an updated review of "Experiences Under the Food and Agriculture Act of 1965", which is based on our 1968 testimony. (See exhibit A.)

Mr. SHUMAN. The Food and Agriculture Act of 1965 is a demonstrated failure. Despite the expenditure of billions of dollars, farm problems have not been solved, and farmers have not achieved a satisfactory level of net farm income. Almost everyone is dissatisfied with some aspect of the 1965 act. Even its strongest supporters have far-reaching, costly amendments they would like to see adopted.

The need for new legislation is urgent; however, we do not think that the defects in existing programs can be corrected by patchwork revisions. A completely new approach is needed, particularly for wheat, feed grains and cotton.

New legislation should be enacted as soon as possible so that farmers can plan ahead. The hour is already late. Under present law the Secretary of Agriculture must determine whether marketing quotas are to be proclaimed for the 1971 wheat crop not later than April 15, 1970. If quotas are proclaimed present law requires that the Secretary con-

duct a referendum to determine the acceptability of a program very similar to the proposal wheat producers rejected in the 1963 wheat referendum.

FARM BUREAU'S PROPOSALS

We have specific recommendations with respect to the dairy, wool, rice, feed grain, wheat, cotton, and cropland adjustment provisions of the 1965 act.

Title I of the 1965 act authorizes class I base plans for milk under Federal marketing orders.

For many years we have supported base plans developed and operated by dairy cooperatives. We still consider the development of such plans to be an effective and desirable approach. This approach permits the producer members of a cooperative to determine the type of plan that is needed to meet the production and marketing needs of their organization. Base plans also have been established under State regulatory laws.

Farm Bureau historically has opposed the adoption of class I base plans under Federal orders in the belief that such plans would: (1) Restrict individual opportunity by dividing up milk markets and hampering normal adjustment within them; (2) Put a price on the right to market; (3) Create new pressures for a nationwide milk marketing order; and (4) Give broad discretionary power to the Secretary of Agriculture.

We believe that these objections are still valid; however, we are prepared to support continuation of the authority for class I base plans under Federal orders on a permissive basis so that this issue can be considered in the light of the conditions prevailing in individual markets. We believe, however, that the provisions of title I should be carefully reviewed in the light of experience to date, which has been confined to the Puget Sound area of Washington State.

For example, under the Puget Sound plan a substantial number of dairymen have sold their class I bases, have reentered the market as new producers and have continued to receive the base milk price for a part of their production. In our opinion, a producer who sells his base should have t owait a reasonable period of time before he is allowed to reenter the class I market as a new producer.

The present law provides that, "Any increase in class I base resulting from enlarged or increased consumption and any producer class I bases forfeited or surrendered shall first be made available to new producers and to the alleviation of hardship and inequity among producers." We believe this language should be reworded to make it clear that old producers are to share in any growth that may occur in class I sales under a base plan.

While the Puget Sound plan permits new producers to share in class I sales, it makes no provision for a new producer to earn a base. We believe the law should be revised to provide that a new producer shall be allowed to earn a base by shipping to a market for a reasonable period of time.

We also recommend that producers continue to have the right to vote as individuals in any referendum on a class I base plan, as is provided in the present law.

In view of the time that is required to go through the procedure specified in the Agricultural Marketing Agreement Act, legislation to extend the class I base plan authority should be separated from general farm legislation and expedited so that the Puget Sound area can continue to operate a base plan as a part of a Federal marketing order program if its producers so desire.

The CHAIRMAN. Mr. Shuman, would you mind being questioned—I mean, that we question you on the various commodities as you go along?

Mr. SHUMAN. Well, either way, although I think it might save time to get the whole thing and then——

The CHAIRMAN. All right. It was just an idea. We have been asking questions as we go along as to each commodity.

Mr. SHUMAN. Either way.

The CHAIRMAN. If you prefer the other——

Mr. SHUMAN. I prefer the other because I think some of the questions will be answered.

The CHAIRMAN. All right. Proceed.

Mr. SHUMAN. Title II of the 1965 act extended the National Wool Act of 1954. We favor a further extension of the Wool Act; however, we do not favor further extension of section 708 of the Wool Act because "We oppose nationwide check-off programs for the promotion of agricultural commodities when the Federal Government administers, or has veto power over, the program."

In our opinion, wool is a rather special case. It is an imported product, production has been declining, and payments are financed by a tariff on imports. As a consequence, the wool situation is quite different from that of such commodities as wheat, cotton, and feed grains.

While we favor legislation to extend the class I base authority and the Wool Act, we will oppose any omnibus bill which couples such legislation with unacceptable provisions for other commodities.

Title VIII of the 1965 act, which relates to rice, should be allowed to expire. The provisions of this title currently are inoperative, and the rice program would not be affected by their expiration.

A new long-range farm program should be enacted for feed grains, wheat, cotton, and soybeans. As a supplement to this program, the administration should be encouraged to withdraw from the International Wheat Trade Convention which has broken down after causing serious damage to our wheat exports. Prior to the breakdown of this convention, U.S. exports were penalized by an inverse subsidy, or export tax, which ran as high as 46 cents per bushel.

We recommend that the Food and Agriculture Act of 1965 be amended to provide for a 5-year transition to a market-oriented program. During the transition period acreage allotments, base acreages, marketing quotas, processing taxes and direct payments for wheat, feed grain, and cotton would be phased out.

This program is now before the committee as the proposed Agriculture Adjustment Act of 1969 (S. 2524 by the late Senator Dirksen and 20 other Senators, including a distinguished member of this committee, Senator Miller of Iowa).

The Agricultural Adjustment Act of 1969 would:

(1) Limit the total funds that may be spent on all direct payments for wheat, feed grains, and cotton under the Food and Agriculture Act of 1965 to 80 percent of the amount spent on 1969 crops in 1971, 60 percent in 1972, 40 percent in 1973, and 20 percent in 1974 with no limits on payments to individuals.

(2) Reduce the cost of wheat certificates to processors to 80 percent of the 1969 level in 1971, 60 percent in 1972, 40 percent in 1973, and 20 percent in 1974.

(3) Effective with 1974 crops discontinue all acreage allotments, base acreages, marketing quotas, processing taxes, and direct payments (annual land diversion, compensatory and certificate) for wheat, feed grains, and cotton.

The acreage that can be planted to cotton for export outside the present program would be increased in 1971 and 1972, and the penalties on excess cotton production would be repealed effective with the 1973 crop. These changes would permit cotton producers who want to produce more cotton to expand their production, provided they waive all cotton payments.

(4) Continue the cropland adjustment provisions of the act of 1965 with amendments—

(*a*) To require that the program be operated on a competitive bid basis with emphasis on whole farms, and

(*b*) To direct the Secretary of Agriculture to retire at least 10 million acres per year in 1971, 1972, 1973, 1974, and 1975.

The Secretary would announce in advance the maximum acreage to be contracted for each year. If accepted bids do not exhaust this acreage, higher bidders could be offered the opportunity to negotiate contracts at the accepted bid level.

(5) Provide that loan rates for wheat, feed grains, cotton, and soybeans shall be set at not more than 85 percent of the previous 3-year average price beginning with the 1971 crop year.

This provision would be permanent legislation and would provide authority for the continuation of commodity loans after the phaseout of allotments, base acreages, marketing quotas, and direct payments. I emphasize that this is permanent legislation and it provides for continuation of price supports indefinitely.

(6) Prohibit the sale of CCC stocks at less than 150 percent of the current loan rate plus carrying charges, except when sales are offset by equivalent purchases in the open market.

(7) In addition to, and conditional on, the adoption of items 1 through 4, authorize the Secretary of Agriculture to offer a special transitional program in 1971, 1972, 1973, 1974, and 1975, which would be open to any farmer who has had average gross annual sales of farm products of not more than $5,000 and off-farm income of not more than $2,000 per year for husband and wife for the immediately preceding 3 years. Such farmers would be eligible to receive one or more of the following:

(*a*) Compensation for acreage allotments and base acreages surrendered to the Secretary for permanent cancellation.

This would apply to all commodities having acreage allotments or base acreages. Such compensation would be in addition to

land retirement payments under the cropland adjustment program and would also be available to eligible farmers who wish to surrender their acreage allotments or base acreages without participating in the cropland adjustment program;

(*b*) Retraining grants of not to exceed $1,000;

(*c*) Adjustment assistance of not to exceed $2,500 per year for 2 years; and

(*d*) Loans under existing credit programs to further facilitate the transition of eligible farmers to more gainful employment.

(8) Authorize the appropriation of such funds as may be necessary to carry out the programs enumerated above.

Senator MILLER. Will you yield at that point?

The CHAIRMAN. He does not want to yield. Let him get through. I wanted to ask him some questions—off the record.

(Discussion off the record.)

The CHAIRMAN. Proceed, Mr. Shuman.

Mr. SHUMAN. The various parts of this eight-point program are closely interrelated.

The transition to the market system would be gradual. Substantial payments would be made during the transition period to help farmers make needed adjustments. The cost of wheat certificates to processors would be phased out at the same rate as payments to farmers.

The acreage retired from production under the cropland adjustment program would be increased as existing programs are phased out. Increases in the acreage retired under the CAP would tend to offset reductions in the acreage diverted under annual diversion programs.

Much of the land now being diverted under the current annual retirement program is not top quality land. Also, present programs that divert acreage on a part-farm basis encourage the heavy use of fertilizer and other land substitutes and thus guarantee increased per-acre yields. The retirement of whole farms under an expanded cropland adjustment program would be a far more effective means of bringing about needed adjustments in land use.

At least 10 million acres would be retired under long-term contracts (5 to 10 years) each year for 5 years beginning in 1971; however, this part of the program would be subject to review each year and the acreage to be retired could be increased if necessary to facilitate the transition to the market system.

The use of a bid procedure to select the land that is to be retired would hold down Government costs and insure the retirement of the land that farmers themselves most want to retire. The existing authority of the Secretary to limit the percentage of the total eligible acreage that may be retired in any county or local community to avoid adverse effects on local economies would be continued. Existing provisions of law prohibiting the grazing or harvesting of retired acres under normal conditions also would be continued.

In contrast to the present programs of diverting a limited percentage of individual farm cropland from specific crops on an annual basis, the proposed expansion of the cropland adjustment program (with

emphasis on whole farms) would more economically divert surplus cropland to noncrop uses.

The retirement of whole farms would result in the retirement of some nonland resources and eliminate the increased in per-acre yields which results when resources formerly used on diverted acres are shifted to land that remains in production on the same farm.

The objectives of the proposal to base loan rates for feed grains, wheat, cotton, and soybeans on the prices actually prevailing in the market in the immediately preceding 3 years is to stop the movement of feed grains, cotton, wheat, and soybeans into Government hands. Producers would continue to have money available at harvesttime through nonrecourse loans; however, Goverment loans would be used to encourage orderly marketing rather than to fix prices. Few, if any, of the commodities placed under this type of loan would be turned over to the CCC under normal circumstances.

To insure the success of the proposed change in loan policy, the Congress should continue to reject proposals to authorize the establishment of Government reserves of farm commodities. From the standpoint of farmers, Government reserves are primarily a device for holding down farm prices. In our opinion, consumers are adequately protected by the tremendous productivity of American agriculture, the fact that our major crops are produced in widely dispersed geographic areas, and the flexibility that goes with a livestock economy.

If the Farm Bureau proposal were in effect now, the maximum 1970 loan rates for the affected commodities would be approximately as follows:

(The chart follows:)

Commodity	Unit	3-year average price [1]	Indicated maximum loan rate (85 percent of 3-year average)
Wheat	Bushel	$1.42	$1.21
Soybeans	do	2.56	2.18
Corn	do	1.12	.95
Sorghum grain	Hundredweight	1.76	1.50
Barley	Bushel	.986	.84
Oats	do	.641	.54
Rye	do	1.05	.89
Cotton, upland	Pound	.2268	.1928

[1] Marketing years 1966–67 through 1968–69.

Mr. Shuman. Simultaneously with the proposed change in loan policy the minimum prices at which CCC stock can be released would be increased substantially to protect the market against the dumping of stocks accumulated under past programs as well as any stocks that may be acquired in the future.

For example, under current conditions if loan rates were set at 85 percent of the 3-year average market prices shown above, Farm Bureau's proposal would prohibit CCC sales at less than the following prices:

(The chart follows:)

Commodity	Unit	Minimum CCC sales price
Wheat	Bushel	$1.82
Corn	do	1.43
Rye	do	1.34
Barley	do	1.26
Oats	do	.81
Sorghum grain	Hundredweight	2.25
Soybeans	Bushel	3.27
Cotton, upland	Pound	.2892

Mr. SHUMAN. The special transitional program Farm Bureau is proposing for low-income farmers would help farmers who do not have the resources needed for a successful farming operation to make a transition to more gainful employment. This program would be entirely voluntary. Producers who wish to participate would have a number of alternatives. This gives the program the flexibility that is needed to solve individual problems.

At the end of the proposed phase-out of acreage allotments, marketing quotas, base acreages, certificates, and Government payments for feed grains, wheat, and cotton each producer would be free to plan his wheat, feed grain, cotton, and soybean production so as to make the best use of his resources in the light of the market outlook. Thus, the way would be clear for farmers to earn and get higher incomes in the marketplace.

In short, Farm Bureau is recommending a broad-based program to help individual farmers make needed adjustments, increase prices, expand markets, cut costs and thus provide the basis for increased net farm income.

I thank you, Mr. Chairman, and we will be glad to answer questions.

(Exhibit A is as follows:)

EXHIBIT A

EXPERIENCES UNDER THE FOOD AND AGRICULTURAL ACT OF 1965

(An updated review prepared by the American Farm Bureau Federation—January 1970—supplementing the analysis presented to the Senate and House Agriculture Committees, at the 1968 hearings on farm program legislation)

Farm Bureau vigorously opposed the original enactment of the major provisions of the Food and Agriculture Act of 1965. Our members are even more convinced today that the programs authorized by this Act are not in the long-time best interests of producers, consumers, or taxpayers.

Briefly, our principal reasons for opposing these programs are as follows:

(1) Government supply-management has not worked.

(2) Government-owned stocks are bad for farmers

(3) The operation of government supply-management programs depends on political decisions.

(4) These programs make farmers dependent on government payments for a substantial part of their net incomes.

(5) Government supply-management programs create pressures for international commodity agreements.

We will discuss each of these points briefly.

(1) Government supply-management has not worked

The Act of 1965 has not corrected the basic imbalance between prices farmers receive and the prices they must pay—commonly referred to as the cost-price squeeze. On the contrary, the index of prices paid has continued to rise faster than the index of prices received. The index of prices received by farmers rose 38 points, from 239 in 1960 to 277 in 1969. In the same period the index of prices paid, interest, taxes and wage rates rose 73 points, from 300 to 373.

The following table shows that there has been a rather steady decline in the parity ratio over the past 18 years and that the ratio was 74 in 1967–69. To find a lower parity ratio on an annual basis, it is necessary to go clear back to the depression year of 1933 We do not think it appropriate to include government payments in figuring the parity ratio as this destroys the usefulness of the parity concept as a measure of the relationship between farm prices and farm costs; however, if one looks at the adjusted ratio in the following table he also finds a steady decline. Even on an adjusted basis, it is necessary to go back to 1933 to find an annual figure lower than that reported for 1967 and 1968.

PRICES RECEIVED BY FARMERS, PRICES PAID AND THE PARITY RATIO, SELECTED YEARS, 1933–69 (1910–14=100)

Year	Prices received	Prices paid [1]	Parity ratio	
			Unadjusted [2]	Adjusted [3]
1933	70	109	64	66
1935	109	124	88	95
1940	100	124	81	88
1945	207	190	109	111
1950	258	256	101	102
1955	232	276	84	85
1960	239	300	80	81
1965	248	321	77	82
1966	266	334	80	86
1967	253	342	74	79
1968	261	355	74	79
1969	277	373	74	80

[1] Commodities and services, interest, taxes and wage rates.
[2] Not including Government payments.
[3] Including Government payments.

Source: "Agricultural Prices," January 1964 and January 1970, Statistical Reporting Service, USDA.

Although the average parity ratio for all commodities is the lowest it has been on an annual basis since the depression, the picture is even more dismal for the commodities that are subject to price support payments under the Act of 1965.

MARKET PRICES AND PARITY PRICES OF COMMODITIES FOR WHICH PRICE SUPPORT PAYMENTS ARE MADE UNDER THE ACT OF 1965

	Jan. 15, 1970		
	Market price	Parity price	Parity ratio (percent)
Wheat (bushel)	$1.29	$2.77	47
Corn (bushel)	1.12	1.74	64
Grain sorghum (hundredweight)	1.92	2.86	67
Barley (bushel)	.877	1.43	61
Upland cotton (pound)	.1909	.4818	40
Wool (pound)	.388	.954	41

Source: "Agricultural Prices," January 1970, Statistical Reporting Service, USDA.

The parity ratios shown above would be even lower if it were not for the fact that government supply-management programs have reduced the adjusted parity base prices for most of these commodities.

ADJUSTED PARITY BASE PRICES OF COMMODITIES FOR WHICH PRICE SUPPORT PAYMENTS ARE MADE UNDER THE ACT OF 1965

	Wheat (bushel)	Upland cotton (pound)	Corn (bushel)	Grain sorghum (hundredweight)	Barley (bushel)	Wool (pound)
1964	$0.805	$0.1303	$0.498	$0.780	$0.393	$0.254
1965	.796	.1301	.488	.767	.388	.258
1966	.773	.1279	.475	.760	.385	.256
1967	.760	.1251	.472	.748	.385	.253
1968	.744	.1258	.464	.744	.382	.251
1969	.738	.1279	.460	.746	.379	.251
1970	.724	.1258	.455	.747	.373	.249

Source: "Agricultural Prices," January supplements, 1964–70, Statistical Reporting Service, USDA.

If the adjusted base price of wheat had not been reduced from 1964 to 1970, the January 1970 parity price for wheat would have been $3.08 per bushel—31 cents more than the official parity price of $2.77.

Since the relationship between farm returns—including payments—and farm costs has continued to deteriorate, people have continued to move out of agriculture in search of better opportunities. As a matter of fact, the rate of outmigration was higher in 1966 and 1967 than in 1964 and 1965. The following table shows a drop in farm population of more than 5.1 million since 1960—a drop of 33 percent in only eight years.

CHANGES IN THE FARM POPULATION

	Farm population	Reduction from preceding year	Percentage reduction from preceding year
April 1 of:			
1960	16,635,000		
1961	14,803,000	832,000	5.3
1962	14,313,000	490,000	3.3
1963	13,367,000	946,000	6.6
1964	12,954,000	413,000	3.1
1965	12,363,000	591,000	4.6
1966	11,595,000	768,000	6.2
1967	10,875,000	720,000	6.2
1968	10,500,000	375,000	3.4

Source: Economic Research Service, USDA.

Farm debt has increased in relation to farm assets throughout the postwar period; however, the average of increase has been greater under the government supply-management programs of recent years than in the 1950's.

FARM DEBT IN RELATION TO FARM ASSETS, SELECTED YEARS

	Total farm debt (excluding CCC loans) (millions)	Total farm assets (billions)	Farm debt as a percentage of farm assets (percent)
As of Jan. 1:			
1950	$10,733	$132.5	8.1
1955	15,441	165.1	9.3
1960	23,595	203.1	11.6
1965	36,009	238.5	15.1
1966	40,147	256.0	15.7
1967	44,532	269.9	16.5
1968	49,000	282.4	17.4
1969	51,900	297.4	17.5
1970 (preliminary)	55,500	307.1	18.1

Source: "Agricultural Finance Review," January 1970 and "Summary of the Agricultural Finance Outlook," Jan. 28 1970, Economic Research Service, USDA.

The Act of 1965 is an outgrowth of earlier government supply-management programs, the first of which was the feed grain program of 1961. For this reason, in evaluating the effects of government supply-management, it is appropriate to pay particular attention to what has happened since 1960 as well as to what has happened under the Act of 1965.

Net income per farm has increased substantially since 1960; however, the bulk of this increase resulted from the combined effects of a decline in the number of farms and an increase in government payments to farmers.

	1960	1968	Increase or decrease (—)	Percentage change
Number of farms	3,954,500	3,054,310	—900,190	—22.8
Net realized farm income	$11,673,000,000	$14,786,000,000	$3,113,000,000	26.7
Government payments	693,000,000	3,462,000,000	2,769,000,000	399.6
Net realized income per farm	2,952	4,841	1,889	64.0
Government payments per farm	175	1,133	958	547.4

Net realized income per farm rose $1,889 from $2,952 in 1960 to $4,841 in 1968.

If the number of farms had remained constant, and there had been no increase in government payments, net income per farm for 1968 would have been $3,039 ($14,786 million net farm income minus the $2,769 million increase in government payments, or $12,017 million ÷ 3,954,500 farms).

Thus the combined effects of the decline in the number of farms and the increase in government payments boosted net income per farm from $3,039 to $4,841. This means that these factors account for $1,802 (95.4 percent) of the $1,889 by which net income per farm increased between 1960 and 1968. The remaining $87 of the total increase per farm is due to other factors.

The value of the dollar has declined since 1960 and farmers who have remained on the farm have had to increase their investments substantially. As a result, a much higher net income is needed today to provide a return on increased capital investments and offset the lower value of the dollar.

We doubt that the promoters of the 1965 Act want to take credit for increases in farm income that have been brought about by a decline in the number of farmers. The unsatisfactory nature of programs which force farmers to depend on government payments for a substantial part of their income will be discussed at a later point in our statement.

While carryover stocks of feed grains, wheat and cotton have been reduced rather sharply in some recent years, we need to examine the causes of these reductions and the costs that have been incurred in achieving them.

The 1965 Act has contributed to the reduction of cotton stocks, although at a very high cost. Bad weather was also a factor.

In the case of wheat and feed grains reductions in carryover stocks have been due to expanded markets—not reduced production. Grain production actually has been higher under government supply-management programs than in the immediately preceding five years. While a substantial acreage of land has been diverted under current programs, much of this land would have produced little or no grain in the absence of these programs. Furthermore, the diversion programs have had offsetting effects. It is well known that payments received for diversion are often used to finance yield-increasing practices, especially higher fertilization rates, on land remaining in production. It is also well known that noncompliers not only sought to improve yields, but also increased grain acreages in the expectation that reductions by compliers would strengthen markets.

Thus, while feed grain acreages have been cut by diversion programs, and wheat acreages also have been reduced except for a sharp increase in 1967 and 1968, wheat and feed grain output has been higher than before these programs became operative. This is evidenced by the following comparisons of acreages and output of these grains during the years preceding and following adoption of the government supply-management approach.

SELECTED CORN AND WHEAT DATA—AVERAGES FOR 1956–60 AND 1961–68

Period	Harvested acreage (thousands)	Yield per acre (bushels)	Production (million bushels)	Utilization (million bushels)		
				Domestic use	Exports	Total
Corn:						
1956–60 average	67,001	51.4	3,442	3,046	227	3,273
1961–68 average	57,082	70.2	4,008	3,588	533	4,121
1961–68 compared to 1956–60	−9,919	+18.8	+566	+542	+306	+848
Wheat:						
1956–60 average	50,033	23.5	1,178	598	513	1,111
1961–68 average	50,498	25.9	1,310	654	733	1,387
1961–68 compared to 1956–60	+465	+2.4	+132	+56	+220	+276

Note particularly from the above that during the years after government supply-management type programs became operative:

Corn acreage averaged *9.9 million acres less*, but

Corn production averaged *566 million bushels more*, and

Corn *utilization* averaged *848 million bushels more* than during the 1956–60 period.

Wheat acreage averaged only *465,000 acres more*, but

Wheat production averaged *132 million bushels more*, and

Wheat *utilization* averaged *276 million bushels more* than in the 1956–60 period.

The fact is that feed grain and wheat stocks have been reduced by *market growth*—not by production control under government supply-management programs. Furthermore, carryover stocks increased in both 1968 and 1969 due to overproduction in the two preceding years of 1967 and 1968.

In 1967, corn production reached 4.8 billion bushels and wheat production totaled 1.5 billion bushels—both new all-time highs. While corn production declined slightly in 1968, the carryover of feed grain increased 1.7 million tons in 1969. Wheat production rose to a new high of 1.6 billion bushels in 1968 and the wheat carryover showed a substantial increase of 279 million bushels in 1969.

Supply-management programs have resulted in substantial increases in the annual losses realized by the Commodity Credit Corporation. CCC's 1967 realized net operating losses, which do not include the cost of the P.L. 489 program, were more than double the losses reported for fiscal 1960. While CCC losses have declined somewhat since 1967, they are still well above the 1960 level.

Annual net operating results (realized losses excluding valuation reserves) of the CCC on price support and related programs, fiscal years, 1955–69

[Dollars in millions]

Fiscal year:		Fiscal year—continued	
1955	$1,119.3	1963	$2,654.9
1956	1,413.7	1964	3,226.8
1957	1,812.0	1965	3,048.0
1958	1,647.6	1966	2,984.9
1959	1,410.0	1967	3,813.6
1960	1,884.5	1968	3,198.2
1961	2,081.8	1969	3,113.2
1962	2,799.4		

Source: "Commodity Credit Corporation Charts Providing a Graphic Summary of Operations, June 30, 1966," (table 10A) March 1967, and "Report of Financial Conditions and Operations, as of June 30, 1969," Agricultural Stabilization and Conservation Service, USDA.

While factors other than government programs were responsible for most of the reductions in commodity stocks, let us assume for the sake of discussion that the programs were responsible and then look at the fantastic pre-unit costs of these reductions.

If we include only the cost of price support and diversion payments, the estimated reduction in the cotton carryover from August 1, 1966 to August 1, 1969 has cost an average of $234 per bale.

On a similar basis the cost of reducing the wheat carryover since the certificate plan went into effect with the 1964 crop has been $37.90 per bushel.

The cost of reducing the feed grain carryover since the feed grain program went into effect in 1961 has been $244 per ton, or $6.83 per bushel of corn equivalent.

ESTIMATED PER-UNIT COST OF REDUCING CARRYOVER STOCKS UNDER THE PRESENT SUPPLY-MANAGEMENT PROGRAMS FOR COTTON, WHEAT AND FEED GRAINS

UPLAND COTTON

Fiscal year	Carryover [1] (million bales)	Change from previous year [1] (million bales)	Estimated cost of cotton program [2] (millions)	Change in carryover during crop year (million bales)	Cost per bale of reduction in carryover
1966	16.6				
1967	12.3	−4.3	$792.6	−4.3	$184
1968	6.3	−6.0	855.2	−6.0	143
1969	6.4	+0.1	745.0	+0.1	
Total			2,392.8	−10.2	234

[1] As of Aug. 1.
[2] Price support and diversion payments.

WHEAT

Fiscal year	Carryover [1] (million bushels)	Change from previous year [1] (million bushels)	Estimated cost of wheat program [2] (millions)	Change in carryover during year (million bushels)	Cost per bushel of reduction in carryover
1964	901.4				
1965	817.3	−84.1	$442.3	−84.1	$5.26
1966	535.2	−282.1	508.8	−282.1	1.80
1967	425.0	−110.2	679.0	−110.2	6.16
1968	539.4	+114.4	726.4	+114.4	
1969	818.6	+279.2	782.0	+279.2	
Total			3,138.5	−82.8	37.90

[1] As of July 1.
[2] Diversion payments fiscal years 1965–67; plus certificates issued to producers fiscal years 1965–69.

FOUR FEED GRAINS

Crop year	Carryover [1] (million tons)	Change from previous year [1] (million tons)	Estimated cost of feed grain program [2] (millions)	Change in carryover (million tons)	Cost of reduction in carryover	
					Per ton	Per bushel of corn equivalent [3]
1961	85.0		$782	−12.8	$61	$1.71
1962	72.2	−12.8	843	−7.8	108	3.02
1963	64.4	−7.8	846	+4.9		
1964	69.3	+4.9	1,171	−14.5	81	2.27
1965	54.8	−14.5	1,382	−12.7	109	3.05
1966	42.1	−12.7	1,295	−5.0	259	7.25
1967	37.1	−5.0	867	+11.2		
1968	48.3	+11.2	1,369	+1.7		
1969	50.0	+1.7				
Total			8,555	−35.0	244	6.83

[1] Oct. 1 for corn and sorghum grain; July 1 for oats and barley.
[2] Diversion payments 1961–68; plus price support payments 1963–68.
[3] 1 ton equals 35.714 bushels of corn.

Source: Cotton and wheat program costs from "Department of Agriculture Appropriations for 1970," pt. 3, hearings before a subcommittee of the House Committee on Appropriations, 91st Cong., 1st sess. Feed grain program cost from "Feed Situation," FS-227, 219, 213, 203, and 200, Economic Research Service, U.S. Department of Agriculture. "Stocks of Grain in all Positions," Crop Reporting Board, Statistical Reporting Service, USDA, Jan. 22, 1970.

(2) Government-owned stocks are bad for farmers

Under the Act of 1965 and earlier government supply-management programs the USDA has been authorized to sell CCC stocks to hold down market prices to benefit consumers and penalize producers who do not cooperate with the feed grain and wheat programs.

Actually, low market prices penalize cooperators as well as noncooperators. Low grain prices also lead to overproduction and low prices in the livestock, dairy and poultry industries. We should constantly keep in mind the fact that livestock dairy and poultry products account for roughly 60 percent of U.S. cash farm receipts. We need to make sure that programs for other commodities do not adversely affect this large and important area of our agricultural economy.

Government sales obviously have been costly to grain farmers in terms of reduced market prices. Look at what happened in 1964: Corn production fell to the lowest level in several years due to poor crop conditions, but the upward thrust in prices normally generated by a short crop was almost entirely offset by CCC sales.

Although the 1964 crop was 535 million bushels smaller than the 1963 crop, the CCC sold 391 million bushels and corn prices went up only *6 cents* per bushel. By way of contrast, an 808-million-bushel drop in production in 1947 brought forth a 63-cent rise in corn prices, and a 743-million-bushel drop brought forth a 40-cent increase in prices in the depression year of 1936.

The 1966 marketing year also provides an informative contrast to 1964. Although the corn crop was slightly larger in 1966 than in 1965, CCC sales were reduced, and the farm price of corn averaged 8 cents per bushel higher in the marketing year 1966–67 than in the preceding year.

Experience with wheat has been much the same. While the 1966 wheat crop was only 4 million bushels smaller than the 1965 crop, CCC sales were reduced by 232 million bushels and the average farm price of wheat was 28 cents per bushel higher in the 1966 marketing year than in 1965.

From the standpoint of producers, government reserves of agricultural commodities constitute a device to manipulate markets politically, to coerce participation in government supply-management programs, and to impose price ceilings on farm products. Yet USDA officials testified in 1968 that they considered legislation to establish a government grain reserve to be a needed addition to the programs authorized by the Act of 1965.

Farm Bureau vigorously opposed proposals for a government-controlled grain reserve at hearings held by House and Senate Subcommittees in the 90th Congress. The Subcommittees very wisely did not approve these grain reserve bills.

CCC SALES OF WHEAT IN RELATION TO UTILIZATION

Marketing year beginning July 1	Total utilization (bushels)	CCC sales (bushels)	CCC sales as a percentage of utilization	Season average price per bushel
1961	1,327,000,000	255,000,000	19.2	$1.83
1962	1,224,000,000	208,000,000	17.0	2.04
1963	1,445,000,000	342,000,000	23.7	1.85
1964	1,369,000,000	311,000,000	22.7	1.37
1965	1,599,000,000	379,000,000	23.7	1.35
1966	1,424,000,000	147,000,000	10.3	1.63
1967	1,409,000,000	27,000,000	1.9	1.39
1968	1,298,000,000	14,000,000	1.1	1.24
1969 (estimated)	1,380,000,000	(1)	(1)	1.23

1 Not available.

CCC SALES OF CORN AND GRAIN SORGHUM IN RELATION TO UTILIZATION

Marketing year beginning October 1	Total utilization (bushels)	CCC sales (bushels)	CCC sales as a percentage of utilization	Season average price per bushel
Corn:				
1961	3,962,000,000	975,000,000	24.6	$1.10
1962	3,895,000,000	736,000,000	18.9	1.12
1963	3,848,000,000	170,000,000	4.4	1.11
1964	3,875,000,000	391,000,000	10.1	1.17
1965	4,392,000,000	398,000,000	9.1	1.16
1966	4,135,000,000	156,000,000	3.8	1.24
1967	4,422,000,000	6,000,000	.1	1.03
1968	4,443,000,000	35,000,000	.8	1.08
1969 (estimated)	4,592,000,000	(1)	(1)	1.13
Grain sorghum:				
1961	521,000,000	221,000,000	42.4	[2] 1.80
1962	516,000,000	241,000,000	46.7	[2] 1.82
1963	591,000,000	122,000,000	20.6	[2] 1.74
1964	573,000,000	144,000,000	25.1	[2] 1.88
1965	848,000,000	240,000,000	28.3	[2] 1.76
1966	862,000,000	197,000,000	22.9	[2] 1.82
1967	711,000,000	3,000,000	.4	[2] 1.77
1968	741,000,000	3,000,000	.4	[2] 1.69
1969 (estimated)	791,000,000	(1)	(1)	[2] 1.93

[1] Not available.
[2] Per hundredweight.

(3) The operation of government supply-management programs depends on political decisions

This places farmers at a distinct disadvantage since nonfarm consumers outnumber farm people by 95 to 5. Political decisions must necessarily please the majority rather than the minority, and the vast majority of our citizens are nonfarm consumers. If we continue government supply-management, it is to be expected that agriculture will become a public utility—that is, an industry that is regulated for the benefit of consumers.

Another reason for avoiding reliance on political decisions is the fact that it is very easy for a single authority to make a serious mistake.

The Johnson Administration had three chances to prove the value of centralized planning in 1967, but it struck out all three times. A sharp acreage cut was ordered in cotton to reduce the surplus, but an unfavorable season brought the crop down to less than 8 million bales, and a serious shortage of the better grades developed. As a consequence, cotton suffered a further loss of markets which producers can ill afford.

Opposite results were experienced with wheat and feed grains. The Johnson Administration overreacted to hysterical evaluations of the world food situation and encouraged farmers to expand grain production in advance of effective demand. Also, food aid shipments of wheat and flour under P.L. 480 actually were reduced during the fiscal year 1966–67. The inevitable result of these two actions was lower grain prices.

The average farm price of wheat was only $1.40 per bushel in January 1968 in comparison with $1.57 a year earlier. Corn sold for an average of $1.04 per bushel at the farm in January 1968 in comparison with $1.28 a year earlier.

In discussing the overproduction of grain that resulted from administrative decisions with respect to 1967 crops, former Secretary Freeman correctly said, "No one—not myself, nor the Congress, nor the scientists and economists—had the second sight to predict this." Unfortunately, Mr. Freeman refused to recognize the fact that the market system can do a better job than any administrator in guiding production and consumption if it is allowed to do so.

Proponents of the 1965 Act argue that 1967 grain crops would have been even larger if it had not been for the wheat and feed grain programs, but this argument will not stand careful analysis. In 1967 farmers were encouraged to expand grain production by price support loans, direct payments, and the knowledge that the government wanted a bigger crop to feed a hungry world. In the absence of government acreage programs, price supports, and direct payments, farmers would have been far more cautious and far less likely to expand production in advance of effective market demand.

(4) These programs make farmers dependent on government payments for a substantial part of their net incomes

Government payments amounted to approximately 20 percent of net farm income in 1966 and 24 percent in 1969. Considerably more than 20 percent of net income from the production of feed grains, wheat, cotton and wool now comes from government payments. In fact, nearly one-third of the *gross* receipts received by farmers from these commodities in 1968 came from payments.

CASH RECEIPTS FROM FARM MARKETINGS AND GOVERNMENT PAYMENTS, 1968

[Dollars in millions]

	Cash receipts from farm marketings	Direct payments	Total receipts	Payments as percentage of total (percent)
Feed grains	[1] $3,117.9	$1,366.0	$4,483.9	30.5
Wheat	1,815.0	747.4	2,562.4	29.2
Cotton lint	1,163.1	786.5	1,949.6	40.3
Wool	72.0	65.6	137.6	47.7
Total above commodities	6,168.0	2,965.5	9,133.5	32.5

[1] Corn and grain sorghum—the grains covered by the 1968 feed grain program.

Source: "Farm Income—State Estimates, 1949–68," a supplement to the July 1969 Farm Income Situation, August 1969, Economic Research Service, USDA.

DIRECT GOVERNMENT PAYMENTS UNDER FARM PROGRAMS, 1960–69

[In millions of dollars]

Calendar year	Wool	Sugar	Feed grains	Wheat	Cotton
1960	51	59	----------	----------	----------
1961	56	53	772	42	----------
1963	54	64	841	253	----------
1963	37	67	843	215	----------
1964	25	79	1,163	438	39
1965	18	75	1,391	525	70
1966	34	71	1,293	679	773
1967	29	70	865	731	932
1968	66	75	1,366	747	787
1969	61	80	1,653	860	828
Total	431	693	10,187	4,490	3,429

	Total under commodity programs	Total other Government programs	Total payments under farm programs
1960	110	592	702
1961	923	570	1,493
1962	1,212	535	1,747
1963	1,162	534	1,696
1964	1,744	437	2,181
1965	2,079	384	2,463
1966	2,850	427	3,277
1967	2,627	452	3,079
1968	3,041	421	3,462
1969	3,482	318	3,800
Total	19,230	4,670	23,900

Source: "Farm Income Situation," July 1969, Economic Research Service, USDA and "Agricultural Prices, January 1970, Statistical Reporting Service, USDA.

The promoters of direct payments on cotton argued that payments would benefit consumers by reducing the retail prices of cotton goods. The promised savings to consumers did not materialize. Instead of lowering prices to consumers payments resulted in higher mill margins.

The average mill margin on 20 constructions rose from 24.91 cents per pound in the crop year 1962–63, the last full year before payments, to 38.82 cents in the crop year 1966–67, the last full year for which comparable data are available.

Current information on cotton margins is not entirely comparable with the above data as USDA has increased the number of constructions used in computing margin statistics; however, recent data indicate that mill margins have continued to widen except in the 1967 marketing year.

CLOTH AND RAW COTTON PRICES AND MILL MARGINS

[Cents per pound]

Year beginning August	Average for 20 constructions		
	Unfinished cloth prices	Raw cotton prices	Mill margins
1962	60.52	35.61	24.91
1963[1]	61.54	35.46	26.08
1964	62.98	27.23	35.75
1965	65.15	26.49	38.66
1966	64.26	25.44	38.82
	Average for expanded number of constructions		
1966	66.18	25.56	40.62
1967	66.47	30.60	35.87
1968	68.25	26.79	41.46
1969 (5 months)	68.79	24.89	43.90

[1] Payments to the mills began on Apr. 11, 1964; however, the USAD made no adjustments for these payments prior to August 1964.

Source: "Cotton Situation," January 1968 and January 1970, Economic Research Service, USDA.

The promoters of the Act of 1965 also claimed that it would increase cotton consumption. But domestic mill consumption has declined every year since 1965.

In the 1965 marketing year domestic mills used 9.63 million bales of cotton. In the 1968 marketing year they used only 8.12 million bales. Exports have fluctuated, but were lower in the 1968 marketing year than in 1965. Total disappearance dropped from 12.29 million bales in 1965 to 10.84 million bales in 1968. If the cotton industry is to survive, some way must be found to stop this erosion of its markets.

UPLAND COTTON DISTRIBUTION, 1965–68

[In thousands of running bales]

Marketing year beginning Aug. 1	Mill consumption	No exports	Total
1965	9,355.9	2,936.4	12,292.3
1966	9,349.9	4,655.9	14,005.8
1967	8,854.0	4,161.3	13,015.3
1968	8,115.9	2,722.9	10,838.8

Government payments are an unreliable basis for the income that is necessary for a healthy agriculture because they can be cut or limited at any time.

Cotton payments made direct to farmers from the federal Treasury totaled $932 million in 1967. This is more than the total value of all upland cotton produced in 1967 figured at the loan rate for cotton. It should be obvious that payments of this magnitude cannot possibly continue; and every effort must be made to find a different approach to the cotton problem.

The payment approach reflects a cheap food philosophy. These payments are not net additions to farm income. Basically they are compensation for government actions—such as the sale of CCC stocks and Secretary Freeman's decision to increase grain production in 1967—which reduce farm prices. The termination of such actions would make possible higher market prices.

In the case of wheat and feed grains the increase in prices necessary to offset the payments is not nearly as great as has been commonly assumed. The payment

rates are substantial—particularly in the case of wheat—but they do not apply to the entire crop.

Wheat certificate payments averaged only 50 cents per bushel when spread over the entire 1966 wheat crop. Cooperators received the payment of $1.32 per bushel on 45 percent of the projected yield of their allotted acreage. This would be an average payment of 59 cents per bushel on the projected yield of cooperating farms, but nonparticipation and differences between actual and projected yield bring the average figure down to 50 cents per bushel. The average payment per bushel harvested was even lower for the 1967 crop as certificate payments were made on only 35 percent of the projected yield of the cooperator's allotted acreage.

The average farm price of wheat fell 37 cents per bushel from July 1966 to July 1967. This was due, at least in part, to Secretary Freeman's decision to encourage increased production in 1967.

Compensatory payments have been a much smaller factor in the average per-bushel returns for feed grains. They added only 11 cents per bushel to average 1966 returns from corn. This low figure reflects substantial nonparticipation and the fact that payments are not made on participants' total production. In several recent years CCC sales have depressed corn prices more than 11 cents per bushel.

It is, therefore, clear that the present programs are reducing market prices for wheat and feed grains and the the direct payments are not a net addition to farm income.

PRICE SUPPORT PAYMENTS, PRODUCTION, AND AVERAGE PAYMENT PER BUSHEL PRODUCED, 1966 PROGRAMS

	Price support payments (million dollars)	U.S. production (million bushels)	Average price support payment per bushel produced (cents)
Wheat	655.2	1,312	49.9
Corn	449.0	4,117	10.9
Barley	20.6	393	5.2
Grain sorghum	116.1	715	16.2

Source: Wheat Situation, May 1967, and Feed Situation, February 1969, Economic Research Service, USDA

(5) *Government supply-management programs create pressures for international commodity agreements*

Commodity agreements are the international counterpart of domestic government supply-management—a means of getting international sanction for domestic programs which interfere with international trade by subsidizing exports in some cases and restricting imports in others. It is, therefore, to be expected that such agreements will be proposed from time to time as long as we have domestic government supply-management programs.

International commodity agreements set agricultural trade aside from trade in industrial products and reduce our bargaining power in negotiations with industrial countries.

Agreements which fix prices or divide the world market on the basis of past history limit our ability to expand exports.

The International Wheat Trade Convention illustrates this point. This Convention did not liberalize world trade in wheat; in fact, it tended to legitimize trade restrictions and to restrict export opportunities for United States wheat farmers. Fortunately for wheat farmers, the inverse subsidies imposed in a vain effort to make this Convention work have now been suspended, at least temporarily.

Prior to the ratification of the Wheat Trade Convention, Farm Bureau testified before the Senate Foreign Relations Committee that it would:

(*a*) Require the imposition of an export tax on U.S. wheat.

(*b*) Reduce U.S. wheat exports.

(*c*) Decrease—not increase—the price U.S. farmers receive for wheat.

(*d*) Cause the U.S. to lose its competitive position in the world market in relation to other world wheat exporters.

All of these predictions have been proved accurate. This provides additional evidence that international commodity agreements cannot solve international trade problems.

It should be noted that the International Wheat Trade Convention is part of a so-called International Grains Arrangement. Although this Arrangement is now confined to wheat, it originally was intended to apply to all grains. The then U.S. Under Secretary of Agriculture, John Schnittker, made this clear during the negotiations when he said: "The United States is actively striving to achieve a meaningful and effective international arrangement for grains, including wheat." Commodity agreements have also been discussed for dairy products, meat, rice, soybeans, fats and oils, and cotton.

The best way to avoid international arrangements which would limit our ability to expand exports is to discontinue government supply-management programs here at home. Our goal is to increase exports of agricultural commodities to $10 billion per year. This is a good way both to increase farm income and to improve our national balance of payments.

The CHAIRMAN. Well, as I understand the proposal, the overall proposal, we would do away with any kind of acreage controls.

Mr. SHUMAN. Yes. They would be phased out over a period of 5 years. For these three groups of commodities, feed grains, wheat, and cotton.

The CHAIRMAN. And the program, as I understand it, would permit 10 million acres per year to be set aside and on which the Government woud pay so much per acre to retire.

Mr. SHUMAN. Yes, sir.

The CHAIRMAN. And this is to be done on a bid basis.

Mr. SHUMAN. Yes, sir.

The CHAIRMAN. Now, how would that operate?

Mr. SHUMAN. We have had previous programs where this has been used and our proposal is not different from the previous programs. Actually, the way it would operate would be that the farmer would submit an offer and, if there were more acres offered than was required, the higher ones would not be accepted. On the other hand, if the bid accepted did not bring in as much acreage as was needed, the ones that bid higher might be allowed to reduce their bid.

The CHAIRMAN. Now, is this on a voluntary basis?

Mr. SHUMAN. Yes, sir. And based on productivity. The determination of the low bid would be on relative productivity.

The CHAIRMAN. There would be no compulsion whatever?

Mr. SHUMAN. No.

The CHAIRMAN. So if the farmers refused to retire acreage they could go on and plant all the acreage now in cultivation?

Mr. SHUMAN. Yes. With the Secretary's authority to phase it out at 20 percent a year. There would still be restrictions for the first few years.

Senator HOLLAND. First 5 years?

Mr. SHUMAN. First 5 years, yes.

The CHAIRMAN. I see. But the point is, though, that the program that you suggest envisions the retirement for the next 5 years of as many as 10 million acres per year.

Mr. SHUMAN. Yes.

The CHAIRMAN. And if the farmer offers to retire at, let us say, $10 an acre and others would offer to retire, say, at $12 or $15, the $10 acre——

Mr. SHUMAN. If the productivity was the same.

The CHAIRMAN (continuing). Yes. Would the bid of each farmer be considered separately?

Mr. SHUMAN. Yes.

The CHAIRMAN. Now, in the transition period of the first—of the 5 years, the loan rate would be 85 percent, as you indicate.

Mr. SHUMAN. Not to exceed 85 percent of the 3 previous years market average price.

The CHAIRMAN. Have you estimated what that would come to? Let us say on the last 3 years, assuming that your suggestion was law.

Mr. SHUMAN. Now, this price support would go into effect immediately, 1971.

The CHAIRMAN. Yes.

Mr. SHUMAN. And it is on page 9.

The CHAIRMAN. Had this law been enacted last year instead of the extension that we proposed—I have had our staff here estimate what the loan would be and what—how much of parity each loan would be, and I am going to place this in the record and with your right to change it if it happens to be in error because it was—for instance now, assuming as I just stated that the law—that if the proposal that you are submitting were enacted into law or had been into law last year, let us take wheat. The price was $1.63 in 1966–67, $1.39 in 1967–68, 1968–69, $1.24, and the average for those 3 years would be $1.42 a bushel.

Now, 85 per cent of that would be $1.21 a bushel.

Mr. SHUMAN. Yes.

The CHAIRMAN. I think you have got that in your——

Mr. SHUMAN. Yes.

The CHAIRMAN. And the loan as I understand it, I understand that is a loan.

Mr. SHUMAN. Indicated maximum loan, right.

The CHAIRMAN. So that in the case of wheat at $1.21 per bushel, the parity for that would be 43 percent.

Now, you do not believe in the parity concept.

Mr. SHUMAN. We believe that parity is a good measure to judge how we are doing as compared to some previous time. It is an index figure. We do not believe that prices should be fixed at parity because quite obviously some would be too low and some would be too high under present conditions, but it is a good measure and we believe in parity in the way in which it was designed originally to be used, not as a method of fixing price.

The CHAIRMAN. I see. Now, as to corn, the average for the last 3 years was $1.12 a bushel and 85 percent of that would be 95 cents per bushel.

Mr. SHUMAN. Right.

The CHAIRMAN. Which would be 54 percent of parity.

Mr. SHUMAN. Yes.

The CHAIRMAN. And in the case of cotton the average for the last 3 years, that is, 1967, 1968 and 1969, assuming that the law were in effect as I suggested now, would be 19.28 cents per pound and—excuse me. That the 3-year average would be 22.68 cents per pound and 85 percent of that would be 19.28 cents, or 40 percent of parity.

Now, the parity prices of December 1969 for wheat were $2.79 per bushel and under your formula the most that the Government could

loan on this parity of $2.79 would be $1.21 per bushel. That is correct, is it not?

Mr. SHUMAN. Yes.

The CHAIRMAN. And in respect of corn, the parity price as of 1969 was $1.74 a bushel and 54 percent of that, of course, as I just indicated, would be a loan of 95 cents.

Mr. SHUMAN. Yes, sir.

The CHAIRMAN. And cotton, the average price for the last 3 years, that is, 1967, 1968, and 1969, was 22.68 cents per pound, 85 percent of that would be 19.28 cents per pound, or 40 percent of parity, and the parity price for cotton during December 1969 is 48.31 cents per pound.

Now, do you think this program could work with such low loan values without any other payments except, I presume, the sums that the farmer would get from his retired acres?

Mr. SHUMAN. Mr. Chairman, for about 37 years we have been trying to get improved prices via the present program of price supports that were related to parity, and we have failed miserably. We have not really made any progress toward the goal of better prices. But this approach is a change in direction. This approach is based on the theory and the confidence, the conviction that we have that price supports should be lower, should be below the market price, that they should be there as a shock absorber or something that goes into operation only when you have a disastrous situation. So, we are confident that this program will result in higher prices than the previous program.

The CHAIRMAN. Well, I am assuming that your program would be in effect last year in lieu of the extension and the results that I have just given you, that is about the average price and 85 percent of the price and then the parity, that would have been the case and that would be the case now if this law—if your proposals were enacted, and I am just wondering whether or not a farmer could exist without other payments than the 10 million acres per year that you are saying should be set aside and that he was going to obtain for that from the Government certain amount for each acre based on a bid basis, the cheapest that would be offered.

Mr. SHUMAN. Well, Mr. Chairman, the reason that I say so positively that prices would increase and that the farmer would be better off, that the returns would be higher than the present price received plus the payments is because under the past program price support has tended to become the ceiling price because the Commodity Credit Corporation has been dumping huge quantities of the products into the market and the rationale that the U.S. Department of Agriculture has used over a period of years has been that, well, we have this embarrassingly high surplus. We have got to get rid of it and the farmer will not be hurt because he gets paid.

Now, to make sure that our program results in higher prices, we have this proviso in here, this provision which would prevent the sale back on to the market of any of the Comodity Credit Corporation supplies unless the price on the market was 150 percent of the loan level.

The CHAIRMAN. So that under your own program there would still be quite an amount in the hands of the Commodity Credit should loans be taken advantage of under your proposal.

Mr. SHULMAN. Yes. The reason why we have it at 85 percent is to prevent the movement into the Commodity Credit.

The CHAIRMAN. I understand that, but if the farmers took advantage of the proposals in your bill, it would still be possible to accumulate quite a lot of wheat and corn and cotton and other feed grains.

Mr. SHUMAN. In case of a drastic drop in price, yes; but normally——

The CHAIRMAN. Well, I am talking about present conditions now. We are not living 30 years ago. We are talking about today.

Mr. SHUMAN. Well, they would not——

The CHAIRMAN. If the Congress should adopt your proposal today, the figures that I have indicated here as to what he could borrow are very small and even at that small amount there is no doubt but that the farmers would be forced to take loans because of their inability to sell their crop, and then under the provisions of your bill—of your suggestion, as I understand it, the Government could not sell that whatever it loans on unless the price would be 150 percent of parity.

Mr. SHUMAN. Of their loan level.

The CHAIRMAN. Which is it? Loan level. One hundred and fifty percent of loan level plus all charges.

Mr. SHUMAN. Yes. Well, Mr. Chairman, might I state here that if you use those figures—you, as I gather, were correct—of the maximum loan rate there is no incentive under present prices for farmers to use the loan. The market price of corn is considerably above their loan price at the present time. Soybeans is considerably above it. Wheat is somewhat above it. Cotton is somewhat above it. So there would not be any "go" in the loan if the market was as it is now.

The CHAIRMAN. I understand that, but what assurance have we that the market will do that?

Mr. SHUMAN. There is no assurance except that with the prevention of the sale back, there is considerable confidence that it will go up. When there is no longer the ability of the Commodity Credit to dump wheat into the feed grain market or corn or sorghum into the feed grain market—where they are not allowed to do this, the price will go up, of course.

The CHAIRMAN. But the point I am trying to also make is that under your proposal it is all voluntary and with no incentives, none whatever, and I am just wondering how you can expect the farmers to agree to set aside the acres that you contemplate. That is the first thing that would bother me considerably.

Mr. SHUMAN. Well, Mr. Chairman, you are correct, that there are no incentives, but the important thing is that this program removes the incentives for excess production that is built into the present legislation.

The CHAIRMAN. Well——

Mr. SHUMAN. And that is one of the reasons we are in trouble, because of these tremendous incentives that are there. In fact, the program requires if you are going to get the payments that you plant a certain part of your acreage, with liberal payments, all of them keyed to production, and it is an incentive program, and of course, that is also the rationale for the Commodity Credit Corporation whenever the price exceeds the loan level a little bit, to dispose of supplies. It was really designed to hold prices down in the first place, and it has been operated that way.

The CHAIRMAN. Well, I doubt it, but I am trying to have you tell us what would happen if your—instead of extending the act as we did last year for a year, that is, for this year, if your proposal had been put in.

Mr. SHUMAN. I am confident, Mr. Chairman, that every price in this list will go up in the first year.

The CHAIRMAN. Go up.

Mr. SHUMAN .Yes, sir.

The CHAIRMAN. What makes you say that?

Mr. SHUMAN. Because the pressure for increased production and for maintaining a high output in these is reduced because of the lack of certainty as to what that price is going to be, plus payments.

The CHAIRMAN. Well, do you think the farmer would keep on producing as much as he is producing now per acre? For instance, when I first came here it required about 40 million acres of cotton to grow what a farmer can now produce on 16 million acres. Now, except for the incentive that was provided for by the Government, the chances are that we would still need 40 million acres of cotton to produce the required amount now.

Mr. SHUMAN. I think in the case of cotton, that since there is need and opportunity for some expansion of production, that the cotton-growers themselves would begin to decide what kinds of cotton and where to plant cotton. You might have some increase in cotton production, but I think you also would have an increase of price in cotton of the desired kinds. I think in the case of feed grain and wheat that there will be a tendency to reduce the acres and some tendency to reduce the——

The CHAIRMAN. What would cause them to want to reduce it if they had to put the acreage on a bid basis and get the least amount possible per acre? That is what you are saying.

Mr. SHUMAN. Well, some will—they will not put it into the cropland retirement unless they figure that is a better return than they can get by putting it in production. So some will go there and quite a bit will go out of production that way. Furthermore, there are many producers who are producing wheat, for instance, in parts of the country which are not particularly adapted to producing the high quality wheat who will have an alternative and a choice and they will not have to worry about continuing to preserve their acreage by planting. There will be a normal shifting of production.

Some of the pressure for increased yield will be off because when you are not sure what the price is going to be, you are not going to be inclined to put as much money in nitrogen and other fertilizer materials as you might otherwise. The risk is somewhat greater.

The CHAIRMAN. Well, I will divert from those questions. I presume others will ask you question on the——

Senator JORDAN. May I ask a question at this point?

The CHAIRMAN. Yes.

Senator JORDAN. The 10 million acres you talk about retiring every year, is that in addition to the present retirement?

Mr. SHUMAN. No.

Senator JORDAN. They would come back to no retirement as a base and then take 10 and in 5 years you would have 50 million?

Mr. SHUMAN. That is right.

The CHAIRMAN. In other words, to start, though, with your present acreage which is far in excess of our needs to produce the crops that we are now growing.

Senator JORDAN. Well, do we not have 50 million acres out of production now?

The CHAIRMAN. Approximately that.

Senator JORDAN. So we would wind up in 5 years with what we have got out of production now.

The CHAIRMAN. No. All of that program would go out of—would stop.

Mr. SHUMAN. Twenty percent per year.

The CHAIRMAN. Except that——

Senator JORDAN. You come back to nothing.

The CHAIRMAN. Exactly, and then start 10 million acres.

Senator MILLER. No. That is not it, Mr. Chairman. My understanding is that the way they have got this scaled, let us say we have 50 million acres out now under present programs. Next year, if this went into effect, we would have 40 million acres out under present programs because they are authorized to make payments to the extent of 80 percent of what they are doing now. And the other 10 million would start to phase in.

Senator CURTIS. It is a two-way escalator? As one goes up the other comes down.

Mr. SHUMAN. Right.

Senator CURTIS. So, your total amount of acres would be the same.

Senator MILLER. That is right, except you could have more productive acres retired under that 10 million.

Senator JORDAN. Phased from the top down.

The CHAIRMAN. Is that your understanding of the bill you introduced?

Senator MILLER. Yes, sir; that is it.

The CHAIRMAN. That there would be as many as 50 million acres——

Senator MILLER. Continued.

The CHAIRMAN. To continue but on a different basis as to what——

Senator MILLER. That is right. First of all, next year it would be 80 percent under the present program and 20 percent under their program, then the following year it would be 60 percent and then 40, so you would have a different mix.

The CHAIRMAN. What I am worried about, of course, is this bidding business. How much administrative work would that entail?

Mr. SHUMAN. Senator——

The CHAIRMAN. Let us say a State like Iowa, a State like Indiana or Ohio. If the farmer bid on his acreage, let us say, to remove 10 percent of it, if his bid were $11.10 per acre and the others would be different prices, how would that work?

Mr. SHUMAN. Mr. Chairman, this would be rather simple administratively because at the present time these production indexes are available in all the counties so this is a very simple thing to figure as to whether or not this bid of $11 gets more out of production than somebody else's bid of $15.

The CHAIRMAN. But suppose you have a third who make it an $11 and the others would just be above $11? What then?

Mr. SHUMAN. It will not matter what the bid per acre is. It is which bid gets the most production out per dollar. And so they would figure out——

The CHAIRMAN. Well, would it be possible to have in Iowa, let us say, some retired at $11 provided they have the same productivity and others at 12, others at 14, others at 25.

Mr. SHUMAN. Yes. Different productivity.

The CHAIRMAN. No. I mean the same productivity.

Mr. SHUMAN. No, no.

The CHAIRMAN. So that you probably would have to go to each farmer in order to get the amount that he would be willing to retire his acreage for.

Mr. SHUMAN. Yes. Each year you sign up now so that it would be the same procedure.

The CHAIRMAN. I see.

Senator JORDAN. May I ask another question?

The CHAIRMAN. It is known in advance what that will be by the Government and there is a choice there.

Senator MILLER. Will the chairman yield at that point?

The CHAIRMAN. But in your case, it seems that it is left to each individual farmer to say I am willing to retire so many acres at so much per acre.

Mr. SHUMAN. Yes.

The CHAIRMAN. And if there is a difference between farmers A, B, C, and D of 10 cents an acre, that would be treated individually, would it not?

Mr. SHUMAN. Yes, but it is essentially the same as the present procedure. At the present time the committee submits to the farmer a proposition. The farmer then decides to accept or reject it.

The CHAIRMAN. That is for his own area.

Mr. SHUMAN. Each individual farmer has a separate proposition. At the present time each individual farmer has a separate proposition.

Senator HOLLAND. That is correct.

Mr. SHUMAN. Oh, yes. He has to decide, and it is changed every year.

The CHAIRMAN. I understand that, but still the farmer knows in advance what it is going to be.

Mr. SHUMAN. He would here. The only thing different here is the farmer would submit a proposition, the committee would decide whether to accept his proposition and he would know in advance of the planting season whether they have accepted it or not.

The CHAIRMAN. I understand, but as I said, there is more uniformity of price payments under the present program because it is stated in advance what the payment by the Government would be whereas yours is speculative.

Senator MILLER. Mr. Chairman, on that point, it would be feasible, I understand, to have a figure for, let us say, corn per bushel of productivity, have a figure which would be quite attractive and you could have a lot more people come in and say I am ready to go with that than you have room for, and then that would be on first-come first-served basis. You could handle it that way, too.

The CHAIRMAN. Well, what is the average payment, let us say, in your State, Senator? I do not have it available.

Senator MILLER. I would have to rely on staff for that, too.

The CHAIRMAN. Maybe I should have had it prepared. And I know that in some cases the retirement varies considerably and some farmers if I remember, get as much as $50 to $90 an acre.

Senator MILLER. That is right, some get a lot less.

The CHAIRMAN. Do you think you would have bids that high?

Mr. SHUMAN. I doubt very much if it would require as high a bid to get the productivity out. Now, one of the things that is very important here to note is that while we are changing acres, 10 million, 20 million—10 million in, 10 million out, and it stays roughly at 50 million, we are getting a great deal more productivity out under this system because under the present system where they take so many acres out of corn, so many out of wheat, so many out of cotton, in the present system, particularly in the case of the grain crops, and to some extent with cotton, they are able to overplant that acreage and then they determine the part to destroy and they also can determine which acres to retire and they take 10 acres or 20 acres out of the farm. They can always select the quantity. Ours says emphasis on whole farms and productivity. So, they are going to get more productivity out of this 50 million acres than we do under the present program.

Senator JORDAN. I understand you are talking about retiring the entire farm?

Mr. SHUMAN. They could be. It is not required.

Senator JORDAN. They would not necessarily have to.

Mr. SHUMAN. No.

The CHAIRMAN. And then as I understand, if a person, I mean if a farmer retires, let us say, 20 percent of his acres, on the rest of the acres he can plant whatever he wants to.

Mr. SHUMAN. Yes.

The CHAIRMAN. That is up to him to do it.

Mr. SHUMAN. Except in this 5-year period he would still have restrictions on the ones that were under the program.

The CHAIRMAN. Well, that is just the phasing out.

Mr. SHUMAN. Yes. Five years, 20 percent phasing out. So there would be some restrictions for 5 years.

The CHAIRMAN. Yes; but you are assuming, though, that every year there would be at least a 10 million acre retirement.

Mr. SHUMAN. Yes.

The CHAIRMAN. And if that occurs, as I said, then it is left to the farmer to plant whatever he desires on his unretired acres.

Mr. SHUMAN. Yes; after the 5-year period.

The CHAIRMAN. Now, what will happen in the meantime?

Mr. SHUMAN. I think that the first year of this program the prices will go up. I think they will stay up.

The CHAIRMAN. What makes you think that? There may be more acres in cultivation because I doubt that farmers would be willing to retire their acres for much less than what they are now receiving.

Mr. SHUMAN. No. 1, in the 50 million acres that are out in the first year and in the second year we will get more productivity retired, so there is less pressure on production.

No. 2, the incentive to produce more bushels and more pounds is reduced under our program from the very beginning because they are not assured of a certain price plus a certain payment on that produc-

tion. There also is less incentive and less pressure because they are not required——

The CHAIRMAN. So that prices according to your programs would be upped because you feel that there would be less production.

Mr. SHUMAN. There will be less production and be greater demand because we will be producing things that they want.

The CHAIRMAN. How do you mean greater demand now? You say demand for what?

Mr. SHUMAN. Well, in the case of wheat, for instance, the adjustment in production will come in those varieties of wheat which are not acceptable on the market, and there will be a greater demand for the products that are produced.

The CHAIRMAN. But under your bill, then, as I understand it, you expect less production and, therefore, greater prices.

Mr. SHUMAN. That is right.

The CHAIRMAN. Now, I have been receiving letters—this is my last question—I know that you folks want to also ask questions.

I have been receiving letters from my State from the Farm Bureau there in respect to cotton in particular and I am wondering if your program—the program that you are now proposing as to cotton—is acceptable, let us say, to the Louisiana cottongrowers.

Now, this is my answer to the letters that I get from them. I cannot really read that in the bill that has been proposed by Senator Miller and others. My letters say this, and I get it from the Farm Bureau there.

"As I understand it, some of the major features of this new program are: a 14 million national acreage allotment rather than the present 16 million acreage with the Federal Government purchasing 2 million acres out of which the productivity pool will be retired; provide for loans at not less than 65 percent of parity; authorize an "anniversary date" type loan on a monthly basis; limit sale and lease of allotments; provide for a single allotment system; CCC resale at 110 percent of the loan rate plus charges; provide a graduated scale of payments to mills based on cotton use; and encourage exports."

Now, have I stated that correctly? Are you in favor of that insofar as Louisiana is concerned?

Mr. SHUMAN. Mr. Chairman, no. This is the proposal—you stated it correctly, I think, and this was a proposal that was developed by the Louisiana Farm Bureau Cotton Committee, in consultation with some of the cotton producing counties in Louisiana last summer. We had a meeting of the Farm Bureau leaders from cotton States in Jackson, Miss., where this was presented and discussed and Mr. Paul Ransome, who is the vice president of the Louisiana Farm Bureau, I think will be before this committee to explain it in more detail. It was presented to the Farm Bureau leadership of the cotton producing States and not a single other State in our organization bought the concept. They did not agree with it.

The CHAIRMAN. So that Louisiana is the only one?

Mr. SHUMAN. The only one I know of that supports that.

The CHAIRMAN. And your organization is not for this.

Mr. SHUMAN. No.

The CHAIRMAN. So that when a Farm Bureau member writes me that you are fostering this proposal——

Mr. SHUMAN. That is not——

The CHAIRMAN. That is an error.

Mr. SHUMAN. That is an error.

The CHAIRMAN. Now, are there any other commodities in any States in which there is a difference of opinion as to what you are now proposing?

Mr. SHUMAN. Yes, Mr. Chairman.

The CHAIRMAN. I wonder if we could get maybe a list of that. I do not want to go into details.

Mr. SHUMAN. Well, let me say this. In the Farm Bureau we do provide that after our national policies are adopted, and that is by majority vote, and naturally there are always those on almost any issue who would not agree with the majority, but after a majority vote of delegates from the member State Farm Bureaus any State Farm Bureau may file within a certain period, a dissent. I do not think there is any other organization in American agriculture that provides for dissent. I think all the rest of them go down the road with majority action. So we have had dissents filed on the cotton provisions of our policy, from Arizona, Louisiana, and North Carolina Farm Bureaus. That is the three that so far—that is the only three I have heard from. I do not know of any others.

On wheat we have a dissent filed by North Dakota Farm Bureau board of directors but it is confined to the speed of the phaseout. It is not a blanket dissent. It says they think this 5 years is a little too fast. It applies to wheat certificates and says that this phase out of the wheat certificate is too rapid.

We always have dissent from several States.

Now, one other that we have is from Ohio, where they dissent on ACP payments, I believe, and some rather minor matter on bloc voting under the dairy proposition.

That is the only ones that I believe we have received.

The CHAIRMAN. So that insofar as your organization is concerned, as far as you know, all members are with you except these dissents that have been made by Ohio, Louisiana, and others.

Mr. SHUMAN. Well, Mr. Chairman, I could not say all members are but these are the only States that have felt strongly enough to file a formal dissent.

The CHAIRMAN. I see.

Senator Holland?

Senator HOLLAND. Mr. Shuman, I want to question you briefly about your ideas on the milk program. As I understand it, you are in favor of the extension of the present milk program with certain minor exceptions and I note that while you do not approve the class I bases, that you are willing for it to be used by those areas that vote to use it and that you think there should be at least two changes in the Puget Sound plan. As I understand it, you think that a new producer should be allowed to earn a base.

Mr. SHUMAN. That is right.

Senator HOLLAND. That is not permitted under the present working of that Puget Sound plan?

Mr. SHUMAN. They purchase a base. I believe this proviso is not in the present legislation.

Senator HOLLAND. In other words, to acquire a base by his own development rather than by purchase.

Mr. SHUMAN. That is right.

Senator HOLLAND. And you also recommend that producers continue to have the right to vote as individuals in any referendum on class I base plans.

Mr. SHUMAN. Yes.

Senator HOLLAND. That is not a change in the present law.

Mr. SHUMAN. No.

Senator HOLLAND. You also recommend that the program should be reworded to make it clear that all producers are to share in any growth that may occur in class I sales.

Mr. SHUMAN. Yes.

Senator HOLLAND. Does this indicate that present old producers are not permitted to share in that growth?

Mr. SHUMAN. Yes, it is my understanding that that is the situation.

Senator HOLLAND. Are these two changes that you suggest embraced in the so-called Farm Bureau bill——

Mr. SHUMAN. Yes, sir.

Senator HOLLAND. Introduced by Senator Dirksen and others?

STATEMENT OF MARVIN L. McLAIN, LEGISLATIVE DIRECTOR, AMERICAN FARM BUREAU FEDERATION

Mr. MCLAIN. No. They are not because this was a change, you see, Senator Holland at our last convention. Our bill was introduced ahead of that. But we put it in our statement here indicating we are for it and we will help cosponsor legislation with the milk producers to do this, we hope.

Senator HOLLAND. But subject only to those two proposed changes which I regard as somewhat minor, you are for the extension of the milk program now contained in the 1965 act as extended.

Mr. SHUMAN. Yes, sir.

Senator HOLLAND. All right. Now, on the wool program, I notice that you also are for the extension of that act with minor change. That is with reference to the checkoff program for promotion. You are not in favor of that feature.

Mr. SHUMAN. No.

Senator HOLLAND. In the present wool program.

Mr. SHUMAN. That is right.

Senator HOLLAND. But with that exception you are in favor of the extension of that part of the present law.

Mr. SHUMAN. Yes, sir.

Senator HOLLAND. Does the act introduced by Senator Dirksen, Senator Miller and others include this proposed change in the wool program?

Mr. SHUMAN. No. Again, we would favor amendments which would carry this out.

Senator HOLLAND. All right. Now, with reference to the retirement program, you feel, as I understand, that the bid basis, while it would be designed to retire the same number of acres as now retired annually, would retire greater production?

Mr SHUMAN. Yes, we believe it would.

Senator HOLLAND. It would be so designed.

Mr. SHUMAN. Yes, sir.

Senator HOLLAND. I notice you have another retirement program that seems to be applicable only to small producers. I find it on page 7 of your statement. Is that program applicable only to small producers embraced in the bill introduced by Senator Miller, Senator Dirksen, and others?

Mr. SHUMAN. Yes, sir; that is incorporated.

Senator HOLLAND. I notice that under that bill you are proposing to reduce producing acreage by the total farm area, the total producing area, of small growers who had an average gross annual sale of farm products of not more than $5,000 and all farm income not more than $2,000 per year for husband and wife.

Mr. SHUMAN. Yes.

Senator HOLLAND. Is your idea there that nonproductive farms and the noneconomical farms should be retired as quickly as they can? Get the people trained to make more money in other——

Mr. SHUMAN. Actually, Senator, this section of our bill is not designed to be a production adjustment program. It is not really that that we are thinking about. We are thinking about these operators, these farmers who have low incomes and who have not yet developed skills or businesses that they might wish to develop, and so this is an attempt to facilitate whatever they want to do. If they wanted to become more skilled in farming, that would be all right, too, but primarily this is designed as an assistance program to give these folks the opportunity to take training, technical training and develop other skills in order to get off the farm jobs. So, it will reduce production to some extent.

Senator HOLLAND. I notice there, too, special financial aids available under your proposal. One of them is retraining grants of not to exceed $1,000.

Mr. SHUMAN. Yes.

Senator HOLLAND. The other is adjustment assistance not to exceed $2,500 per year for 2 years.

Mr. SHUMAN. Yes.

Senator HOLLAND. As you have just stated, this program is designed to give an option to people in the unfortunate situation of not being able to produce economically as farmers to turn to other pursuits.

Mr. SHUMAN. Or to step up their farm production if they decided to do that.

Senator HOLLAND. If they desire to train for better farm production to give them that opportunity also.

Mr. SHUMAN. That is right.

Senator HOLLAND. My understanding is if they do choose to leave the farms and to retire their acreage, that acreage would not be included in the 5,000 acres but would be added thereto which would be retired.

The CHAIRMAN. The 50 million.

Senator HOLLAND. I mean 50 million.

Mr. SHUMAN. Fifty million total. Yes, sir. That would be in addition to.

Senator HOLLAND. It would be in addition to the annual retirement and in addition to the total retirement, the 50 million.

Mr. SHUMAN. Yes. I should point out, too, the 50 million, the 10 million per year, is a minimum. It is a minimum.

The CHAIRMAN. How would the retirement of smaller farms differ, that is, the payment differ from a farm of major production?

Mr. MCLAIN. It would be the same.

Mr. SHUMAN. Yes, it would be the same.

The CHAIRMAN. On a bid basis.

Mr. SHUMAN. Yes.

The CHAIRMAN. For how long a period?

Mr. SHUMAN. Well, each year there would be—this program would be submitted each year. More could come in each year, you see.

The CHAIRMAN. Well, if one does sign up, how long will that be for, 5 years?

Mr. SHUMAN. Five to ten, we say.

Senator HOLLAND. Five to ten retirement.

Mr. SHUMAN. He would have the same options as the commercial farmer.

Mr. MCLAIN. Plus these others.

The CHAIRMAN. And this payment of $2,500 and the $1,000 mentioned by Senator Holland, how would that be raised? Who would furnish that and under what conditions?

Mr. MCLAIN. This would be appropriation by the Congress of the United States.

The CHAIRMAN. Repayable?

Mr. MCLAIN. The adjustment assistance is grants and are not repayable.

Senator HOLLAND. That is special help, as I understand it.

The CHAIRMAN. Both amounts?

Senator HOLLAND. It is really three amounts, $1,000 for retraining and up to $2,500 each year for 2 years, if I understand it correctly.

Mr. SHUMAN. Yes.

Senator HOLLAND. And that is your view of a way to either allow the uneconomical farmer to better train himself and become an economic farmer or to retire this land and go into some other work.

Mr. SHUMAN. That is correct. He would have an option. The small farmer, the low income farmer, rather, would have the option of going ahead and participating in this program the same as the larger income or the larger operator or he could enter into agreements for the surrendering of all of his base acreage allotments and get compensation there, and he could apply for retraining grants or adjustment assistance so he has more options.

The CHAIRMAN. Now, you said base acreage. You do not mean the whole farm?

Mr. SHUMAN. He could retire all of his——

Mr. MCLAIN. With feed grains it is base acreage rather than allotments.

Mr. SHUMAN. A difference in terminology. The base acreage applies to feed grains and allotments to cotton.

The CHAIRMAN. Well, how do you contemplate having the whole farm removed if you relegate it only to base acreage?

Mr. SHUMAN. Well, he would have the option of placing his whole farm the same as the larger operator if he wished, but of course, he could do both.

Senator HOLLAND. Our report from the Secretary of Agriculture earlier, appearing last year, was to the effect that the retirement of

land under the cropland adjustment program was cheaper than had been the retirement under the annual bases under the 1965 act. Is that your understanding?

Mr. SHUMAN. That is our understanding of what the experience was.

Senator HOLLAND. And your hope is that the method of retirement that you suggested here would result in not only cheaper retirement but retirement of greater productivity than would be the case under the annual retirement now in effect.

Mr. SHUMAN. Yes; for about the same cost we think we can get a great deal more retirement.

Senator HOLLAND. I think that is all, Mr. Chairman.

The CHAIRMAN. Just one more question. I meant to ask it a while ago.

As I understand, you are not covering the rice programs or the tobacco and peanut programs. Now, why have you excluded that from your proposal?

Mr. SHUMAN. The reason is that while rice, peanuts, and tobacco are very important crops to the producers of those crops, the total acreage involved either in a retirement or any kind of a program is not really significant in the total picture, and these are—each one of these programs has become a separate type of thing. It seemed to our delegates that the important thing was to move where the greatest need was.

The CHAIRMAN. Thank you.

Senator Miller?

Senator MILLER. Thank you, Mr. Chairman.

Mr. Shuman, yesterday a statement was made before the committee that the Farm Bureau favored doing away with farm programs within 5 years. That is not true, is it?

Mr. SHUMAN. No. This is absolutely not true because this program that we have is a farm program.

Senator MILLER. As I understand it, you would phase out certain programs within 5 years but there would be other programs that would continue, is that not true?

Mr. SHUMAN. Yes; our program continues price supports indefinitely.

Senator MILLER. That is my understanding. So that probably the statement was based more upon the disagreement with the Farm Bureau's programs rather than an accurate assessment of what Farm Bureau proposes to do. It that not so?

Mr. SHUMAN. That is true.

Senator MILLER. Now, we hear a lot said about the great bargain that consumers are getting, that 10 years ago, 20 cents of the consumer dollar went for food, today it is 16½ cents. However, as I understand it, the cost of farm programs today to the taxpayers, who are of course, the consumers, is considerably greater than it was 10 years ago.

Mr. SHUMAN. That is true.

Senator MILLER. You would not by any chance be able to tell us what the true cost to consumers per consumer dollar would be if you take into acount the additional taxes they are paying, would you?

Mr. SHUMAN. I do not have the exact figures but I suspect that the $3½ billion to $4 billion annual cost of the programs to the taxpayer

probably adds in the neighborhood of 10 percent. Now, I am just guessing. I am not sure.

Senator MILLER. Would you care to research that out and provide it for the record?

Mr. SHUMAN. We will supply for the record the percentage of the total cost of food.

(The information is as follows:)

When I indicated that farm programs probably add about 10 percent to the real cost of farm products, I was comparing the cost of these programs with the income realized by farmers from the sale of their products. On examining the transcript; however, I find that Senator Miller was interested in the relationship of farm program costs to the percentage of the consumer's disposable income that is spent for food. This, of course, excludes the cost of programs for nonfood items such as tobacco, wool and cotton.

The information requested by Senator Miller is not readily available, and a sizeable research project would be required to calculate a precise figure. On the basis of some very rough calculations we estimate that adding the cost of farm programs—other than programs for nonfood commodities—to the consumer's food bill would increase the percentage of disposable income that is spent for food from 16.5 percent to 17.4 percent.

Senator MILLER. I have had the feeling that maybe the consumer does not realize it but that by the time you take into account his taxes, that maybe he is not a lot better off than he was 10 years ago and he might be worse off. But I do not know, and I would like to get some figures on that if you could provide those.

I understand that one of the basic reasons why you favor a change in direction of farm programs is that while the consumers may seem to be benefiting, if indeed they are benefiting, they are benefiting at the expense of the farmers. The farmers are not getting fair prices for what they produce and we are trying to change directions so that farmers can get fair prices for what they produce. Is that not so?

Mr. SHUMAN. This is correct, Senator. The objective of our program is to get better prices for farmers and it calls for a change in direction because under the existing programs it has, whether it was the design or intent of the administrators, for all practical purposes these programs have been used to hold farm prices down. They have resulted in stimulation of excess production which has gone into the Government hands and the Government administrators have then in turn fed these quantities of supplies back on the market which have depressed markets. They have done it with the excuse that it was not really so important what the price was because the farmer was getting payments.

So, in effect, the payments have been actually in lieu of fair prices and when you add the payments to the depressed prices we are not doing very well. We are not doing as well as we did 20 years ago.

Senator MILLER. I think that was borne out yesterday by one of the witnesses when he pointed out, I think it was Senator McGovern, that the average nonfarmer is in the country which would seem to bear out that statement of yours.

Mr. SHUMAN. Senator, I think we ought to also point out at this point that the crops that have been under these programs are the places where we have got the most distress, the greatest surplus, lowest prices, and lowest income. Two-thirds of agriculture that has not been subject to these programs is doing fairly well.

Senator MILLER. Now, I know you are familiar with the Iowa State University study, comparative farm programs, that was published, I think, in November of 1968, it may have been updated a little since then, but as I recall, there was a comparison of what would happen if we did away with farm programs, what would happen if we had a long-term land retirement with 60 million acres in it, and continuation of the present program, to see how national farm income would come out, and the one that came out the highest was the present program as far as national net farm income was concerned.

The one that came out pretty close to that was one with 60 million acres in long-term retirement. The one with 50 million acres was substantially under that and I was wondering if in view of that you favor 50 million acres as a target rather than 60 million acres.

Mr. SHUMAN. Senator, we stress that this 50 million is a minimum acreage. If it did not get the results that we need, it could be increased and we would favor increasing it if it indicated it was not getting enough adjustment made.

Now, let me say this about any projection. Any projection as to what would happen under any program is no better than the basic assumptions and it is impossible to get basic assumptions that would give a fair picture as to what might happen under this program because for 30 years we have not had any market—for over 30 years we have not had the market in operation when these commodities sold, so Iowa State's or anybody's projections are subject to this inaccuracy or this deficit. It is not an inaccuracy. It is a deficiency.

I think that 50 million will do it but if it didn't we have got the authority to go even higher.

Senator MILLER. And, of course, if the better productive land were retired, the nearer you might come out on 50 million.

Mr. SHUMAN. That is right.

Senator MILLER. That would depend upon, I suppose, the policy of the Secretary in the bidding arrangement and what kind of production he was trying to get retired.

Mr. SHUMAN. Yes.

Senator MILLER. Now, there has been quite a lot of criticism of the concept of retirement of whole farms. In my own State, as you know, I think better than half of our farmers are tenant farmers and there is concern about what is going to happen to them if whole farms are retired. However, the bill specifically writes into the authority that there shall be an encouragement of the inclusion of whole farms in agreements where this will not unduly limit the employment opportunities of farm tenants.

Mr. SHUMAN. That is right.

Senator MILLER. And I assume that in your thinking on that provision, the Secretary might find in one area where there are employment opportunities that have opened up because of new industrial plants being located there, in another area of the same State, perhaps, there has been no industrial development, and the tenant farmers that would go over in this area would have no place to go whereas in the first area because of the job opportunities they would have a place to go, and that the administration of this would take into account the employment opportunities.

Mr. SHUMAN. That is correct.

Senator MILLER. So there would not be a whole farm retired if there were not employment opportunities for the tenant farmer to go to.

Mr. SHUMAN. That is correct, and furthermore, I think we ought to point out that under the present program where portions of farms are retired from certain crops, and particularly since we propose not to retire any or at least not significantly more acres than it is now being retired, under the present program these folks who are retiring acres get out and aggressively work to get more acreage and they are busy routing farmers off the farms just the same. There would be no appreciable difference in the effect under our proposal than the present program on the tenant farmer.

Senator MILLER. There is another concern that is being expressed about retirement of whole farms and the retirement of acreage and I do not know of anything in the present law that covers the problem. But in the bill it is provided that under the long-term retirement program, and I quote:

> The amount of acreage retirement in a community area shall be calculated to not cause such a reduction in crop production as to jeopardize the economic future of the community.

Mr. SHUMAN. That is true.

Senator MILLER. So that it is your idea in the administration of this program the economic viability of the community would be taken into account strongly before retiring any more acreage that is being retired and perhaps even in reducing the amount of acreage that is being retired because of the economic impact on the community.

Mr. SHUMAN. That is true.

Senator MILLER. Now, as you know, the administration has sent over a proposal which contains a title providing for upwards of 2 million acres a year to be retired under contracts on permanent cropping rights. Have you given any consideration to the cropping rights, permanent cropping rights contract approach instead of the whole farm retirement approach?

Mr. SHUMAN. We have discussed it several times and it was given some attention by our resolutions committee, and we see no advantage whatsoever to this approach. In fact, we see some disadvantages but we think that there is no advantage of that approach over ours whatsoever.

Senator MILLER. Well, it seemed to me that possibly it might open up an opportunity for the owner to turn the farm over for recreational purposes which might not exist if it is a case of a retirement of the whole farm under the bill.

Mr. SHUMAN. Well, that is a possibility, although this bill proposes that this retired land can be used for recreational purposes.

Senator MILLER. Would it be your criticism of the administration's bill that there is not enough long-term land retirement provided for?

Mr. SHUMAN. That would be one of the major criticisms. Another is that the administrator's—I am not sure that this is really an administration bill, at least this so-called consensus approach, gives a great deal of authority and almost a blank check to the Secretary of Agriculture to do most anything he wants to and we have long been opposed to giving him that kind of authority.

Senator MILLER. I detect the proposed bill to which I referred seeks to extend over a longer period of time, much longer period of time,

the transition which your bill would envision. Your bill would envision a 5-year transition.

Mr. SHUMAN. Yes.

Senator MILLER. I must say that there has been concern expressed over whether or not this is too short a period of time. To me inherent in the working of this bill or one that has a longer term period involved is premised upon a very important assumption and that assumption is that there is going to be rural area development, increased industrial plant locations, to provide job opportunities for these people who are going to be involved in the program.

Now, I am pleased that the President in his state of the Union message indicated that there should be balanced growth in this country and that the rural and the urban areas should have a balanced growth, and that would certainly entail more economic activity in the rural areas. But if that assumption is not well taken and if there is not the economic development in the rural areas, I could see trouble ahead from a social standpoint. If these people leave the agricultural activity, and especially some of these smaller people that Senator Holland and you were talking about, they may get retraining but they have no place to go. Are you concerned about that period of time that we are using? Five years will certainly be a nice thing if it could be achieved but I am concerned whether or not it can be achieved in that period of time.

Mr. SHUMAN. Well, Senator, this bill which you have introduced is flexible enough so that if it was felt that there needed to be a speedup or a slowdown, either one, in the retirement, that can be done by additional appropriations. The Secretary would have a minimum and could go from there. It is also possible, of course—the period of adjustment would be as much as 15 years if contracts were entered into in the last of the 5 years for a 10-year period, so by the use of the contract device plus the amount of appropriations, the adjustment period could be extended.

Now, as far as the transfer of people out of agriculture into other business, I do not think that this program will bring this about a great deal more rapidly perhaps than has been done at the present time. They have been phased out of agriculture very rapidly, about 300,000 farm people pushed out of farms into other programs and we believe that the demand for these people who will be released, who decide to move into other occupations, is going to continue good providing we can check inflation and do some of the other things and encourage the study on the part of local people of the development of their community problems and all this thing, is to the good. But actually, there is a market here now for workers and for new businesses. There is a tremendous potential market that is not being filled at the present time. I think this demand for these people is sufficient that the 5 years will be sufficient time.

Senator MILLER. You would favor discretion in the Secretary, though, to gear the operation of this program into the realities of economic development, would you not?

Mr. SHUMAN. I think this legislation provides sufficient discretion.

Senator MILLER. Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Curtis?

Senator CURTIS. Mr. Chairman, I have a few questions for clarification.

In the land retirement, cropland adjustment, what would happen to the land? Would there be a contract requirement on the person who retired the land not to grow weeds——

Mr. SHUMAN. Yes, sir.

Senator CURTIS (continuing). To prevent the soil from blowing?

Mr. SHUMAN. Yes, sir. We would require that this land be taken out of cultivation. We would prohibit the grazing or harvesting of hay or other crops. We would require weed control and erosion, water and air.

Senator CURTIS. How about the retention of the use of the buildings?

Mr. SHUMAN. I do not know whether we covered that point.

Mr. MCLAIN. I do not think we covered that point. You are talking about the buildings inside——

Senator CURTIS. Yes. Suppose somebody wants to quit farming but live in the country.

Mr. SHUMAN. He could lease everything except his residence area.

Mr. MCLAIN. Many of these people will stay on the farm if they have a residence that is desirable and that would be desirable if they were near retirement, of course.

Senator CURTIS. It might be desirable even if they wanted to work in the city.

Mr. SHUMAN. Right.

Senator CURTIS. Have you estimated how much of this land you propose to take out, how much of the 50 or possibly 60 million acres you could take out of production but confining it in great measure to a radius within a given number of miles of our cities that have a population, say, of 250,000 or more?

I will explain the reason for my question. One of the very potent arguments and very potent political considerations here is the dependence of small towns, county seats, small cities, on agriculture. They sell supplies to farmers. They buy their produce. Some of them have manufacturing geared to agriculture.

I live in a small town of 2,300 people. We have a very efficient packing plant. I do not know the figures for 1969 but in 1968 over 80,000 cattle were slaughtered. We even export.

But it is all geared to agriculture. And one of the burdens of making that packing plant go is to see that there is an adequate supply of cattle to slaughter.

Now, if the land retirement program is fixed in the major part, not all—we could not have it that way—a given radius around our great cities, there are several things to consider. One is in a city of 250,000, and of course, it could include cities of several million, not only are the job opportunities greater but the overall economy of that city is geared to a diversity of manufacturing and commerce. So the fact that there was less fertilizer sold, fewer farm implements, or less tractor fuel, or less produce, and by produce I mean all sorts of crops and livestock, produced within a given radius, the proportionate adverse effect upon the city would be so much less than the size of a similar amount of land taken out near a town of a 1,000 or 2,000 or even 5,000 or 10,000.

Also from the standpoint of the problems of the city, they are struggling for space and by space, I do not mean just space to build

more houses and build factories, because that does take land, but recreational space, space to take kids out to, space for camping, hiking, what have you.

Have you given any attention in your land retirement program to concentrating the major portion of it around our larger cities?

Mr. SHUMAN. Not directly, although, Senator, the proviso that we have that the Secretary of Agriculture could limit the amount of retirement from any community or any county is aimed at preventing excessive land retirement or so much land retirement around a smaller comunity that would cause that comunity to dry up or have a serious effect on its commerce and business. So that by indirection we have, but not by saying that it should be concentrated around the larger city.

I think the effect would be about the same.

Senator CURTIS. Well, I do not think so. I think that to have it directly would be part of our national program of making room for city people.

Mr. SHUMAN. We do not have a position on this, although I think this is an idea.

Senator CURTIS. I have no idea, I have no idea how wide in miles that radius would have to be with the number of cities, say, over a quarter of a million in order to take out 50 million acres. Or a substantial portion of it. I am inclined to think for the most part—I can think of some exceptions, Arizona is one of them—for the most part many of our great cities are in a highly productive area.

Mr. SHUMAN. Yes, that is true.

Senator CURTIS. It is true of the Ohio cities, Illinois cities, even my own State of Nebraska.

It seems to me that that would be something very worthwhile to pursue to get some actual figures on it. Maybe it would not amount to any significant amount. I do not know how it would figure out. But particularly in the light of all the problems the cities have.

Now, another point I would like to ask some questions on, you would prohibit the scale of CCC stock at less than 150 percent of the loan rate.

Mr. SHUMAN. Yes, sir.

Senator CURTIS. In my observation, every time a given area, maybe a whole State, has a drought or other disaster, the pressure to sell CCC stocks at below that required by law is terrific.

Mr. MCLAIN. The pressure on the Senators is terrific, too, is it not?

Senator CURTIS. Yes. It is voiced probably against the Congress. I think it is in agricultural offices and I think elsewhere. They say, for instance, here I will have to dispose of my cattle, my basic herd. You have got feed grains stored right in the community and the market price if we can get it is only so much. I would have to go hundreds of miles to get any. Why cannot I buy it? And it is also true that if the Commodity Credit Corporation decided to dump stocks, they find it is a very flexible term, the term going out of condition. What do you think about that in your 150 percent of loan rate?

Mr. SHUMAN. Well, Senator I think that you are absolutely right, that there would be in situations such as you described pressure from those who want to buy the feed and other things at a lower price to release them. However, this is why we want to put this as a provision

of law, so that there is a place, and the justification is that in a year of short supply, the producer has to have this higher price to make up for the reduced supply. If we believe in the market system, which we do, we want to go to the market system—that is why we have the proviso in there. We recognize there would be pressure. That is why we want it by legislation, so that this market has the chance to move up and down in accordance with the supply and demand. It is one of the pressure points.

Senator CURTIS. The retraining grants have been touched upon. What would you train them for? Agricultural or nonagricultural occupation?

Mr. SHUMAN. Both. Anything that the person wanted to train for.

Senator CURTIS. Well, I am not criticizing that. I think it is part of our present process of operation but my observation has been that when the capable boys from my State leave the farm for the city, they do not become unemployed. They may take jobs some of which might be filled by the less skilled—by the minorities.

What do you mean by adjustment assistance not to exceed $2,500 per year for 2 years?

Mr. SHUMAN. This would include such things as relocation if necessary. It would include a grant in case he wanted to go into some small service business or he had to buy some tools or something like this. This would have rather wide opportunities to help establish him in the business.

Senator CURTIS. Now, in the light of the proposals for retraining grants and for adjustment assistance, is the objective to retire very productive acres or is the objective to retire what some people would describe—I would not—as inefficient farmers?

Mr. SHUMAN. The objective is, as far as the land retirement, is to get as much productivity out as possible. As far as the retraining grants and assistance adjustments, it is a completely separate part of this program and is not directed toward the problem of commercial agriculture primarily but toward the problems of our rather large number of so-called farm families that are not really in commercial agriculture today, and it is directed at rural poverty problems.

Senator CURTIS. Well, now, I know you have not contended this but there will be a lot of oratory about the inefficient farmer must go. Well, he has been gone for 25 years in my State.

Mr. SHUMAN. This is true. These fellows that we are talking about in this section of our bill do not produce a great amount in today's agriculture. The ones that we are talking about here probably produce less than 10 percent of the total.

Senator CURTIS. The agricultural problems of concern in my State are not primarily for somebody who is just limping along and would not make a success of it if everything broke just right. It is the predicament that capable, hard working, skillful, well-trained farmers with adequate credit and ample acreage to make a living. Oh, I suppose some places in my State we have problems with marginal people but it seems to me that our agricultural problems by and large are a little bit more basic than that. They involve the real capable fellow, good equipment, ample acreage.

Mr. SHUMAN. That is correct.

Senator CURTIS. And a lot of know-how and ability to plan and keep books and everything else. But he still ends up in an adverse financial situation.

Mr. SHUMAN. Senator, this legislation is a recognition of this fact, that we have two distinct groups in American agriculture, the commercial farmer who is by and large as efficient as any other businessman who is out there hard working and a good manager. Then you have about 450,000 of these folks who maybe are just as good people but do not have the capital, do not have the resources or in some cases do not have the skills to either succeed in agriculture or anything else. So in the past farm program legislation has lumped these altogether and tried to—the arguments have been, well, you are helping these 450,000 by the farm program. We know this has not been true. This is an attempt to differentiate between these two sets of problems and to take care of both of them.

Senator CURTIS. Now, under your proposed rule for long term contracts to retire land in 5 or 10 years, the proceeds of that contract would be paid to the landlord or to the tenant or to both?

Mr. SHUMAN. It would be to both according to whatever the release contract was.

Senator CURTIS. What incentive would the landlord have to cut the tenant in on a 10-year contract? The landlord would continue to have his investment tied up for 10 years. The tenant—it is true he might own some equipment, but so far as his service is concerned, he would not have 10 years services involved. Would there actually be very many instances where you deal with anybody other than the landlord?

Mr. SHUMAN. Oh, I think so, because I do not—while this program says there would be emphasis on whole farm retirement, I do not think that this would be any great wave of whole farm retirements. I think that much of the reduction will come as it is agreed to by the tenant and landlord both that here is an acreage that could be taken out.

Senator CURTIS. Will you not get back to the same problem we have now where we put into the retirement program the least productive acres or——

Mr. SHUMAN. Not nearly——

Senator CURTIS (continuing). In an irrigated area where I live there is a little knoll that we cannot get the water to or something like that.

Mr. SHUMAN. Not nearly as much of a tendency as there is under the present program because this amount that he is going to get paid for his retirement will be determined on the basis of the productivity. So, if he puts out his lower acreage he gets a lower return. He will get a higher return for putting out more productive acreage. Then the emphasis on the whole farm retirement, of course, keeps him——

Senator CURTIS. I do not mean this as any hostility towards tenants or any lack of concern for their welfare or their predicament, but what is the quid pro quo of the Government paying the tenant for retiring land?

Mr. SHUMAN. This would only apply as far as the existing contracts were concerned. The retirement, as I understand it, of the land would be ordinarily that the landlord would receive the pay.

Mr. MCLAIN. Senator——

Senator CURTIS. So the Government's payment would not have to come anywhere near the net productive value of the farm, would it?

Mr. McLain. May I comment on this, Senator Curtis? I think first of all, the whole farm that would be taken out would largely be by the owner-operator, the fellow who was out there that maybe was 60 years old and he thought he had enough and wanted to retire.

Mr. Shuman. Or if he had a cash lease, tenant had a cash lease for the whole farm.

Mr. McLain. That is right. So, I do not think there would be as much involvement in a good landlord and good tenant here that were aggressively wanting to participate in the whole form basis. I do not think either one of them wants to do it. As you well know, if you do not have some provision to prevent the dumping of tenants you are in real trouble and our bill does not permit this to happen. I think the answer is——

Senator Curtis. Well, it has got some policy language in there. I am not so sure that it prohibits it and I do not think it should. It has got to be businesslike. But many farms are rented in my area where you have irrigation from an irrigation ditch as contrasted to pumping irrigation, the landlord receving 40 percent of the return and the landlord pays the water bill and half the fertilizer.

Now, that is a carryover in my particular area of the old days of the dry land farm on which the landlord got a third. By moving it up to 40 percent he can pay the irrigation company and by paying all the water and half the fertilizer his tenant is never tempted to skimp on water or fertilizer. That is the purpose of that.

Mr. Shuman. Yes.

Senator Curtis. Well, why would it not be to his advantage, just self-advantage that I know of, to contract to the Government at a figure that represented about 50 percent instead of 40 percent plus some expenses or even 45 percent of the production potential of the farm even though he had an excellent tenant he had to let go?

Mr. Shuman. Well, in this case, of course, he would weigh his alternatives and it might not—and of course, there is nothing to require that he go ahead. He might say I have got a good tenant, we are getting good production, therefore, I am not even going to make a bid.

On the other hand, the other alternative, he might say to the tenant this is too good a deal for me. I am going to have to take it and rent the whole farm and you have to leave. That is an alternative.

Another alternative is that he would say to the tenant on that back 80 we have not gotten good returns for the last several years. I am going to put it in the land retirement program.

Now, what happens in the case of the tenant? He puts in the back 80. It is the same thing that happens to him under our present program. He goes out and tries to lease more land from somebody else. In case the entire farm is leased, it depends, of course, whether or not if he had a contract for a period of time it could be. And there is a lot of land today on a cash lease. The tenant himself might contract for the 5 years if he had a contract with the landlord.

Senator Curtis. In accepting the bids, we will assume that they have records what this farm produces. One bid is joint for the landlord and tenant for, say, 90 percent of the average return but the landlord says I will give it to you for 50 percent or even 45. Is the Government justified in making the contract with the tenant? I am not saying that

he is not to be considered as an individual or that he is not worthy. I just do not mean it that way at all. But the question exists in my mind.

Mr. McLain. Well, if in this case, of course—you are talking about a share lease—there could not be any contract entered into, Senator Curtis, unless they both agreed. I mean, you start with that. It would have to be mutual agreement.

Senator Curtis. Most of these leases are year to year.

Mr. McLain. Yes, but if it was a shared lease they would have to both agree to it and there would be no contract with the Government because both parties involved would have to agree.

Senator Curtis. No, no. The landlord could serve notice on the tenant the next year.

Mr. Shuman. He could the next year.

Mr. McLain. Next year, that is correct. I am talking about the year he had the lease in. Each year he had a lease.

Senator Curtis. Of course, it would take a year to move into this thing anyway because we have got things to do and the chances are he has gotten some supplies either purchased or contracted for.

Now, in reference to——

Senator Miller. Would you yield at this point?

Senator Curtis. Yes.

Senator Miller. Suppose the tenant was concerned about this and saw that his livelihood was going to go out the window and he could not find any available land that was suitable. He could go down to the local ASCS office and say whatever you do do not accept a bid from my landlord, and I presume that under the policies set forth in the bill that they might decide in that case, even though the landlord wanted it, it was too bad, he had a tenant that you had to look out for.

Mr. Shuman. That is correct.

Senator Curtis. But now Jack, are we going to get into such an unemployment compensation program? If the Government can take out of production—I hope this record shows that I am not unsympathetic to the plight of the tenant. I am. But if the Government can take out of production some very, very productive land at 45 percent or even 40 percent of its average annual production, how can the Government be justified in cutting two people in and paying 85 or 90 percent of the average net return from the land?

Senator Miller. Well, that was not quite the point I was making. I was making the point that—let us say you and I each are farmers. I am a sole operator. You have a tenant. We both bid in good productive land at about the same figure but your tenant does not want to get off there and he has no place really to go and he can show this to the local ASCS office. It would be my thinking that under the policy of the bill the Government would decide not to take your farm but would decide to take mine and the reason is because there is no place for that tenant to go.

Senator Curtis. But if you are a farmer-operator, you are not going to bid—assuming the farms are of equal productive capacity and equal fertility, you are not going to bid as low as the landlord is because the landlord is faced with this economic choice of getting more by leasing to the Government than he is by leasing to somebody else, while if you are an owner-operator, your figure would have to be much higher, maybe twice as much.

Senator MILLER. I think you have got a point there. All things being equal, however, it seems to me that a policy is set forth here that to avoid the social consequences of having that tenant forced off along with his family, maybe going on welfare or relief for some period of time, maybe going into a big city to provide further congestion, that the taxpayers are going to pay an additional amount to avoid the little town from drying up with all of those social consequences. They might decide that they are not going to take either of our bids in that case and the Government and the people will pay the cost to avoid the social consequences.

Senator CURTIS. Please understand me. I am not trying to ridicule the plan. Neither am I downgrading the tenant.

Senator MILLER. I think you have got a very practical point.

Senator CURTIS. I am in a sense being the devil's advocate but it it is a 10-year lease, the tenant has no duties to perform other than what might be done in short periods of keeping the weeds mowed and doing something on the land so there would be no erosion. I do not know whether the American people, the American taxpayers, would stand for compensation of that kind for a period of 10 years.

Senator MILLER. I am not suggesting that. I think that the tenant would have to satisfy the local ASCS people or the administrators of this program that he is making an honest hard effort to readjust and I am sure that he would receive some assistance in doing so and I do not think he could just sit back and say, well, I cannot do anything about it and live on the taxpayers for 10 years. I do not think that would be a sound administration of the policy.

Senator CURTIS. Well, I do not think so either. That is why I think it will end up with a contract to the landlord.

Mr. SHUMAN. Most of it will be, Senator.

The CHAIRMAN. I wonder if you would relegate the questions to the witnesses instead of the Senators arguing.

Senator CURTIS. I have only got one more question. Thank you, Mr. Chairman.

If you paid a decent price to lease, for the Government to lease this land for 10 years, why not pay a little larger price and buy it?

Mr. SHUMAN. This goes——

Senator CURTIS. Are you not going to give him half the value of it in 10 years?

Mr. SHUMAN. Mr. Chairman, perhaps so. This, of course, has been discussed and some thought given to it. I think our principal answer would be that we believe that the Federal Government has more land now than it should have, that this——

Senator CURTIS. Especially if it is not taxed.

Mr. SHUMAN. That is right, and this would do more damage to the local community, where it was taken off the tax rolls. We believe the adjustments—that no one is wise enough to know where these major adjustments should take place and that if it was bought by the Federal Government, that would be a permanent retirement and this would be a mistake in land use planning that we think the market system would better determine.

Senator CURTIS. Well, I want everyone to understand I am aware that the land retirement is in the thinking of a great many people, a

great many organizations. My questions were not to tear down or ridicule but to bring out some of the real problems the Congress faces in that respect. That is all, Mr. Chairman.

The CHAIRMAN. Senator Dole?

Senator DOLE. Thank you, Mr. Chairman. I regret being late but I had an air and water pollution subcommittee meeting. That seems to be the thing of the seventies.

Senator CURTIS. Are you neglecting the soil?

Senator DOLE. I am interested in the soil, too.

It might have been discussed. Did you have any comment on payment limitations?

Mr. SHUMAN. No.

Senator DOLE. Do you have a position on it?

Mr. SHUMAN. Yes. We are opposed to limitation of payments. We are for eliminating the payments but we are not for the limitation. We want to do away with the payment program because it has been used as a substitute for better prices. So, we think that the——

Senator DOLE. In other words, your program would take care of the problem without the necessity of any limitation?

Mr. SHUMAN. That is correct.

Senator DOLE. As the chairman has pointed out we are looking in the event there should be a program adopted that has payments, we are looking for some way to resolve the limitation of payment problem because as you well know, Congress, particularly the House, looks upon payments with some disfavor, and there should be some realistic approach in the event there is a program. Even your program would have payments for 5 years.

Mr. SHUMAN. Yes. We believe that it is far better to eliminate, to terminate the payments—and we suggest doing it over this period of 5 years—than to get projected into an indefinite, an interminable argument over what the limitation should be, and it seems to me that once you move into this perhaps they go into a limitation of $20,000 or maybe a graduated one like the USDA suggested here, this is just the beginning of a long drawn out argument. In each session of Congress there will be somebody else with a different proposal for limitations. Usually it would be on the movement downward, of course, but why not schedule their elimination completely on a pattern which would let the market price absorb the differences and the payment be taken out.

Senator DOLE. Second, I noted a couple of lines with reference to so-called reserves. There has been testimony yesterday and the day before about the need for some consumer reserve. It has been called strategic reserve and about anything you can think of to make it appealing.

I know your position having served on the subcommittee in the House where that reserve program was quietly laid to rest, not too quietly, but laid to rest.

Have you changed your position on reserves or do you still think it is in essence a threat on the market and a price manipulating device? Is that still the basic position of the Farm Bureau?

Mr. SHUMAN. That is correct, Senator. We are very strongly opposed to any kind of a Government-held and managed reserve program because we believe it holds the price down not only when the reserves are fed back on the market but the very knowledge, the very fact that

they are there hold the price down, and we have had so much sad experience with the use of reserves. In fact, the Commodity Credit Corporation throughout the period of its existence has been one that has cost farmers literally billions of dollars in reduced income because the trade knew that that stock was there and it had to come back on the market and they sat there and operated accordingly.

Senator DOLE. You pointed out the 1964 experience with corn and the 1966 experience with wheat to indicate how it can be used. It could be used for any purpose.

Mr. SHUMAN. That is right.

Senator DOLE. For political purposes if someone was so inclined. I do not know whether any Secretary of Agriculture has ever been political but there could come a time when that could happen. He could withhold or limit sales to bring the prices up at the appropriate time in that year or he could depress the price in another year.

Do you think your limitation on Commodity Credit sales, 150 percent of the loan level plus carrying charges, is high enough to protect the farmer?

Mr. SHUMAN. We believe it is. We want it to be high enough and we think it is.

Senator DOLE. Now, we had some testimony yesterday that the States of Indiana and Illinois are the two largest Farm Bureau States, and only about 20 percent of your members—according to a poll conducted by Prairie Farmer magazine—were in sympathy with the Farm Bureau's 5-year program. Do you have any comment on that?

Mr. SHUMAN. Yes, I do.

Mr. MCLAIN. Glad you brought it up.

Mr. SHUMAN. I appreciate your bringing it up.

I wrote the Prairie Farmer after I saw the publication of their poll in which I said that the questions that they submitted which they have labeled as representing Farm Bureau's position were not accurate. They simply said something to the effect that Farm Bureau proposed a phaseout of the controls and price supports. This, of course, is not a description of our program at all.

We favor, as I indicated, loan programs indefinitely. We have a loan program. And furthermore, the rather interesting thing was that the one question that they had apparently hoped to get the large vote for did not do any better to speak of than the one that they labeled as our program. That was one that said where such and such was done with the intention to get 100 percent of parity or 90 percent of parity, I forget what they said. The significant thing in this poll is that 42 percent of the people who were polled of the 500 so polled, 42 percent did not vote for any of the choices and any poll, I do not care whose poll it is, Gallup or anybody else, that cannot get more than 58 percent to respond to one of four choices is not worth the paper it is printed on.

This was—I do not think polls are very significant anyway, because any thing as complex as farm programs cannot be answered with a simple yes or no, do you want one of three choices. You have to have discussion of it and understand the alternatives and there are other alternatives that were not listed in the Prairie Farmer poll.

They in effect got answers to three questions about a standoff, 20 or 30 percent to three questions. Then they had 42 percent that said none, did not have any opinion at all.

Senator DOLE. If you have with you either the letter you have written, or the response, or the complete story, it might be helpful to have it in the record since the question was raised.

Mr. SHUMAN. We will do that. I do not have the one here but we will see that it is in the record.

Senator DOLE. Is that satisfactory?

The CHAIRMAN. Yes, that will be done.

(The information referred to follows:)

READERS SAY

PRESIDENT SHUMAN OF AMERICAN FARM BUREAU FEDERATION FAULTS PRAIRIE FARMER POLL

You ask why the discrepancy between the answers received in Prairie Farmer's opinion poll and Farm Bureau policy (Jan. 3 issue, page 39). The answers are different because the questions are different. Prairie Farmer's questions invited easy answers to complex problems. Obviously this is impossible, as was recognized by the 42% of the 532 persons interviewed who refused to express an opinion when confronted by the unsatisfactory alternatives listed.

Describing Farm Bureau policy as "End the present programs gradually in 5 years. At the same time, the government would rent whole farms to cut back excess production" is an inadequate and prejudiced description. If I had been one of the 532 interviewed and were confronted with the 3 choices listed, I too would have voted with the 223 who rejected all 3 alternatives.

The Prairie Farmer poll does not show support for Farm Bureau policy because Farm Bureau's program was not presented adequately, but neither does it show support for any of the other proposals being considered by the congress. It is interesting to note that despite the "loading" of the first question with the sales line ". . . try to assure grain farmers prices close to 100% of parity," 72% voted against this loaded alternative.

A comparably favorable description of the Farm Bureau plan would be "Indefinite continuation of price supports at not to exceed 85% of the 3-year average market price; substitution of voluntary land retirement under 5 to 10-year contracts for the present individual crop controls; and end to CCC dumping which wrecks market prices; and a special transitional program for low-income farmers."

Conducting a poll under the "rules agreed to by the National Committee on Polls" is a meaningless exercise if alternatives are not completely and fairly presented, and when the questions asked are rejected by 42% of the respondents.

There also is an error in the editorial on Secretary Hardin in the Jan. 3 issue which states, 'The AFBF wants less involvement and eventually a phaseout of price supports and commodity loans in 5 years."

As I have stated earlier, Farm Bureau's program calls for a continuation of price supports related to the market price.

Senator DOLE. In your statement and it was said yesterday by Senator Burdick and other witnesses and we all recognize, farm population is declining. In fact, from 1960 to 1968 it dropped according to your figures about 33 percent, from 15 million to 10.

I asked Senator Burdick yesterday, and I asked myself the same question, have we contributed to this by the programs we have voted for? Whether there would have been the same decline or even a greater decline without a farm program.

What do you think—I have heard your program referred to as a farmer retirement program, not cropland retirement, because they would be broke after a couple of years in the program. What do you see in the event your program were in operation? Do you see the same decline? Have we reached the benchmark? Are all the inefficient farmers now gone from Nebraska and Kansas and other areas?

Mr. SHUMAN. Senator, I do not think that we have yet come to the time when there will not continue to be some people leaving the farm.

but I do believe that the trend that is most significant that has taken place now is that these farmers who are adequately capitalized and who are in the business full-time are producing a higher percentage of the total agricultural production than any time in the history of this country. In other words, the farming business and the production is in the hands of farmers who are devoted to that business.

Now, anyone could not seriously accuse our program of phasing farmers out of farming any faster than the present programs. They have been going out of agriculture at a rate of more than 300,000 farm people leaving agriculture each year under the present programs.

I am not going to say that they present programs have been responsible for all that. That, of course, is not true. But there is no doubt but what the present programs have in many parts of the country resulted in forcing farmers out of agriculture, some that would have perhaps chosen to stay, because of the limitations and all the other maladjustments under the programs.

I think this trend will slacken, this trend away from agriculture will slacken, and I think that under our program of moving to the market system there is a good opportunity for expanded markets. I believe that if we continue the present programs, we are making it easy for the synthetics and substitutes to come in and take over the market for the farmer's product, and within 10 years the cotton producers in the United States are going to be phased out of the cotton production business almost completely under the present program. If our program is adopted there is a good chance we will have a viable cotton economy with a lot of cotton and farmers still in business 10, 15, 20 years from now. If we continue this program we have got now they are going to be phased out, so I say our proposal is essential or something like it is essential if we are going to have a solid strong financially sound agriculture in the next 20 years.

Senator DOLE. In connection with this, and I am certain the American Farm Bureau Federation is working in this area, it does not make any difference which program is enacted unless there is some way to revitalize rural America we are going to continue the decline. There has been a lot of rhetoric about rural development and job opportunities and moving industry. We have seen some of it happen. The point is they must go together. You cannot talk just about the program without the other problem if we are really talking about helping arrangements and still be eligible?

The Farm Bureau has spent a lot of time and has a number of projects along these lines.

The discussion with Senator Miller and Senator Curtis concerning the cropland adjustment and the role of the tenant, do you envision the tenant might be eligible for benefits under title V of your bill, that if he were displaced would he be available for the retraining or any of that program?

Mr. SHUMAN. Yes, sir. Many of them would be. In fact, this I believe, would pick up practically all the slack of these that might be in this unfortunate situation. I would emphasize——

Senator DOLE. In other words, he does not have to be a landowner to be eligible for title V?

Mr. SHUMAN. No, sir.

Senator DOLE. He can be a tenant?

Mr. SHUMAN. That is right.

Senator DOLE. He could be displaced through one of the long-term arangements and still be eligible?

Mr. SHUMAN. I wish to emphasize that we do not believe the adjustment problems and stress on the tenant will be any greater under our program than it will be under the present program and it might even be less, particularly under this title V provision.

Senator DOLE. What about the fear the livestock people have? You provide certain restrictions on grazing. Does this satisfy the objection of the American National Cattlemen's Association and other cattle groups who are concerned about long, vast retirement programs increasing the cattle production?

Mr. SHUMAN. We have met with the American National Cattlemen's officers and top staff and discussed this and it is my belief that they are satisfied with our provisions.

Mr. MCLAIN. Senator Dole, what started this was the idea of easement wherein you could use it for cattle purposes. I think was the initial—some of them thought our program permitted this. It never has, of course.

Senator DOLE. As I understand the basic thrust of the Farm Bureau program, by reducing the cropland acreage you not only produce less of the commodity, it would make a little better market, little better price.

We have had testimony that we have about 50 million acres out of production under present programs and under your proposal you envision about 50 million acres out of production in 5 years. Now, how do we ever get ahead in that fashion? If we have that many acres out now, what do you really add to it?

Mr. SHUMAN. Actually, we do not propose to add a great amount of acreage, although this 10 million a year is the minimum, this 50 million. But we do propose to change the basis so that our cropland retirement program gears in as the other one gears out at 10 million a year in and 10 million in of ours. I do not think there is any question, though, but what the acreage that we retire will take out a great deal more productivity than the present program where they are able to select the acreage in a small quantity of a given crop that they are retiring.

Senator DOLE. The 50 million figure, is that a reduction in the former Farm Bureau thinking?

Mr. SHUMAN. Fifty million acres?

Senator DOLE. Has that been your general policy during the years or is that a smaller acreage?

Mr. SHUMAN. A year ago we came out of our convention with this program and it was the same in that proposal.

Senator CURTIS. May I ask a question right there? What will that cost?

Mr. SHUMAN. Our estimate of the cost of the program is that in the first year or two, first few years, our program will cost practically the same as the present program, but then as time goes on, it will gear down. It will tend down.

Senator CURTIS. I mean, the cost of the retirement land alone.

Mr. SHUMAN. Well, under our program in the first year, of course, the payments would be on the basis of approximately 80 percent of

what they now are. We have not made an exact calculation but roughly it would be almost the same for the first year, then a graduated scale.

Senator CURTIS. At the end of 5 years what would you be paying?

Mr. SHUMAN. At the end of 5 years you would be down perhaps to where you would have about 20 to 30 percent of the present program and after the expiration of the contract it would be down below the present program costs.

The CHAIRMAN. You say 20 percent of the present cost?

Mr. SHUMAN. Twenty to 30 percent, I guess, at the end of the 5 years.

The CHAIRMAN. Well, the present cost is exclusive of Public Law 480. It is 3.7 billion.

Mr. SHUMAN. Yes.

The CHAIRMAN. You think you can carry this out with $600 million or $700 million?

Mr. SHUMAN. Yes.

The CHAIRMAN. You are very optimistic.

Senator DOLE. How does the Farm Bureau justify a retirement program with the general public, in effect, paying a man not to farm? This is the cliche used in urban areas and I assume by some urban members of the Congress.

Mr. SHUMAN. Of course, our program is designed to eliminate this payment not to farm by a gradual transition period and the cropland retirement part of it is the part of the transition. The objective of our program is to eliminate the payment for cropland retirement. That is the objective. But we are taking 10 to 15 years to do it.

Senator DOLE. How can you justify the Government's role in this? Why does the Government have a responsibility to pay a man so he can retire his land?

Mr. SHUMAN. Well, under the present program, of course, the justification has been this—we needed adjustment of production and that they were paying to get adjustment of production. It has not actually worked out that way.

Under our program the justification for the payment is to make the transition to get from where you are paying them not to produce to where we hope to be several years hence where they will not be paid not to produce. In other words, producing for the market.

Senator DOLE. Thank you.

Senator CURTIS. Fifty million acres costing $600 million will be $12 an acre.

The CHAIRMAN. And what about the lowest that may be sustained by the Government on these loan programs? How does that come in?

Mr. SHUMAN. Let me get this in perspective. Now, after 5 years under our program, many of these contracts that were entered into the first year would be expired. And there would be some that were entered into the second, third, and fourth, and fifth year that would be continuing. I said about 30 percent. I think I should correct this because it would be higher than that. I have not figured it with a pencil.

The CHAIRMAN. That is why I said you were optimistic.

Mr. SHUMAN. You are correct.

The CHAIRMAN. I wonder if you could think about that because we are about to take a recess now.

Senator CURTIS. I am through.

Senator DOLE. I am finished.

The CHAIRMAN. I know. But I am not. And you have five more Farm Bureau people here that want to be heard.

Mr. SHUMAN. Four.

The CHAIRMAN. Can you be back at 2 o'clock?

Mr. SHUMAN. Yes, sir.

The CHAIRMAN. We will recess until 2 o'clock.

(Whereupon, at 12:40 o'clock p.m., the hearing was recessed, to reconvene at 2 p.m., this day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will come to order.

Senator BELLMON. Mr. Chairman, I am sorry I had to miss some of the committee meetings and I have to catch a plane in about 30 minutes. Could I ask Mr. Shuman a couple of questions?

First of all, Mr. Shuman, I want to say that I generally agree with your concept of maximum freedom and the least possible reliance upon the Federal Treasury, but there are a lot of things about the present program I do not like. I am a wheat farmer and I do not like being thought of as a welfare recipient. I guess the costs to administer the program—and I know personally of some of the abuses that take place. Yet, I have some reservations about the results of what would happen if we went the way you have indicated in your testimony this morning and became, you might say, totally dependent upon the American market, and to bring out my reservations to get your reaction, I would like to ask you a couple or three questions.

In the first place, how many people do you feel would be displaced out of agriculture if your land-requirement program went into effect?

Mr. SHUMAN. Senator, I do not believe there would be anybody displaced out of agriculture as a result of our program going into effect any more than has been, are being displaced now by the same set of factors. In other words, I feel very strongly that our program is no more and perhaps much less disruptive in this matter of the availability of farms than the present program and the factors remain about the same that are causing people to leave.

Senator BELLMON. Well, now, the difference is that at the present time we are not retiring whole farms. Say 40 million acres of layout land or set-aside reserve, whatever you want to call it, but out comes a little chunk from each little operator who then continues to live on his land and produce. If we go into a large-scale, long-term plan, we are going to take whole units out and something has to happen to these people.

Mr. SHUMAN. My point on that would be that each year for the last several years we have had to make a further cut in the acreage allotments or quotas as the case might be, under the present programs. Each time you cut a little bit more that means in every farm community in the United States these fellows who have the indebtedness, the machinery, the family to keep and all are under that much more pressure to get additional income. They just do not sit on the

remaining acres. When a 5 or 10 percent further cut comes along they look around the community to lease whatever land they can get and they are pushing others out of agriculture all along.

I have a friend just this winter pushed off the farm he had been farming a number of years because one of these fellows who said I cannot continue with the present acreage, they are cutting me again, so he succeeded in convincing this landlord that it would be better for him to rent this farm and here this fellow is clear out.

The CHAIRMAN. Was that a wheat farm?

Mr. SHUMAN. No. This is cash grain, feed grain.

The CHAIRMAN. Those are voluntary programs. He did not have to cut back.

Mr. SHUMAN. No. But he was a victim of the other fellows who went along on the voluntary program and had their acreage reduced so they went out to compete for more land. No. It is the same thing, I think.

Senator BELLMON. I am not sure I agree with you but let me ask another question.

Let us talk now about the wheat business. We produced about a billion, 400 million bushels of wheat in this country last year. Of this, 600 million were used domestically for human food and 200 million for animal feed and the balance exported or into the carryover.

If we became dependent upon the American market, even though we were able to get, let us say, parity which no one quite knows I suppose just what parity is, but at any rate, if we were able to get an American price for our wheat production, how much less wheat do you feel we would produce than we do now?

Mr. SHUMAN. You mean if we were to be cut back?

Senator BELLMON. No. Let us forget about cutting. Let us just say we depend on the American market and get an American price for our wheat. What would happen under your proposal?

Mr. SHUMAN. No. Our proposal is not to be restricted to the American market. Our proposal is to go into the world markets to compete for these markets on the basis of quality and price and everything else.

Senator BELLMON. At what price, then, do you feel we can move wheat in the world market?

Mr. SHUMAN. I think that there are several things that have to be done at the same time. Our program will not work if we continue the kind of acceptance that we have had in our Government channels, in the State Department particularly, of backing out of world markets all over the world, and sitting back while they erect barriers. We contemplate an aggressive program to negotiate for the reduction of these barriers.

The EEC, for instance, and all the other countries around the world have used as a justification for raising these variable duties and other restrictions, they have used as a justification the fact that we are making payments to farmers. I had this thrown up and we have had it in the GATT sessions.

I visited with the EEC people and repeatedly they say the justification for the barriers we have got against your feed grain, wheat, cotton and all the rest is the payments you are making.

Now, our program envisages an aggressive movement to reduce these restrictions in trade. No. We will expand sales.

Senator BELLMON. At what price?

Mr. SHUMAN. At a higher price.

Senator BELLMON. How high?

Mr. SHUMAN. Who knows? We have been 37 years without a market system in operation. I do not know how high it will go.

Senator BELLMON. Let us be honest with the committee. Do you really think we could sell another bushel overseas if we raise the price? If we do lower our American price or do away with the certificate program and let us say, our price of wheat here even went to $1.50 we would lose every bit of our export market. Canada is full of wheat, 3 years' supply, some of it selling for 75 cents a bushel and less.

Mr. SHUMAN. I am not proposing we raise the price. I say if we go to producing and competing in the world market we will find what kind of wheat we can produce and get a higher price and which ones will take a lower price. Some of the wheat we have been selling has been sold at feed grain prices and dumped on the world market. We are one of the nations that has helped destroy the price of wheat on the world market.

All I am saying is that if we go to the market system and we negotiate with these other countries to reduce their barriers we have got a chance to get back to the market system and that will be a higher price for the better quality wheat.

Senator BELLMON. Well, are you saying that the wheat the Canadians have is poor quality?

Mr. SHUMAN. No, because it, of course, is not poor quality. Some of it is feed quality.

Senator BELLMON. How are we going to sell our wheat at a price fair to the American producers in world competition with the Canadian wheat if we get the price higher?

Senator JORDAN. And Australian wheat, too.

Senator BELLMON. That is just one of the many countries.

Mr. SHUMAN. I am not saying you are going to fix the price higher. We are going to find a higher price for the quality of wheat when we get in the business of selling according to what the quality will bring. This is what we have not been doing. We have been producing millions of bushels of wheat both in Canada and the United States that have been fixed quality, feed quality wheat. We have put them in CCC. CCC dumps them all over the world, into the feed grain market, wheat market. We are wrecking the price.

Senator BELLMON. Are you saying we are wrecking it because the quality is low?

Mr. SHUMAN. No. I am saying——

Senator BELLMON. Let us leave quality out of it. There is nothing wrong with ours nor the Canadians.

Mr. SHUMAN. We produce all kinds of quality, goods and——

Senator BELLMON. I can take you to an elevator in Enid, Okla., where they can blend you any kind of wheat you want. You can make muffins or crackers or spaghetti out of it. There is nothing wrong with

the quality of American wheat. I think you are simply deluding yourself if you think we can increase quality and increase markets thereby. The only way you sell wheat is at a price.

Mr. SHUMAN. I did not say increase—we are producing the milling quality of wheat, the feed quality and the Canadians the same way.

Senator BELLMON. There is nothing wrong with the quality.

Mr. SHUMAN. No, nothing wrong with the quality. We need the feed quality of wheat as well as the milling quality but under the present program the price support is the same basis for the milling quality as feed.

Senator BELLMON. Generally.

Mr. SHUMAN. Generally speaking, it is the same. The same subsidy payment. What I am saying is our program would put each quality of wheat, whether it was milling quality or feed quality, into the market system on its own basis and you would not have that artificial transfer of hundreds of millions of bushels into one market or the other by action of CCC.

Senator BELLMON. I do not quarrel with that but my point is that even under the present program which gives a farmer a certificate payment which is supposed to give him an American price for that part of his wheat that is used for American food, and has let the rest of the wheat market come back in the feed lot grain price or world market price, and this is bad quality wheat, I am not talking about inferior quality.

Mr. SHUMAN. Feed wheat is a good quality.

Senator BELLMON. The only thing that makes it feed wheat is its price.

Mr. SHUMAN. Some of it is mixed.

Senator BELLMON. Some of the wheat that would be ordinarily shipped goes into the cattle feeding channel when the price gets competitive with corn. My point to you is if we let the price of this wheat come up even 10 cents a bushel in this country, if it does, we lose our export market.

Mr. SHUMAN. If we at the same time we are doing that, have succeeded in convincing the French that it is not——

Senator BELLMON. Let us talk about the French. They are a wheat exporting country.

Mr. SHUMAN. Because they subsidize the production of wheat. If we come down on our own subsidies, there is no reason why we cannot with a good deal of hope for success, demand that they come down on their subsidies.

Senator BELLMON. Do you have any basis for that?

Mr. SHUMAN. Yes, sir, a lot of basis. I have talked to our negotiators who were in the last GATT sessions and they said the main reason we could not get any concession is because of the direct payments program that we have in this country.

Senator BELLMON. I have only been there once but I remember very clearly in the last 2 years they had riots in France because farmers were protesting the low price of their products. Do you think the politicians of France are going to be able to force those prices lower without being tarred and feathered?

Mr. SHUMAN. Yes, sir, because they need our money. They are so badly bent so far as their support policies now, they do not know where they are going to get the money.

Senator BELLMON. Your position is, then, that they could logically increase the price of wheat in this country and not lose our export markets and, therefore, if we were to do away with the present farm program and rely strictly on the American market that we would not lose any of our production capability or we would not have to cut back on our production.

Mr. SHUMAN. Yes. If our program goes into effect, there will be some adjustment downward in wheat production, particularly in some areas. Take my own county, Moultrie County, where I live and where we farm and raise a little bit of wheat. I was on the first wheat control committee in 1933 and we had 176, I believe it was, farmers who had a base who produced wheat 1 year in the last 5. We got over 2,800 in that county. Now, the wheat we produce there is produced for the CCC. It is mixed wheat. It ordinarily will not go into the milling market at all. It is not soft wheat, it is hard. Most of these producers would go out of the production of wheat very rapidly under our program.

Senator BELLMON. Why do they produce it now? Why do they not raise corn?

Mr. SHUMAN. To get the payments is the main reason. These payments come in right handy.

Senator BELLMON. I think that is a very valid point we ought to consider.

The CHAIRMAN. They are all voluntary programs and they choose that because it is better for them to do it that way.

Mr. SHUMAN. The payments are very good.

The CHAIRMAN. Under your——

Mr. SHUMAN. The payments are real attractive.

Senator BELLMON. But, now, if the price of wheat stays down where it is, say $1.25—I do not know what it is in your area—are not those producers going to be drawn into higher income crops?

Mr. SHUMAN. Yes. And they should.

Senator BELLMON. I would think so.

Mr. SHUMAN. They should.

Senator BELLMON. Even under the present program. I cannot see that our present program causes them to stay in the wheat business.

Mr. SHUMAN. Oh, yes. We would not have gone from 120 or 130 to 2,800.

Senator BELLMON. Well, this change happened back when we had wheat supported at around $2 a bushel.

Mr. SHUMAN. It is pretty steady.

Senator JORDAN. Will the Senator yield? Talking about getting out of this corp into another more profitable crop is that pretty soon you have got a glut on the market. Right now, you know, we are producing too many soybeans. We are running into problems exporting our soybeans. Take the sunflower seeds from Russia. You know where they come from.

Mr. SHUMAN. Senator, that has happened under the present programs. We have seen a tremendous increase in soybean production in

Southern States because they were running out of cotton or something else into soybeans.

Now, it is far better that this be done in response to market demands than as a result of some program which forces them. The program forced us into the wheat business in Moultrie County, really induced us by the liberal payments. The soybean production has been in Alabama, Mississippi—this has been an artificial stimulation.

Senator BELLMON. My opinion is the farmer is the smartest man in the United States. He is smarter than the man who runs the cotton mill. They do not have very much sense. They sell below cost all the time. They think by more volume you will get along better. But the farmer can make more money raising soybeans than he can cotton, peanuts, tobacco. He just switches to soybeans. There is no reason why he cannot by law——

Mr. SHUMAN. That is why we are important to them.

Senator JORDAN. Then they get too much and come running into us.

Senator BELLMON. My point in this line of questioning is to try to establish the fact that a strictly market situation would work wonderfully if we depend on our American consumer to dispose of all our production, but when we have really two markets, one American market, perhaps two American markets, food market and feed grain market, and an export market, I do not see how you are going to devise a system much different than the one we have that will take care of this complex situation.

Mr. SHUMAN. Well, let me say that the adjustment will be easier if we were producing something strictly for the American market but over the last several years this distortion has gotten worse. If we had not had these programs we would not, in my judgment, at least, have had these growing barriers and subsidies that have been erected all around the world to keep these people in competition with our subsidized production.

Now, there is no end to this except final disaster, complete disaster. We are going to destroy the market completely on the cotton crop. We are probably going to phase out of the wheat production business if we continue the present program. The only alternative is to let these crops be produced where they can be produced most effectively and efficiently.

I think we can continue to be an important producer of cotton and wheat if we are competing on world markets, not Moultrie County, Illinois, but most of the major wheat producing areas, yes.

Senator BELLMON. I do not know about the level of income of farmers in the area you come from but my income tax man figures many, many farmers' income tax returns and in our area last year, I should say 1968—I do not know what happened in 1969 but in 1968 which was a good year, no disaster as far as weather or cattle prices were concerned, we had the wheat program in effect but there were very few farmers in our area that showed any net income at all. Not giving them any credit for their investment or labor, they just did not make expenses. This is a wheat and cattle country. When you take out, if you were to take out the certificate payment, those farmers would all be out of business in the course of a very short time. They could not stay

in business while you negotiate with the French and try to bring about these adjustments you hope would occur and certainly they are not going to occur until we dispose of the carryover we have.

Mr. SHUMAN. Senator, of course, all that disaster has occurred under the programs we have and it is the worst as you know, with the producers, of course, that were supposed to have been helped with these programs. This is why we want to change, because of this disaster which is still on our backs.

Now, with the fact that we have incorporated in here many provisions to make it so that there will not be a serious effect of the adjustment, the fact that we provide for payments, that fact that we provide for price supports, the fact that we provide prohibition on the Secretary of Agriculture or CCC from dumping it unless the price is at least 150 percent of the loan levels, these are provisions which are intended to prevent any serious adjustment problems, and most obviously, the most obvious thing in the present situation is that we are in a mess, particularly with the farm program crops, and that means we have got to change directions.

Senator BELLMON. I am not sure I agree and I am going to stop. To me the salvation of the farm problem is beginning to appear and that is increased meat consumption and hopefully as some suggested, we are going to be able to soon market a great deal more of our meat abroad, and it seems to me, the Farm Bureau would be very wise to emphasize the improvement of our diet in this country and the improved export programs and perhaps even some subsidies to get this meat moved into the world market.

I am of the opinion that while your theory is sound, we cannot eat theories or pay off mortgages with them and while we are trying to do this, we are going to have a disaster in agriculture.

Let me ask one other question and then I will quit.

One of the things that I think farmers can do for the country and the Congress would find extremely popular with our voters is to provide more outdoor recreational opportunities for city people. Would the Farm Bureau approve of including in the farm program a substantial amount of money to be used in improving outdoor recreational opportunities in this country?

Mr. SHUMAN. Our bill provides that the one alternate use of this land as retired can be for recreational and conservation purposes. I do not think a decision on the recreational appropriations should be included in farm legislation. It does not really aim at the problem we have here of legislation that has stimulated production and got us into a lot of trouble. We are willing and do have in our bill provisions to encourage the use of this land for recreational purposes, yes, but it ought to be a separate consideration.

Senator BELLMON. If you were a city Congressman and wanted to vote for a farm bill, do you think it might be well to put the two together?

Mr. SHUMAN. Well, you know as we approach this, we are so desperate with this disaster which has fallen on us under this present legislation we are looking for allies most anywhere.

Senator BELLMON. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Sommerville, I understand you have a problem to get back home this evening. So, you may proceed.

STATEMENT OF LLOYD SOMMERVILLE, PRESIDENT, COLORADO FARM BUREAU, GRAND JUNCTION, COLO., ALSO REPRESENTING THE AMERICAN FARM BUREAU FEDERATION

Mr. SOMMERVILLE. Senator Ellender, we are appreciative of the opportunity to appear before your committee and express the wishes of the Farm Bureau members in Colorado. The farmers and ranchers in Colorado voted in 1968 and by their vote for a change in direction of the Government farm programs. It was under the act of 1965, the wheat and feed grain growers have experienced reduced acreage in their allotments and also lower prices and the continued threat of the Commodity Credit dumping in the market keeps the market price of the wheat and feed grains in a turmoil and it has lowered the prices to the farmer.

Because of the wheat trade convention agreement, the export market has been demoralized by exporters and by, of course, price cutting by many of the foreign producers in the market. The Farm Bureau's program is for expanding the foreign markets and our wheatgrowers know we must be able to compete in the foreign markets so as to move a greater percentage of their production in this area.

So, the phaseout program of Farm Bureau's approach will give our farmers the opportunity to produce for a market with the expanded retirement programs and the opportunity to produce on additional acres as the transition goes on, our farmers will fare much better in this new approach instead of continuing a program which has reduced their income and their ability to manage their own farms.

Many of our farmers have taken a typical wheat and feed grain farm and proven to their satisfaction that they will be as well off or better off under the Farm Bureau's phase out program.

Our farmers have faith in the market price system and they feel they will be able to compete more favorably on our market price program than under a politically-oriented program. They need and want a change to manage their own farms in a competitive market system with less Government interference. And they feel that this new farm approach that Farm Bureau is proposing will give them the opportunity to do this.

This is as much as I would like to say at this time, Senator.

The CHAIRMAN. Well, they are pleading for more acres?

Mr. SOMMERVILLE. Well, only that in the traditional wheat growing areas because of the past programs they have—the allotment continues to go down and so they are forced not to produce those crops that they are best capable of producing. And they feel in the phaseout program, as you phase out the payment type and allotment programs, then the traditional wheat growing areas will be moved back into that area where they can compete more favorably.

The CHAIRMAN. This will not cut out those that are now growing wheat that are not in the position of ——

Mr. SOMMERVILLE. No. The wheat growers, I think, who know better how to produce wheat in that particular plains area will continue to grow wheat. They do grow some.

The CHAIRMAN. Do you think they can grow it more cheaply?

Mr. SOMMERVILLE. I think they can, and a better quality wheat also.

The CHAIRMAN. Do you think they can compete with world prices?

Mr. SOMMERVILLE. They can compete if we expand the world markets to the points they can move more of it than they have in recent years.

The CHAIRMAN. Do you not think we have been trying to do that in recent years, expand world markets?

Mr. SOMMERVILLE. Yes.

The CHAIRMAN. We have got Public Law 480. We cannot even get rid of it under Public Law 480.

Mr. SOMMERVILLE. Senator, we have had the reduced exports in the last couple of years and we are having problems of moving our wheat because we priced it really above the foreign markets through the use of this payment approach and export certificates, and our growers feel this has been a detriment to their capabilities of marketing their wheat.

The CHAIRMAN. Do you think that the present program has had a tendency of reducing world prices as has been suggested by some witnesses?

Mr. SOMMERVILLE. Well, I think there is no doubt that because we are not competitive—you know, as they put this wheat export certificate on, this increased the price on the world market and we just have not been able to compete with those other nations.

The CHAIRMAN. Thank you.

Mr. SOMMERVILLE. Thank you, Mr. Senator.

The CHAIRMAN. All right, Mr. Shuman.

Mr. SHUMAN. Mr. Chairman, I wonder if you would like to go ahead and have these brief statements and then I will be willing to submit to questions further. Perhaps Mr. Wallace, of Vermont——

The CHAIRMAN. OK.

Mr. SHUMAN. President of the Vermont Farm Bureau.

STATEMENT OF KEITH WALLACE, PRESIDENT, VERMONT STATE FARM BUREAU, MONTPELIER, VT., ALSO REPRESENTING THE AMERICAN FARM BUREAU FEDERATION

Mr. WALLACE. Thank you, Mr. Chairman, for this opportunity and I concur in what has been said and would like to make just a couple of additional points for emphasis.

No. 1, a bit of a different slant because I come from the Northeast, which is a feed grain deficit area, of course. First of all, it does not seem to make sense to us—when I say us, I think I speak not only for Vermont but for most of the agriculture in the Northeast—to continue a program that is costly to the taxpayers, is of no benefit to the consumer, and is undersirable from the standpoint of the farmer, and this seems to be the case with the present program.

In the Northeast our dairy, poultry and livestock farmers buy millions of dollars of feed grains every year. In Vermont alone this bill amounts to $40 million. This, of course, is part and parcel of our ability to continue to stay in agriculture, and agriculture and its related agribusiness income represents several billions of dollars in the total Northeast economy. So, it is very important.

We feel that moving away from allotments, controls, payments, and so forth, would allow the grain farmers in the areas from which we buy to use maximum efficiency of their land, their capital, their

labor, equipment, their management, and so forth, and other technical know-how, which would result in a dependable supply of feed grains at reasonable prices. We are not saying they would go disastrously low. They would not because of this roadblock by reason of keeping the price support in somewhere near 85 percent.

The CHAIRMAN. You are familiar, of course, with the fact that the program for corn and other feed grains, as well as wheat, is a voluntary program?

Mr. WALLACE. Yes; that is right, but taking away some of the restrictions, we believe would make it possible for——

The CHAIRMAN. What, for instance? What restrictions? They can plant all they want now.

Mr. WALLACE. But there are restrictions in some controlled crops and for this reason——

The CHAIRMAN. But I am talking about the two——

Mr. WALLACE. Just the corn and feed grains. Well, back in the old days we used to get wheat as part of the basic ingredients of some of our poultry and livestock feeding.

The CHAIRMAN. Well, do you think this would bring a cheaper corn than you now obtain?

Mr. WALLACE. Not necessarily, but we do think it would be dependable.

The CHAIRMAN. Well, the other must be dependable. You have got a large, an over-supply of it now.

Mr. WALLACE. Well, we hope it will stay at least an adequate supply.

The CHAIRMAN. Well, I have not heard any complaints about the supply not being adequate. You are the first witnes who testifies to that.

Mr. WALLACE. Well——

The CHAIRMAN. Our supplies have been adequate for practically all of the main commodities such as wheat. We have got a carryover now much higher than we usually have and the corn—at one time we had, I think it was 81 million tons, and we got that down to about, between 40 and 50 million tons. We have had that all along.

Mr. WALLACE. Yes. Well, we frequently hear the concern expressed that continuation of these programs which hamstring farmers may result in their being discouraged and getting out of this.

The CHAIRMAN. Well, as I understand the Farm Bureau program, the ultimate goal is to produce less food, both for human consumption and for the cattle and hogs, in the hope that the price will go up.

Mr. WALLACE. Well, not necessarily less. A supply which will allow the market system to operate, and as I envisage it, if the demand is adequate, the supply will increase because the price will move up and, therefore, farmers will be encouraged to plant. With the removal of some of these controls, if the market demand goes down, then the supply will go down.

The CHAIRMAN. Well, you do not think the present program has benefited the consumer at all?

Mr. WALLACE. Well, in some respects, yes, but the consumer—when you add the cost of the food plus, as was brought out this morning, the cost the consumer pays indirectly through increased taxes, I think we noted that they have not benefited at all.

The CHAIRMAN. The plan, as I understand, of the Farm Bureau is to let the consumer bear the cost instead of the Government, and——

Mr. WALLACE. Well, yes.

The CHAIRMAN. And if you are looking for higher priced wheat and higher priced corn and other feed grains, that is bound to cost the consumer more than he is now paying. Do you not think so?

Mr. WALLACE. Well, not necessarily, because here these grain farmers who have got land, they have machinery, and every year you know as well as I that the farm machines are made a little bigger, and if they are going to use these to maximum efficiency they have got to produce a little more, and for this reason I think this is going to keep the supplies at a reasonable cost all around.

The CHAIRMAN. Well, I hope you are right, but I just do not believe it, because the prices here, as I understand this program, and I think Mr. Shuman stated it, it is hoped to shift the cost of this program from the Government to the consumer. In other words, you want higher prices. I mean, you want higher prices for the commodities and that will mean in my book, higher costs to the consumer.

Mr. WALLACE. Well, one more point and this is along the same line, and that is that I think that we can say in very recent years there is a slight shift in nonfarm thinking in the Northeast and I believe this is so because very recently we had a Farm Bureau conference at which all of the States in the Northeast were represented and we had a sort of a rollcall on what was being done relative to farm taxes.

Now, this has a bearing in this way, in that in all of the States, either some measure has already been passed or some is being considered and nonfarm interests have indicated that they feel the time has come when something should be done because they want to see open spaces. They want to see farms in this megalopolis that we see on the eastern seaboard.

In addition they want hunting and fishing and some farm scenery available. For this reason they want to go along with some sort of a land tax relief system which will help the farmer.

My point in this connection with this bill is that taxes are just one element of farm costs and this business again of an adequate supply of feed grains at a reasonable price is another very important aspect because with dairy and poultry farmers this is the most costly single expense that they have. And I feel that moving in the direction of the market system will be one more factor in making it possible for us to keep some agriculture in the Northeast which we need both for the food supply as well as for these other esthetic values. And here again, if some segment of our agriculture anywhere in the country has to operate at less than maximum efficiency, somewhere along the line there is going to be a distortion and it seems to me, that with the time being so important for a change in farm programs, this is the direction we should go.

Thank you very much.

The CHAIRMAN. All right.

Mr. SHUMAN. Mr. Chairman, I would like to call on Mr. Doup, the president of the Indiana Farm Bureau Federation for a brief statement.

STATEMENT OF GEORGE DOUP, PRESIDENT, INDIANA FARM BUREAU, INDIANAPOLIS, IND., ALSO REPRESENTING THE AMERICAN FARM BUREAU FEDERATION

Mr. DOUP. Chairman Ellender, I am George Doup, president of the Indiana Farm Bureau and I certainly appreciate this opportunity to present some of the views which I consider prevalent among Indiana farmers.

There is general agreement in Indiana that for a period of years there must be some form of a Federal farm program. This is the point that Senator Miller was bringing out this morning. And we have had some discussion in our State saying that the Farm Bureau was favorable to no program.

This is not the case. There is a strong feeling that the present program has not produced an acceptable answer to our farm problem dilemma, and certainly farmers are expecting something better from this session of Congress.

Agriculture, this Nation's biggest industry, has made tremendous progress in the decade of the sixties but farmers have not been rewarded satisfactorily for the part they have played in making this improvement possible. Farmers have helped attain much of this progress by rapidly modernizing their farming operations and accomplishing a high degree of efficiency. It is paradoxical that with this modernization and this efficiency, farmers are still forced to operate under a farm program that is not modern and is not efficient. Its regulations are tied to production patterns of a decade ago and because of this, I cannot qualify on the feed-grain program and many other farmers cannot qualify under the feed-grain program because our production pattern today does not fit when these bases were established.

The CHAIRMAN. But you do not have to.

Mr. DOUP. Do not have to.

The CHAIRMAN. Yours is purely——

Mr. DOUP. It is a voluntary program but we are getting a good bit of static now from farmers who are saying, this neighbor of mine can participate but I cannot, and is this the kind of a farm program we ought to have?

The CHAIRMAN. Well, as I understand—you say this progarm envisions a program in which the Government will still participate as I understand it, after 5 years the only participation the Federal Government will be in will be to make loans under a certain formula that is written in the bill. What else will the Government do——

Mr. DOUP. Of course——

The CHAIRMAN (continuing). Under this program?

Mr. DOUP. At that point we are expecting better farm prices for this fellow who is not able to qualify today, myself, for instance. I am operating under a low price because of the compensatory payment program.

The CHAIRMAN. How many acres do you plant?

Mr. DOUP. About 200 acres of corn.

The CHAIRMAN. 200 acres of corn. Well, are you in the present program?

Mr. DOUP. No.

The CHAIRMAN. Why not?

Mr. DOUP. Because we do not have enough land unless we go out and rent additional land to have enough base to have an economic unit. And so what we are finding in Indiana today is that if we are going to continue this kind of a program, and some of the farmers are already doing this, they are being forced to go out and rent bases, rent acres, and displace that person and try to get an economic unit large enough to be practical.

The CHAIRMAN. To warrant you to use the machines that you have to have to run the acres, is that it?

Mr. DOUP. That is right, and so we have got——

The CHAIRMAN. What else do you grow aside from corn?

Mr. DOUP. We do not grow anything.

The CHAIRMAN. Just corn?

Mr. DOUP. Feed cattle and we grow corn.

The CHAIRMAN. Your own cattle?

Mr. DOUP. No. We buy them. We have a feed lot in addition to the corn.

The CHAIRMAN. Do you buy any corn?

Mr. DOUP. We are paying now about $1.10, I guess.

The CHAIRMAN. How much do you have to pay for that corn now?

Mr. DOUP. We are paying now about $1.10, I guess.

The CHAIRMAN. What does it cost you to produce it?

Mr. DOUP. I do not know. It is according to what costs you put into this. When you have got a cattle-feeding operation where you use labor for that along with the production of corn it is hard to get these costs identified.

The CHAIRMAN. Well, it is your view that if all farmers are permitted to plant whatever they want without limitation that that will have the tendency to make the price of corn go lower.

Mr. DOUP. No, not if you have with it these provisions that we talk about where you do have acreage in the cropland retirement program and if you do have these other restrictions that we have talked about in our program.

The CHAIRMAN. Yell, how many—you say you are short of acres now. Would you as a farmer, want to retire your acres under the program envisioned by the Farm Bureau?

Mr. DOUP. We might as we get older, I do not know.

The CHAIRMAN. Let us take you as an example.

Mr. DOUP. All right.

The CHAIRMAN. Unless there is a retirement of acres somewhere, there will be over-production.

Mr. DOUP. Yes. Well, there is not any question in my mind that we have plenty of part-time farmers in Indiana and plenty of people who are up toward the age of 60, 65, that we could get all of the retirement that we want voluntarily.

The CHAIRMAN. Well, what would it cost? What would you, for instance, expect for retiring your acres or any portion of your acres?

Mr. DOUP. Well, ours is not fair because we are close to a city and close to a development area, but I would think that you are going to be talking about $20 to $25 an acre for this 50 million acres that we are talking about.

The CHAIRMAN. $20 to $25?

Mr. DOUP. This would be my estimate of it.

The CHAIRMAN. You mean all over the country?

Mr. DOUP. Yes.

The CHAIRMAN. Well, do you know what the highest price is now paid to corn growers in your area to retire?

Mr. DOUP. No, I do not know, but, of course, you have to realize that those are under part-time—part-farm conditions and a person is going to be willing to retire his whole farm at less cost per acre than he is a part-farm.

The CHAIRMAN. Well, those who do not retire their whole farm, I do not think are included in here, the kind of farm that you envision as I understood Mr. Shuman this morning. The 50 million acres that were going to be taken out, 10 each year, would not include these small farms or the part-time that you are speaking of.

Mr. DOUP. Well, yes. I consider here a fellow that is working today in a factory in a city in Indiana and he has got 160 acres out here. He will want to retain ownership of that 160 but he cannot afford to buy the equipment to farm it efficiently. He wants to live out there, continue to be a part of that community. He is going to find this as an alternative that is acceptable to him, putting that whole farm in the land retirement program. And I think we have got any number of these. In fact, the experience——

The CHAIRMAN. And you think he would be willing to do that for $25 an acre?

Mr. DOUP. Some of this will be, yes. Now, it will not take out the real top corn land in Benton County, Ind., and I do not know that it should, but we have got plenty of land today that is not in an economical position to be producing corn that could fit into this program. They are growing corn on it now. It really should not be growing corn.

The CHAIRMAN. Why?

Mr. DOUP. Because it is not efficient.

The CHAIRMAN. You mean the land is not?

Mr. DOUP. The land is not suited for this. It would better go into a recreational area or grassland area or trees. We have got corn ground plowed up in Indiana that should not be plowed today at all and we think this is a good alternative for this and we have experience—the other time we had this, the only thing that kept this kind of a program from working before was lack of money. It was not funded heavily enough in our opinion. We had people waiting at that time to put whole farms in the land retirement program and the funds were not there.

The CHAIRMAN. You are speaking now of programs that were put into effect prior to the enactment of the present law.

Mr. DOUP. Yes, this one, that is right.

The CHAIRMAN. Well, there was a lot of criticism about that at the time of the program.

Mr. DOUP. Yes, but we learned a lot then, too, and I am sure we have some answers today, and I am sure if the sentiment at that point had been to help make that one work, it could have been made to work. I do not want to condemn anyone but we really did not have enthusiastic support of the program at that time that I think we have today.

The CHAIRMAN. If this program, if the Farm Bureau program goes into effect, what do you think will—how much do you think your corn

will cost you, that is, if you buy any? Do you think you can buy it as cheap as you can now?

Mr. DOUP. I do not think it will go up very much and I do not really think it ought to go up very much. You can add 5 cents or 10 cents to a price of corn today for farmers and that is all profit and a farmer does not have to have much more today to get a reasonable profit, and on your point that you were discussing with Mr. Wallace, you can add 10 percent, I think, to the net income of agriculture and do a tremendous thing for the farmer. I doubt if this would add over 1 or 2 percent to the consumer.

I really think we can help farmers on this top end, on this net income, very easily without hurting the consumer very much.

The CHAIRMAN. Well, we have had experience here—for instance, 10 years ago, maybe 15, wheat was selling for about $2.12 a bushel and the price of a loaf of bread was about from 8 cents to 9 cents under what it is now and wheat is only selling for an average of about $1.81 to $1.90 at present. How do you account for that?

Mr. DOUP. Well, there are so many other costs in between there that we have nothing to do with.

The CHAIRMAN. I understand that but still the miller of wheat uses that as a reason to raise the price of it.

Mr. DOUP. But I still think the competitive system in this country will help do this. He may try to get by with that reason but again his costs are there and if they are not there, some other miller is going to take care of it.

The CHAIRMAN. Well, it seems that all of the—that the price of bread in a locality does not vary much and it has all gone up, notwithstanding the fact that the price of wheat has gone down by from 20 cents to 30 cents and the price of bread has increased almost 50 percent.

Mr. DOUP. I certainly am not in a position, and do not want to be, to defend the miller. I feel this is, what you are talking about here, that maybe some of this is unfair and the farmer does get some blame for it that does not belong on him. My point on the corn——

Senator JORDAN. Mr. Chairman——

The CHAIRMAN. Off the record.

(Discussion off the record.)

Mr. DOUP. Our present farm program is outmoded and does exclude a great many farmers from participation in it because we go back a decade to a production pattern of that time and some of us have had to make adjustments since then.

Now, my second point, and it was covered well this morning, it is an attempt at crop adjustment by an annual short-term land retirement program that is inefficient. Farmers realize today more than ever before that when they expect and accept Government commodity payments, they must also expect and accept low market prices. And I think this knowledge is more clearly in the country today than ever before, that whenever the farmer goes the route of compensatory payments, the only reason then for them is low farm prices and he cannot have the payment and have satisfactory prices together and he realizes this.

Even though farmers may be reluctant to relinquish these payments, they know they are vulnerable to, one, limitations, because of public clamor, and two, lack of sufficient appropriations because of Federal

budget pressures. And the farmer realizes that, I think today as much as Congressmen do when they know what pressures you face in the budget picture.

The CHAIRMAN. One of the main provisions in the Farm Bureau program is land retirement. That is one, in other words, to divert acreage from crops to not plant anything at all. How would that differ from the one we have now?

Mr. DOUP. Well, the one we have now is on a part-time basis and if I want price supports today or if I want a payment today, I have two factors that I have to meet to qualify. One, I have to go back to my base, which is outmoded and I cannot live with it, and second, I have a conservation reserve factor that I have to meet that I cannot live with. And so, I cannot qualify today and operate our farm.

The CHAIRMAN. Well, of course, a while ago you said since this was on a voluntary basis you would not get anything in the land retirement end under Farm Bureau.

Mr. DOUP. No, but neighbors of mine will to the point that this should improve price a little bit and I will get this benefit.

The CHAIRMAN. You mean by other farmers getting out of the farming business, you would benefit?

Mr. DOUP. Yes.

The CHAIRMAN. Would you get a better price?

Mr. DOUP. And this young farmer today who is being forced to take out part of his land will not have to do that. He is going to get his benefit from an improved price and he is going to have a more efficient unit out there.

This next point touches on what Senator Bellmon mentioned a moment ago. It is disturbing to me. Farmers are aware of what has been happening in European countries where producers have rioted, blocked the streets with their tractors and in other ways protested, demanding higher Government subsidy payments. Our farmers do not relish going this route and being forced to resort to such tactics. And we have not seen anything yet if we are going to expect the farmers to live off of subsidy payments.

I think the one that was just mentioned a couple of weeks ago is just the beginning of what might happen in this country if we are going down the road to the farmer having to depend on payments for his net income.

The CHAIRMAN. He would rather depend on the market.

Mr. DOUP. Yes.

The CHAIRMAN. Have it go up and down.

Mr. DOUP. Yes.

The CHAIRMAN. And as Mr. Shuman states, by having a scarcity of food, that will make the price go up and if the prices do go up on these commodities, the consumer is going to pay for it and not the Government.

Mr. DOUP. This is right. Now, the consumer is going to have to pay a little more.

The CHAIRMAN. Sure.

Mr. DOUP. We are in a period——

The CHAIRMAN. How much more do you think they will have to pay if you start charging——

Mr. DOUP. I mentioned a while ago 2 percent. I think you can add 10 percent to the net income of farmers and probably not cost the consumer over 2 percent in her food bill because that 10 percent on top of ours is all net.

The CHAIRMAN. Well, as I stated a while ago, to the witness preceding you, 10 years ago wheat was selling for $2.10 to $2.20 a bushel. The price of bread at that time was from 8 to 9 cents lower per loaf than it is now and wheat is only selling for $1.81 average. So, how do you account for that?

Mr. DOUP. Well, it can be easily, I think, accounted for. Labor, all of those other things that farmers have nothing to do with are in this picture, and farmers, I know, do get blamed.

I think our program probably in this time in history is in the best position to take hold and work. The population today is about 200 million in this country. By the end of this century we are going to be at 300 million. We are seeing fewer farmers and this is going to continue. We are going to see land come out of retirement even without our program, cities and roads and parks and these sort of things, so I think we are at the time in history when the market price system for agriculture is in the best shape it has been and I think our opportunity here at this time with Congress is the greatest it has been to get out of this before we get more permanently established in it.

The CHAIRMAN. Let me ask you this. Now, I have contended in the past that although these programs have been costly, yet in the long run it is going to benefit the country because the farmers have been able to produce so much more under these programs. There has been an incentive so that on a lesser amount of acres they produce more food.

Take, for instance, the case of cotton. When I first came to Washington 33 years ago it required about 40 million acres of land to produce the cotton you can now grow on 16. I attribute that increase in production to the fact that the farmer was reduced in acres from year to year and he just used his new methods of cultivation which I do not believe would have happened except from a program of this kind.

Mr. DOUP. I think, though, we have had a technological revolution in agriculture that would have come anyway. It has come in some other industries. And I think we would have had some. It might not have come this fast.

I do not think there is any question in the minds of most farmers that the programs we have had have benefitted the consumer and not farmers really. The compensatory payments principle is a consumer subsidy, as I attempted to point out a moment ago. The only reason for it is for the establishment of low farm prices. And so to me this just says the consumer is the beneficiary of this kind of a program and I guess as a farmer I am about ready to let the consumer pay a little bit more for food and let the farmer get some compensation out of it.

The CHAIRMAN. Well, I would wager if we are going to let the market prevail instead of the present method we have, the cost of food to the consumer would increase considerably more than what the taxpayers now put up in order to pay these subsidies that you are complaining about.

Mr. DOUP. I do not see how that could be really.

The CHAIRMAN. Well, I have been on here now 33 years and I have watched it.

Mr. DOUP. But we have not had an occasion, as Mr. Shuman has pointed out, for a number of years here where the market system has had a chance to work. In other words, if these grain dealers knew that there was not a farm program, knew that there were no support levels here to protect them, this sort of thing, I think we would see a lot more competition, industrial competition, in the food business than what we see today.

The CHAIRMAN. Which would mean higher——

Mr. DOUP. Which would mean——

The CHAIRMAN (continuing). Higher prices.

Mr. DOUP. It could mean lower prices to the consumer.

The CHAIRMAN. Lower prices to the consumer?

Mr. DOUP. Well, it could hold their prices. In other words, the miller today does not have to worry about a supply. And so——

The CHAIRMAN. He does not. Proceed.

Mr. DOUP. OK.

The CHAIRMAN. I will not argue with you.

Mr. DOUP. OK. Farmers are willing to move from this position of vulnerability that I have talked about here to one of resistance in the market provided, and these are just covering the four or five points we had before: (1) That the move we made over a period of years so that farmers and markets can make needed adjustments. Both of us will have to do this; (2) that an efficient long-range cropland retirement program be adopted; (3) that commodity loans designed to aid orderly marketing be authorized; and (4) that commodity dumping by Government to hold down market prices be restricted.

Under those four broad provisions I am convinced our program would work. These provisions are all incorporated in the proposed legislation being considered here today.

Also, I would call to your attention the provisions which would aid and assist noncommercial farmers in their transition to other occupations and in training for other employment. This is an important point to consider in modernizing farm legislation. Farmers will welcome a fresh, up-to-date efficient farm program act. This bill now being considered includes such proposals and I am sure has strong support in the State of Indiana.

Thank you, sir.

The CHAIRMAN. Thank you.

Mr. SHUMAN. Mr. Chairman, I would like to ask Mr. Merrill Anderson, president of the Iowa Farm Bureau Federation, to present a brief statement.

STATEMENT OF J. MERRILL ANDERSON, PRESIDENT, IOWA FARM BUREAU FEDERATION, DES MOINES, IOWA, ALSO REPRESENTING THE AMERICAN FARM BUREAU FEDERATION

Mr. ANDERSON. Senator Ellender, members of the committee, I will start out by saying we are proud in Iowa that we have the distinguished Senator Miller as a member of this committee. He is the sponsor of our proposal to bring about a change in the farm programs in this country.

The CHAIRMAN. Well, he is a very valuable member of this committee, I can assure you of that.

Mr. ANDERSON. The farmers of Iowa are proud of Senator Miller. He understands, I think, very fully the impact of the present program and the need for a change. Our farmers certainly indicated last year that they wanted a change and they are looking for one.

The current cost-price squeeze threatens the continuation of many of the family-type commercial farms of which Iowa agriculture is predominantly composed. We in farm bureau believe that a major objective of agricultural programs should be to increase farm income with a minimum of Government regulation. Such legislation should assist farms' efforts to keep production in balance with demand and not attempt to control prices. Programs to assist farmers whose operations are too small to provide adequate income are also necessary, if we are to solve the overall farm problem. However, only a small percentage of Iowa farmers are in this category of the low-income farmer.

The current 1-year program that we are now under, will not prevent surpluses and low feed grain prices. The present cheap wheat situation seriously threatens corn prices as livestock producers turn to wheat as feed. We need to move, gradually, to more effective long-term land retirement programs.

Congress, farmers and the public want programs which will improve farm income at less Government cost. The Center for Agricultural and Economic Development, Iowa State University, Ames, Iowa, has analyzed the long-term land retirement program. In its study CAED 34, "Analysis of Some Farm Program Alternatives for the Future", it states, "The same level of prices assumed in this study could be attained under a long-term rental or easement program at a savings in governmental costs of $1.5 billion or more as compared to continuation of current programs." In comparing long-term land retirement with other alternatives, the study concludes, "Long-term rental or easement programs would have a much lower Government cost; and, if concentrated on a regional basis, would bring adjustments in cropland use consistent with demand and modern technology."

I appreciate the opportunity to highlight the need for long-term land retirement.

Mr. Chairman, I appreciate the opportunity of appearing here and if you have any questions——

The CHAIRMAN. You farm what?

Mr. ANDERSON. I farm in Iowa. I have 640 acres.

The CHAIRMAN. Do you consider yourself a small farmer?

Mr. ANDERSON. I am an average farmer today.

The CHAIRMAN. How many people do you employ?

Mr. ANDERSON. We operate this farm with two men. I am gone most of the time, since I serve as president of the Iowa Farm Bureau.

The CHAIRMAN. Two men aside from yourself?

Mr. ANDERSON. Right, and I am not putting in very much time, only on Saturdays, holidays.

The CHAIRMAN. Are you in any other business?

Mr. ANDERSON. No, sir.

The CHAIRMAN. Are you taking advantage of the present program?

Mr. ANDERSON. No, sir. It is impossible for me. I will explain. I served as a county agricultural agent for a number of years. I was a conservationist. So, when I started farming in 1949 I followed the recommendations of our great Department of Agriculture, Soil Conservation Service, and I set up my farm program with the proper rotations, growing of legumes, to save the soil.

When the change came in the program I was not smart enough to foresee this. So, I am locked out.

My neighbors were plowing up the farms and they bought the bases and there is no way that I can economically bring my operation into today's program.

In the State of Iowa I would say that we have about 65 percent participation. 45 percent of the farmers of Iowa cannot participate because of economical reasons. They just do not have the base. They had too much in legumes. They did not prepare for this.

This is one reason we need a change in this direction, need to get away from these bases, and our long-term land retirement on a bid basis will eliminate this old outmoded base history thing that we have.

The CHAIRMAN. Are you familiar with the cost of land retirement under the present program in Iowa?

Mr. ANDERSON. Somewhat, yes.

The CHAIRMAN. How much does it cost per acre?

Mr. ANDERSON. We have farms in my community where I suppose it is costing as high as $75 an acre, with 20 percent reduction. Up to $90 an acre on top production land. I would say this land would go into the land retirement at probably $45 to $50 an acre.

The CHAIRMAN. You mean under——

Mr. ANDERSON. Under our program.

The CHAIRMAN. $45 an acre?

Mr. ANDERSON. Yes, sir. To $50. That is what it can be rented for today as cash.

The CHAIRMAN. Would you say that pertains to Indiana, Ohio, Nebraska?

Mr. ANDERSON. I think on the top corn land that will produce 130 to 150 bushels of corn, this would be——

The CHAIRMAN. Well, I do not want to embarrass you but would you know about the whole country, what the average cost per acre would be to retire land under your program?

Mr. ANDERSON. I think Mr. Doup's figure, somewhere between $20, $25 an acre probably, and there are many acres in Iowa that you would get at this same cost. I am talking about the land with the lower productivity, land that should not even be in corn today. We have many acres in Iowa that should not be planted in corn. It was planted because they are getting a compensatory payment, a base, and are in business because the Government set the business up for them.

The CHAIRMAN. In many areas outside of your area, the land retirement costs not less than $25 to $30 an acre.

Mr. ANDERSON. Under the present program, yes.

The CHAIRMAN. And under your program it is going to cost just as much, particularly if you say that in Indiana, I mean, in Iowa where you say the minimum would be about $45 average.

Mr. ANDERSON. Well, no. That is top land.

The CHAIRMAN. I understand.

Mr. ANDERSON. That is not average. That is top land. That is what I would have to have on my land because I have land of the quality and the grade that will produce 130 to 150 bushels per acre. In southern Iowa, much of this land will produce 60 to 70 bushels of corn per acre and they can make a profit with compensatory payment. They would go into the land retirement program at probably $25 to $30 an acre and they would be much better off.

The CHAIRMAN. But you would not participate. It would not be beneficial for you to participate in——

Mr. ANDERSON. Yes; I would participate under land retirement.

The CHAIRMAN. You would.

Mr. ANDERSON. Yes; because I do not have a base.

The CHAIRMAN. Do you now? You do not have a base?

Mr. ANDERSON. No. I can give you an example. I have a 160-acre farm that was a dairy farm. The land lays exactly like this table. Every acre can be farmed. At the time this was a dairy farm there were 30 acres in hay, 30 acres in rotation pasture, and 30 acres oats to bring on a new seeding for the next year to maintain the dairy herd. This left 59 acres for corn.

This farm is no longer a dairy farm because it could not support a large enough dairy herd. This farm carries a 39-acre conservation base for which I would get nothing. It just has to be left in hay or grass. This is grade A land. The 59 acre corn base, by the time you take 20 percent off this, you can see what is left. The compensatory payment on it would not amount to anything. We figured it from every angle. There is no way this farm can come in.

Now, we could put 40 acres of this in the land retirement, start with a completely new base.

The CHAIRMAN. Well, are there any of your neighbors or nearby farmers who are for this program, that is, the present program as against the Farm Bureau's?

Mr. ANDERSON. The act of 1965? My observation in visiting with the farmers in my State, they are not satisfied with the present program. They want to be sure that there is a way to make a transition to a change, and they will support the program we are advocating, if there is a transition period. They are quite concerned that we stop immediately the act of 1965 and move into this, this next year. They think this is too abrupt. But I have had no complaint on the 5-year transition. They are ready to go.

Now, I might say that you will find some farmers who are strictly cash grain, who are wedded to this program. They are locked in instead of being locked out. They are not fairing very well. Their income tax returns will be similar to Senator Bellmon's. Their net income is coming from their payments. They are on good land. They feel they cannot make the management decisions and changes that are necessary in today's agriculture. They are looking for an opportunity to get out and a new approach so that they can begin managing their farms again. This is——

The CHAIRMAN. Well, what is their chief complaint? Is it the price of the commodity that they produce or what?

Mr. ANDERSON. These men—here is what has happened, Senator, and Mr. Shuman alluded to this. They have purchased this large machinery. They have gone out of the livestock business. They need

more acres. So they rent another farm. They push this fellow off. I would say in our State the program is bringing an outmigration of farmers faster than should be because of the program. There is this terrific competition. They are bidding up to $35, $45, and $50 an acre cash rent.

Here is a tenant today who is on there with a 50–50 grain share rent. The landlord says why should I gamble with weather? Why should I spend money on fertilizer? The farm has a base. I will lease it to him at $50 an acre and let him worry about it.

He comes in. He wants that base, and he gets the Government payment on it. And they have many of them who are now operating six, eight, 10, to 12 farms. They cannot get into the livestock business but with their overhead and the costs, they are not doing very well. They are getting enough volume, yes, getting a sufficient income, but this is bringing about a great reduction in the number of farmers in our cash land areas.

The CHAIRMAN. Well, do you think that the program you are advocating would be the production of more grain, more corn, more——

Mr. ANDERSON. No, because I think we have built in already all of the facts and statistics that the Secretary and the county ASC committees, State ASC committees need. We know the productivity factors on this land. The land can be taken out according to, however, whatever we need in order to keep the production in line.

As pointed out by Mr. Shuman, 50 million acres is a minimum. It may work. If it does not, the Secretary can go 15 million in 1 year at a less cost than the present program.

The CHAIRMAN. Well, the statistics you just showed stated that we would save about a billion and a half dollars.

Mr. ANDERSON. That is right. This is according to a very reputable study.

The CHAIRMAN. The present program costs, with the Public Law 480 which I am sure you are advocating that——

Mr. ANDERSON. Yes.

The CHAIRMAN. You are not against Public Law 480?

Mr. SHUMAN. No.

The CHAIRMAN. The present program with Public Law 480 is $4,800 million, so take off a billion and a half there, your program would still cost according to the Iowa calculation, $3,300 million.

Mr. ANDERSON. No. This is the cost for the retirement of land. Whatever you said this morning——

The CHAIRMAN. The figures you read indicated that the program that you are advocating will cost about a billion and a half dollars less than what the present program now costs. Now, the present program according to the last figures I just indicated is four billion eight. You take a billion and a half off that, you are—four billion six, your program would cost three billion one if those figures are correct.

Mr. ANDERSON. I think this morning, Senator, and I might be corrected, you said taking Public Law 480 out the present program is costing about three billion six. Now you subtract the 1.5 billion from the 3.6 and you will have more the cost of our program.

The CHAIRMAN. Well——

Mr. ANDERSON. Plus Public Law.

The CHAIRMAN. That will be 3,100 million.

Mr. ANDERSON. Well, if you keep Public Law 480 in there——

The CHAIRMAN. Then you can add 800 million more.

Mr. ANDERSON. Senator, you have already.

The CHAIRMAN. 852 million. That is what is the cost.

Mr. ANDERSON. Is that not in your 4.8?

The CHAIRMAN. Yes, sir. Well, if you take a billion and a half from that, 4.8 as I just said, the balance of it would be 3,300 million if the figures you——

Mr. ANDERSON. My mathematics would differ with you on the 800 some million which would still be subtracted from the 3.3.

The CHAIRMAN. Is it you do not understand what I have said?

Mr. ANDERSON. Well, the 4.8 billion includes the 833 million.

The CHAIRMAN. Right.

Mr. ANDERSON. Take that out, that is Public Law 480.

The CHAIRMAN. All right. The balance would be three billion six, Now, from that——

Mr. ANDERSON. Three billion six, take a billion five and you have the cost of our program.

The CHAIRMAN. That is what I am saying.

Mr. SHUMAN. Two billion one hundred.

Mr. ANDERSON. Which is a sizable saving.

The CHAIRMAN. No, no. No, you are wrong. Three billion six, take off a billion and a half, would be three billion one, not two billion one.

Mr. ANDERSON. Two billion one.

The CHAIRMAN. Yes. Right. Excuse me.

Mr. ANDERSON. Now, we have got it.

The CHAIRMAN. Then if you add to that the Public Law 480 which is 852 million last year.

Mr. ANDERSON. You come out at less than 3 billion.

The CHAIRMAN. Well, just a $100 million under.

Senator JORDON. Mr. Chairman, may I ask Mr. Anderson a question? What do you produce on your farm now? You say none of it is under Government.

Mr. ANDERSON. We are growing corn and soybeans and hay.

Senator JORDON. You said you did not participate. How well do you do with your corn?

Mr. ANDERSON. This year we have about 130 bushel average. Soybeans, 53 bushels.

Senator JORDON. You had a good year.

Mr. ANDERSON. Yes, one of the best years we have had.

Senator JORDON. And a fairly good market price, too, this year.

Mr. ANDERSON. We market everything through livestock except the soybeans. We have a 12-month operation. We are busy every day. We are not living off Government payments or just cash grants. We have to manage this operation. We cannot rely on somebody else.

Senator JORDON. One of the things that I think a great many people overlook, talking about driving people off the farm, has been the equipment that they have got to work with. There is not a pencil tail mule left in North Carolina that I have seen in a long time. The farmers are now sitting on a great big tractor with a plow.

Mr. ANDERSON. You have to have acres to have one of those.

Senator JORDON. Not only that. They go from farm to farm and the same thing with your big combines. You have got the same thing out in your territory. And you have got your cottonpickers. Practically nobody picks cotton by hand. So that is the thing.

But one of the things that is good as far as I am concerned is, and this is particularly true in our State and I think it is true in a great many other States, a great many people still living on their farm, partially farming it, and making part of their money in industry in these small towns or the larger towns. They have got a home. They are independent. They raise some of their groceries, keep a pig or two, a cow, maybe two cows, raise some calves, and get some cash income on the outside, and they are doing well with it. You look at the nice homes they are building, and it is an ideal arrangement which they could not have just on the farm alone. The mother and father are still there. Other family members bring in cash every week, and they live a good life.

Now, I know a good many years ago a lady came to me and wanted to sell me her farm which adjoined mine. I went over and looked at it and asked what was wrong. She said, "That big oak tree." I said, "But that does not shade the whole farm." She said, "It shades the farmer; he cannot get out from under it." [Laughter]

He was under there when I was there in a rocking chair. "Well," I said, "that is right."

The CHAIRMAN. Now, thank you very much, Mr. Anderson.

Senator JORDAN. That is a true story, too.

The CHAIRMAN. This cost of the program, Mr. Shuman, that has just been talked about wherein this Iowa study, is that cost to the present or is it the cost—will that be the cost at the end of the 5 years?

Mr. SHUMAN. Mr. Chairman, I think the Iowa study was based on a projection, too. I am not sure what the term of that period was.

Let me repeat what we said this morning, and that is that we do not anticipate that our program will reduce costs, at least, not in the first few years.

The CHAIRMAN. You mean the costs of the present program.

Mr. SHUMAN. Yes, sir. We are not selling it on the basis of reducing costs but we are selling it on the idea that we are wanting an opportunity to get better prices and better income for farmers and that in the long run it will be reduced costs.

The CHAIRMAN. Well, now, what do you anticipate the cost to the Government would be at the end of the 5-year period?

Mr. SHUMAN. I would say at the end of the 5-year period that roughly—oh, perhaps the cost could be as low, down to perhaps half of what it is now, but I said 20 to 30 percent. I misspoke this morning. We do not know. We do not know what it will be. It will depend upon the number of contracts that were entered into.

The CHAIRMAN. But you say that it will be 50 percent lower than what the present cost is.

Mr. SHUMAN. Perhaps that much, although I would not know.

The CHAIRMAN. You would not be able to tell.

Mr. SHUMAN. No.

The CHAIRMAN. You mentioned cotton a while ago, that you contend that this program has kept cotton down and that if we change

from the present program to your program, that more cotton will be grown. For your information I fought, as you might know, the one-price system.

Mr. SHUMAN. Yes.

The CHAIRMAN. I thought it was a mistake to do it. And even though the textile mills of this country pay world price for cotton, they are only using 8.1 million bales as compared to almost 9 million bales under the two-price system. They were not paying world prices. And now, instead of increasing their use of cotton as they anticipated because of lower cotton prices, they are down now worse than they were back in 1965. And how do you figure that the farmers could dispose of more cotton than they are now growing?

Mr. SHUMAN. The world consumption of cotton is going up, not down. In 1969 there was more cotton used in the world than there was in 1968. On the other hand——

The CHAIRMAN. I am talking about the American farmer.

Mr. SHUMAN. That is what I am coming to, Senator. The U.S. share of that world consumption has gone down and our exports have gone down. Now, our program would put us back into competition where we could compete for our share and I think we would increase our share of the world market.

The CHAIRMAN. Do you think that cotton could be produced at world prices?

Mr. SHUMAN. Yes; because I think world prices will go up as soon as we can get our program into effect.

The CHAIRMAN. How much?

Mr. SHUMAN. Oh, I think it very well could go up—well, nobody knows, of course. After we have had this period of time of no market price, nobody can estimate, but I am confident that they will go up.

The CHAIRMAN. Well, I wish you would give us your basis for that because that is a very important point to me.

Mr. SHUMAN. Well, the main basis is that we would have a good case to insist, and it is our State Department, our Department of Commerce, as well as Department of Agriculture, insist that these agencies do everything they can to help improve world cotton prices rather than trying to cause us to back out of the cotton market so somebody else, Pakistan or Mexico or somebody else can take over.

The CHAIRMAN. Yes, but the fact remains, though, that I do not believe that it would be possible for the American cottongrower to produce cotton at the price that it is produced in other parts of the world. It would just be impossible.

Mr. SHUMAN. Well, I think——

The CHAIRMAN. And another thing I can point out is that what has caused a good deal of the trouble that I am speaking of now is the fact that here in the United States where the mills pay the world price for cotton, last year 40 percent—only 40 percent of the fiber used was cotton. The rest was synthetics. How do you account for that?

Mr. SHUMAN. Well, of course, we have really—in a way, our present subsidized cotton program has encouraged the increased use of synthetics.

The CHAIRMAN. But, my dear sir, the price that the textile mill pays is world price, not the price——

Mr. SHUMAN. It is a depressed world price, though, artificially depressed.

The CHAIRMAN. I cannot quite follow you at all on that.

Well, that is about all, Mr. Shuman. Appreciate your appearing.

Mr. SHUMAN. Thank you very much. I appreciate the courtesy and the opportunity.

The CHAIRMAN. All right, sir.

Now, the next witness is Mr. Marsh. Will you step forward, please, sir?

STATEMENT OF EDWIN E. MARSH, EXECUTIVE SECRETARY, NATIONAL WOOL GROWERS ASSOCIATION, SALT LAKE CITY, UTAH

The CHAIRMAN. Will you identify yourself for the record.

Mr. MARSH. Yes. I am Edwin E. Marsh, executive secretary of the National Wool Growers Association, Salt Lake City, Utah.

Mr. Chairman, and Senator Curtis, as I mentioned this morning, Mr. Jack Crowder was to appear following me and cannot be here this afternoon, and would like to request that his statement be filed in the record and he would like to have it immediately following mine.

The CHAIRMAN. Very well. Have you got the statement?

Mr. MARSH. No; I do not have it with me. Mr. Crowder will submit it to you.

The CHAIRMAN. Very well. That will be done.

Mr. MARSH. I am sure both you, Mr. Chairman, and Senator Curtis know a great deal about the National Wool Act. I probably should not waste a lot of your time today telling you about it and I will shorten my statement but if I could have the complete written statement in the record——

The CHAIRMAN. Yes. That will be done. You may highlight it.

Mr. MARSH. I am speaking today for the National Wool Growers Association which does have member organizations in a 23-State area where 90 percent of the Nation's lambs and wool are produced. At our 105th annual convention last month, a resolution was adopted urging that the National Wool Act be extended and made permanent. The act presently applies on wool marketed through December 31st of this year.

The Wool Act is now in its 16th year of operation. The program has had consistent and almost unqualified support from the administration's of both parties as well as all major segments of the wool industry from producer through manufacturer. Wool like sugar, is in deficit production in this country and part of the congressional policy in establishing the National Wool Act was to encourage domestic production of wool. The act was also established in lieu of a tariff duty increase on imported raw wool which was recommended by the Tariff Commission in 1954.

The CHAIRMAN. Do you know how far you are from the 300 million pound goal?

Mr. MARSH. Yes.

The CHAIRMAN. What is it now?

Mr. MARSH. The production in 1969 was 167 million pounds.

The CHAIRMAN. Has it not been going down?

Mr. MARSH. Yes.

The CHAIRMAN. Instead of going up?

Mr. MARSH. It has been going down, Senator, since 1960. It did go up the first 6 years that the Wool Act was in effect but we have had a liquidation trend which started following 1960 largely accounted for by the very low lamb market at that time and a slow price recovery up until about 1967. Then the second major factor has been the labor problem. All through the sixties we have had difficulties in securing adequate and dependable herding labor. Those have been the two factors. We do know that if it had not been for the National Wool Act the production would be considerably less than it is today. We have been told that by a great many of our members, a number of whom tell us they would be out of the sheep business today if it had not been for the National Wool Act.

The CHAIRMAN. We will have placed in the record now the production for each year.

Mr. MARSH. Yes. It is——

The CHAIRMAN. It is in your statement?

Mr. MARSH. I have four tables at the end of the statement containing production and other data.

The CHAIRMAN. Well, your whole statement will be put in the record and you have attached to it these tables?

Mr. MARSH. Yes.

The CHAIRMAN. Good. All right.

Mr. MARSH. Congress in the Wool Act, has recognized that sheep are not only important to the economy of many semiarid regions where crops are not feasible but has recognized the importance of having a supply of domestic wool so that our mills will not be entirely dependent on foreign supplies.

Now, the total of payments made through the act is limited to 70 percent of the duties collected on imports of wool and wool manufactures. Commodity Credit Corporation makes the payments and is reimbursed each year by appropriations under the act, limited to 70 percent of the duty collections on wool and wool manufactures for the preceding calendar year. This method of financing provides the assurance of funds essential for an incentive program considering the long-term nature of sheep and wool production. Under the National Wool Act growers sell their wool in normal marketing channels. Then after the year is over and the average price received for wool sold during the marketing year is known, payments are made to bring the national average price received by all growers up to the incentive level. The incentive level is determined each year by a cost index formula in the act. Support for pulled wool is also provided under the act to maintain normal marketing practices. This is being handled by making payments on sales of unshorn lambs. Then the National Wool Act also provides for the support of mohair by payments similar to those on shorn wool.

During the first 15 years of the operation of the National Wool Act there were 9 years when payments were not required on mohair because market prices for mohair in those years were above the support level.

Now, as I pointed out in answer to your question, Mr. Chairman, shorn wool production in the United States did increase during the first 6 years of the wool program. It went from 235 million pounds in 1955 to 265 million pounds in 1960. Since 1960 wool production has been on the decline and as I pointed out, it was down to approximately 167 million pounds in 1969.

The CHAIRMAN. Is not it a fact that as wool production decreases, your imports increase?

Mr. MARSH. Yes.

The CHAIRMAN. And, therefore, the payments for the wool growers are greater because they are based on 70 percent of the——

Mr. MARSH. No. The——

The CHAIRMAN. I mean, it is taken out of there but it is fixed at 60. It is available up to 70 percent of the tariffs collected on imported wool.

Mr. MARSH. It is available but all of it has not been used.

The CHAIRMAN. I understand.

Mr. MARSH. That is also covered in one of the tables here.

The CHAIRMAN. I think the price now is 62, up to——

Mr. MARSH. The incentive price for the current marketing year is 72 cents under this cost index formula.

The CHAIRMAN. It was written in by Senator Alan Bible.

Mr. MARSH. Yes. In 1965.

The CHAIRMAN. Yes, I remember that.

Mr. MARSH. Now, as I pointed out, the factors contributing to this decline since 1960 have been a sharp drop in lamb prices in 1961 and 1962 and a slow price recovery since that time and lamb does represent two-thirds to three-fourths of the total income of the industry. Then the inability to obtain adequate and dependable labor has been a factor. We have had some severe losses from predatory animals, especially coyotes, and continued reductions in grazing allotments on Federal grazing lands.

Now, payments under the wool program have provided incentive on the wool portion of the sheep enterprise but have not compensated for all of the adverse factors determining this trend of stock sheep numbers and, hence, wool production. But I think we must recognize that many growers are in sheep and wool production today who would have liquidated their flocks if it had not been for this wool payment program. Therefore, I think we can say that the Wool Act is encouraging wool production since the level of production would be considerably lower without the assistance the program provides.

The industry itself is endeavoring to solve or alleviate these problems. First of all, we are making efforts, through stepped up research, to increase sheep production, that is, the production of lambs per 100 ewes. We are making efforts to increase marketing efficiency. In some areas we have been able to fence to reduce labor costs. We are cooperating with Government in better predatory animal control and control methods and we are cooperating in reseeding and other range practices to increase the carrying capacity of the grazing lands. We do hope these efforts augmented by the Wool Act will serve to stem this liquidation tide.

As I mentioned, returns from the sale of lambs represent two-thirds to three-fourths of the sheep producers' total income.

Senator CURTIS. Is that the resale as they go to the feed lot?

Mr. MARSH. No.

Senator CURTIS. Many of your producers are not lamb feeders, is that not right?

Mr. MARSH. That is right.

Senator CURTIS. Because a great many lambs are fed out in my State and we do not produce too many sheep.

Mr. MARSH. No. I was referring there to the producers' income, Senator Curtis.

Senator CURTIS. As it goes to the feeder.

Mr. MARSH. Yes.

Senator CURTIS. The price he receives.

Mr. MARSH. As the lambs go to the feeders or to the packers. Some of them, of course, are fattened on the range and go direct to the packer.

The CHAIRMAN. Well, the subsidy is paid only on the wool.

Mr. MARSH. Yes. That is correct. There is no subsidy on the lambs.

The CHAIRMAN. As I understand, the subsidy is the amount between what the market, world market price is or whatever we buy it for and 72 cents.

Mr. MARSH. Right.

The CHAIRMAN. Whatever that is. In other words, if the world market is 50 cents a pound, you are paid the difference between 50 and 72 cents a pound or whatever it is.

Mr. MARSH. It is the percentage difference between the farm price of wool and the incentive level that is established and it is on a percentage basis so that there will be an incentive to produce a better clip of wool.

The CHAIRMAN. But now as I understand, the wool price here according to this formula we have would be 72 cents.

Mr. MARSH. For the 1970 marketing year, yes, sir.

The CHAIRMAN. That is right. And then, the producers of wool will obtain the difference between whatever the world price is and the 72 cents.

Mr. MARSH. The farm price instead of the world price, the average farm price in the United States, yes.

When lamb prices are low, then the economy of the industry is adversely affected and farm prices for lamb from 1961 through 1967 were low and did not keep pace with rising production costs. This was a factor in reducing sheep numbers.

Now, in 1968 and 1969 farm prices for lambs have been stronger and we have detected some renewed optimism in the industry. On the wool side of the picture we have not as yet seen any substantial recovery from the worldwide cyclical decline in wool prices which started the last half of 1966. The average farm price of wool in 1966 was 52.1 cents per pound which was the second highest in the history of the National Wool Act, but in the next year, 1967, it dropped to 39.8 cents per pound. In 1968 we did have a slight recovery which brought the average up to 40.5 cents and while the 1969 average farm price will not be known until next month, it is estimated to be approximately 41 cents, a further slight recovery.

Due to lower market prices for wool in 1967 through 1969 these have been years in which higher than average payments were re-

quired to bring the average farm price up to the incentive level. However, some previous years, including 1966, have compensated for this in lower than average payments.

The CHAIRMAN. You say that the average for 1969 is not known yet?

Mr. MARSH. No. It will be issued by the Department of Agriculture late this coming month.

The CHAIRMAN. And you figure it will be how much, about?

Mr. MARSH. About 41 cents.

The CHAIRMAN. So that the subsidy to the farmer, then, would be the difference between 41 cents and 72 cents?

Mr. MARSH. Yes.

The CHAIRMAN. Which will be 31 cents a pound.

Mr. MARSH. Well, it would be the percentage difference, Senator, between the 41 and the 72.

The CHAIRMAN. All right, how much would that be per pound? I figure it at 31 cents.

Mr. MARSH. Yes.

The CHAIRMAN. Is it more or less than that?

Mr. MARSH. That would be a good way to figure it as far as the amount of the payments is concerned.

The CHAIRMAN. That is the way I understood the original program was based on and then until Senator Bible put in this, some language to increase the cost of the wool. I do not recall the details. Something put in there which made the cost of the wool go up, I mean, the subsidy go up to probably 10 cents a pound as I remember it.

Mr. MARSH. Yes, I should point out to you that instead of paying to the producers the actual difference in cents per pound, the percentage difference that is necessary to bring that 41 cents up to the 72 cents is calculated and then whatever the grower gets for his wool, that percentage is added on so that if he produces a better clip and gets a better market price, he would get a better return. Therefore, there is an incentive to try to improve the clip.

The CHAIRMAN. Quality.

Mr. MARSH. Yes, the quality of the clip of wool.

Growers do want to see good market prices for wool for this reduces the amount of payments that have to be made under the Wool Act and we, therefore, hope there will soon be a much more pronounced price recovery. We would also like to point out that in addition to increased payments required for shorn wool in 1967–1968 due to the decline in the farm price of wool, substantial payments were also required on mohair. However, we are pleased to see a substantial recovery in the mohair market for 1969 with prices averaging 63 to 65 cents as compared to last year's average of 45 cents. Therefore, payments on mohair for the 1969 marketing year will probably be $7 million to $7½ million under those for the 1968 marketing year.

In the 2-year period from 1967 to 1969 the annual payments on wool and mohair for those marketing years were reduced an estimated $10½ million. During the first 11 years of the operation of the Wool Act the level of incentive payments under the act was continued each year at 62 cents per pound and as I pointed out, this level did encourage increased production up to 1960. However, low lamb prices in 1961 did start a production decline. When the Wool Act was extended in 1965, as you pointed out, this committee recognized that a

higher incentive level was desirable in view of rising cost conditions and that is when the Bible formula was added to the act through which the incentive level was adjusted on the basis of changes in the USDA cost index. This is the index of prices paid by farmers including commodities and services, interest, taxes and farm wage rates.

Under this formula the incentive level was increased to 65 cents for the 1966 marketing year compared to the 62 cents that had been maintained for 11 years, and with the continued upward trend in the index the incentive level has risen gradually since 1966 and as I pointed out for the current marketing year, it is 72 cents.

With the measures to control inflation we hope our growers will not continue to be faced with increases in interest rates, taxes, wages and other costs of production that we have experienced the past several years. The formula does provide a reasonable reflection of costs on the wool side of the sheep enterprise. Sheep raising and wool production are important to certain areas of the country. The present level of production is in the national interest and desirable. As is set forth in the act, it certainly is "a measure of national security and in promotion of the general economic welfare," to continue this wool program to encourage the maintenance of what production we presently have and hopefully to increase production if at all possible.

Assuming wool prices in the free market return to reasonable levels, the increase in the incentive level provided in the formula should result in wool payments no higher than the $45.6 million average during the first 11 years when the incentive level was held at 62 cents.

I mentioned this funding of the program, the equivalent of 70 percent of the duties collected on imports of wool and wool manufacturers. While that funding is adequate to cover a considerably larger drop in wool prices than occurred in 1967, wool growers naturally do not want to see low farm prices for wool. We want to see good market prices which in turn hold the costs of the wool program within reason. And in those years when farm prices of wool have been at higher levels, 47 cents to 54 cents, the costs of the program have been reduced substantially.

The National Wool Act has also given the sheep industry the opportunity to promote its own products through a self-help program. In 1955 sheep industry leaders formed their own promotion organization, the American Sheep Producers Council, with headquarters in Denver. This organization is entirely supported and governed by sheepmen and almost every sheep producer in the United States contributes to the program through deductions from incentive payments he receives and this program operates under the provisions of section 708 of the National Wool Act. The purpose of the American Sheep Producers Council program is to expand the demand for lamb and wool through a self-help program of promotion, advertising, market analysis and education on behalf of the sheepmen of the United States.

Funds for the sheepmen's promotion and advertising programs are derived by deduction from the wool incentive payments at the rate of 1½ cents per pound of shorn wool and 7½ cents for each 100 pounds of unshorn lambs.

Mohair growers have also organized a self-help promotion and advertising program under section 708 of the wool act. That program

commenced in 1967 and it is designed to increase demand for mohair products.

Now, with regard to payment limitations, the National Wool Growers Association adopted a resolution at its convention last month opposing limitations of payments under farm programs. While we feel that payment limitations are economically unsound in any farm program, in the case of the wool program they would be highly impractical, discriminatory and would create serious economic hardships. This is especially true in the semiarid regions of the West and Southwest where crops cannot be grown and where a sheep producer has to depend on his wool and lamb production for his total income. In the semiarid regions he frequently must graze over a wide area, must employ herders and must have a large band of sheep to provide an economic unit. Furthermore, such a limitation would force larger producers to liquidate or reduce their production because on the open market today they would receive an average of only 41 percent of parity for that portion of their wool production that would be ineligible under a payment limitation program. And forcing a sheepman to liquidate is, of course, inconsistent with the purposes of the National Wool Act aimed at maintaining and increasing production of a deficit commodity.

For these reasons we strongly oppose payment limitations.

Now, in conclusion, S. 3068 before your committee and several bills introduced in the House, would make permanent the National Wool Act and other farm programs. Speaking on behalf of the National Wool Act we feel this is a sound approach.

As I pointed out in the beginning of my statement, the wool act is now in its 16th year of operation and has had consistent and almost unqualified support from the administrations of both parties and almost all segments of the industry from the producer through the manufacturer. I think the program is somewhat unique in that it has the endorsement of all three of the major farm organizations, namely, the American Farm Bureau Federation, the National Farmers Union and the National Grange. It would, therefore, seem most logical to place the program on a permanent basis rather than to have to go to the time and expense of hearings and all of the other work in the legislative process every 3 or 4 years, especially when Congress could at any time amend or rescind a program if it should be deemed necessary or advisable.

We would like to again emphasize the importance of the National Wool Act in maintaining a sheep industry in the United States. Extension as early as possible this year would be advantageous to the sheep industry. Sheep production is a long-term enterprise. It takes 2 years from the time a ewe is born until she reproduces. Clearly our production is somewhat different from that of a yearly planted crop. Furthermore, in planning production for 2 years ahead or even for a longer span, loaning agencies have to know what the economic outlook is going to be for the industry and whether or not the wool act will be in operation. So announcement as early as possible this year of an extension of the program beyond 1970 would be most helpful.

In closing, I would like to express our deep appreciation to this committee for the assistance you gave us both at the inception of the

act and in the several extensions of this program that have taken place since 1954. That completes my statement, Senator.

The CHAIRMAN. Thank you. Any questions?

Senator CURTIS. Just one very briefly. How are you getting along with the synthetics?

Mr. MARSH. Well, there is no doubt that the synthetics have replaced some of our wool production. However, I think in the past few years wool has made somewhat of a comeback and I know it is recognized as a quality fiber. Synthetics have given us competition; yes, there is no doubt about that.

Senator CURTIS. That is all.

The CHAIRMAN. Thank you, sir.

(Mr. Marsh's prepared statement and the statement of Mr. Crowder referred to above are as follows:)

STATEMENT OF EDWIN E. MARSH, EXECUTIVE SECRETARY, NATIONAL WOOL GROWERS ASSOCIATION

Mr. Chairman and members of the committee, this statement is presented on behalf of the National Wool Growers Association. Our organization, which has been in existence for 104 years, speaks for the farmers and ranchers of the United States who raise sheep for the production of both lambs and wool.

Our principal membership consists of 21 state and area sheep producer organizations operating in Arizona, California, Colorado, Idaho, Indiana, Iowa, Kansas, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, New York, Oklahoma, Oregon, Texas, Utah, Washington, South Dakota Wisconsin and Wyoming. In this 23-state area, 89 percent of the nation's wool has produced in 1969. Wool, however, is produced in all 50 states.

At our 105th Annual Convention, held in January of this year, a resolution was unanimously adopted urging that the National Wool Act of 1954 be extended and made permanent. The National Wool Act, as a part of the Food and Agriculture Act of 1965, applies on wool marketed through December 31, 1970.

The Wool Act is now in its sixteenth year of operation. We think it is a unique program in that it has had consistent and almost unqualified support from the Administrations of both parties, as well as all major segments of the wool industry from producer through manufacturer.

Wool, like sugar, is in deficit production in this country. Part of the congressional policy in establishing the Wool Act was to encourage domestic production of wool. The Act was also established in lieu of a tariff duty increase on imported raw wool which was recommended by the Tariff Commission in 1954. Congress in the Wool Act has recognized that sheep are not only important to the economy of many semi-arid regions where crop production is not feasible but has recognized the importance of having a supply of domestic wool so that our mills will not be entirely dependent on foreign supplies.

OPERATION OF THE PROGRAM

The incentive payment program under the National Wool Act was designed as an alternative to increasing the tariff on wool. This program has proved to be a practical and sound method of providing price assistance to wool growers without adversely affecting the competitive position with other fibers and imported wool. The total of the payments is limited to 70 percent of the duties collected on imports of wool and wool manufacturers beginning January 1, 1953. Commodity Credit Corporation makes the payments and is reimbursed each year by appropriations under the Act limited to 70 percent of the duty collections on wool and wool manufactures the preceding calendar year. This method of financing provides the assurance of funds essential for an incentive program considering the long-term nature of sheep and wool production.

Under the National Wool Act, growers sell their wool in normal marketing channels. After the year is over, and the average price received for wool sold during the marketing year is known, payments are made to bring the national average price received by all growers up to the incentive level. The incentive level

is determined each year by a parity index formula in the Wool Act. The payments are made at one percentage rate—the percentage required to bring the national average price for wool sold in the free market up to the incentive level. This one rate is applied to the net sales proceeds received by each grower to determine the amount of his incentive payment. By making the payments on a percentage basis, growers are encouraged to improve the quality and marketing of their wool to obtain the best price possible, because the higher the price the individual grower gets in the free market, the greater his payment.

Support for pulled wool is provided under the Act to maintain normal marketing practices; that is, to prevent unusual shearing prior to marketing just to get the payment on shorn wool. This is being handled by making payments on sales of unshorn lambs.

The National Wool Act also provides for the support of mohair by payments similar to those on shorn wool. The Act provides that mohair prices are to be supported within 15 percent of the comparable percentage of parity at which shorn wool is supported. During the first 15 years of the operation of the Wool Act, there were none years when payments were not required on mohair because market prices for mohair in those years were above the support level.

FACTORS AFFECTING SHEEP PRODUCTION

Shorn wool production in the United States increased during the first six years of the wool program—from around 235 million pounds in 1955 to 265 million pounds in 1960. Since 1960, wool production has been on the decline—down to approximately 167 million pounds in 1969.

Factors contributing to the decline in stock sheep numbers and wool production since 1960 include:

1. A sharp drop in lamb prices in 1961 and 1962 and a slow price recovery up to 1968.
2. Inability to obtain adequate and dependable labor.
3. Severe losses from predatory animals.
4. Drought in some areas.
5. Continued reductions in grazing allotments on Federal grazing lands.
6. Shifts to other livestock and alternative farm enterprises.

Payments under the wool program have provided incentive on the wool portion of the sheep enterprise, but have not compensated for all of the adverse factors determining the trend of stock sheep numbers and, hence, wool production. We must recognize, however that many growers are in sheep and wool production today who would have liquidated their flocks if it had not been for the wool payment program. Therefore, the Wool Act is encouraging wool production since the level of production would be considerably lower without the assistance the program provides.

The industry is endeavoring to solve or alleviate its problems in these ways:

1. We are working for stepped-up research on sheep production to increase the number of lambs produced per 100 ewes as a means of increasing the net income to the sheep enterprise.
2. We have cooperated with USDA in the recent formulation of a new marketing system to grade lambs on the basis of their yields, the aim being to secure better returns for growers producing lambs with higher "cut-out" values.
3. We have a marketing committee considering possible ways through which we might increase our marketing effectiveness and efficiency to increase returns from the sale of both lambs and wool.
4. Where feasible, more areas are being fenced to reduced the need for herding labor.
5. We are continuing to work with the Bureau of Sport Fisheries and Wildlife both for better animal control under existing programs and for research to develop better control methods.
6. We are working with government agencies for brush removal, reseeding, and other programs to increase the carrying capacity of grazing lands, in an effort to raise more sheep per acre.

We earnestly hope that these efforts to improve the industry, augmented by the important National Wool Act program, will serve to stem the liquidation tide.

PRICE OUTLOOK

Returns from the sale of lambs represent two-thirds to three-fourths of the sheep producers' total income. Therefore, when lamb prices are low the economy of the industry is adversely affected. Farm prices for lamb from 1961 through 1967 were low and did not keep pace with rising production costs. This was a factor in reducing sheep numbers. In 1968 and 1969 farm prices for lambs have been stronger and we have detected some renewed optimism in the industry. In fact, last summer at the National Ram Sale, which our organization sponsors, Rambouillet rams, the foundation breed, and other white-faced breeds were all in demand and sold at stronger prices. This is indicative of some interest in rebuilding flocks and in producing more ewe lambs to increase sheep numbers. Interest in purchasing ewe lambs for flock replacements is also strong at this time.

We hope that this increased optimism will not be dampened by greatly increasing imports of frozen lamb meat from New Zealand and Australia. It is obvious that importers are trying to take advantage of higher prices in the United States by flooding our markets with lamb from New Zealand and Australia. This is clearly evident by the fact that in 1969 lamb imports were the highest in history, 44 million pounds. Lamb imports have jumped from 2.0 per cent of our domestic production in 1967 to 8.6 per cent in 1969.

On the wool side of the picture, we have not as yet seen any substantial recovery from the world-wide cyclical decline in wool prices which started in the last half of 1966. The average farm price of wool in 1966 was 52.1 cents per pound, the second highest in the history of the National Wool Act, but in 1967 it dropped to 39.8 cents per pound. In 1968 a slight price recovery brought the average to 40.5 cents. While the 1969 average farm price of wool will not be known until late next month, it is estimated to be 41.0 cents, a further slight recovery. Due to lower market prices in 1967 through 1969, these have been years in which higher-than-average payments were required to bring the average farm price up to the incentive level. However, some previous years, including 1966, have compensated for this in lower-than-average payments. Growers want to see good market prices for wool for this reduces the amount of payments that have to be made under the Wool Act and we, therefore, hope that there will soon be a more pronounced price recovery.

We would also like to point out that in addition to increased payments required for shorn wool in the 1967 and 1968 marketing years, due to the decline in the farm price of wool, substantial payments were also required on mohair. While no payments were required on mohair during nine of the first fifteen years of the operation of the National Wool Act, and while payments in two of the six remaining years were small, a rather drastic drop in mohair prices in 1967 resulted in mohair payments totalling 11.4 million dollars, while a modest price recovery in 1968 reduced payments for that year to 10.6 million dollars. However, we are pleased to see a substantial recovery in the mohair market in 1969, with prices averaging around 63 to 65 cents as compared to last year's average of 45 cents. Therefore, payments on mohair for the 1969 marketing year will probably be 7 to 7½ million dollars under those for the 1968 marketing year. In the two year period, from 1967 to 1969, annual payments on wool and mohair for those marketing years were reduced an estimated 10.5 million dollars.

COST INDEX FORMULA

During the first eleven years of the operation of the Wool Act, the level of incentive payments under the Act was continued at 62 cents per pound. As we have pointed out, this level did encourage increased wool production up to 1960. However, low lamb prices in 1961 started a production decline.

When the Wool Act was extended in 1965 this Committee recognized that a higher incentive level was desirable in view of rising cost conditions. Therefore, a formula was added to the Act through which the incentive level is adjusted on the basis of changes in the USDA cost index. This is the index of prices paid by farmers, including commodities and services, interest, taxes and farm wage rates.

Under this formula the incentive level was increased to 65 cents for the 1966 marketing year compared to the 62 cents that had been maintained for each year

since the inception of the program eleven years earlier. With the continued upward trend in the index, the incentive level for the 1967 marketing year was 66 cents, for the 1968 marketing year it was 67 cents, for the 1969 marketing year it is 69 cents, and for this year it will be 72 cents. With the measures to control inflation, we hope our growers will not continue to be faced with the increases in interest rates, taxes, wages, and other costs of production we have experienced the past several years.

The formula does provide a reasonable reflection of costs on the wool side of the sheep enterprise. Sheep raising and wool production are important to certain areas of our country. The present level of production is in the national interest and desirable. As set forth in the Act, it certainly is "a measure of national security and in promotion of the general economic welfare" to continue this wool program to encourage the maintenance of what production we presently have and, hopefully, to increase production if at all possible.

The added cost of the program resulting from the increases in the incentive level under the formula are modest. At the present level of wool production about two million dollars a year in payments is required for each one cent increase in the incentive level.

Assuming wool prices in the free market return to reasonable levels, the increase in the incentive level provided by the formula should result in wool payments no higher than the 45.6-million-dollar average during the first eleven years, when the incentive price was held at 62 cents.

FUNDING OF PROGRAM

We would like to point out that even though the funding of the program (the equivalent of 70 per cent of duties collected on imports of wool and wool manufactures) is adequate to cover a considerably larger drop in wool prices than occurred in 1967, the wool growers naturally do not want low farm prices for wool. They want to see good market prices which in turn hold the costs of the wool program within reason. We should also point out that in six of the first fifteen years of the Wool Act program, the farm price of wool was above the average for the fifteen years and, hence, wool payments for those six years (including 1966) averaged 17.1 million dollars less per year than the 45.7 million dollar average for the first fifteen years.

We would also like to point out that the National Wool Act is a program requiring no expenditures by the Government for storage charges, sales charges or possible losses on the International Market, as is true with some farm programs.

SELF-HELP PROMOTION PROGRAM

The National Wool Act has given the sheep industry the opportunity to promote its own products through a self-help program. The Wool Act helps the U.S. sheep producer to compete with similar foreign products which have lower production costs and enables him to finance his own promotion organization for the development of new and larger markets for his two entirely different products—lambs and wool.

In September 1955, sheep industry leaders formed their own promotion organization, the American Sheep Producers Council, with headquarters in Denver, Colorado. This organization is entirely supported and governed by sheepmen and almost every sheep producer in the United States contributes to the program through deductions from incentive payments he receives under Section 708 of the National Wool Act.

The purpose of the American Sheep Producers Council programs is to expand the demand for lamb and wool through a self-help program of promotion, advertising, market analysis and education on behalf of the sheepmen of the United States.

The year following each extension of the National Wool Act, the Secretary of Agriculture, under section 708 of the Act may conduct a national referendum in order that sheep producers can determine for themselves whether they want to continue with their promotion programs through their own organization, the American Sheep Producers Council. The sheep producers have voiced their approval of this self-help program in four referenda. The last referendum, in 1966, received 79.9 per cent approval of the total producers who voted.

Funds for the sheepmen's promotion and advertising programs are derived by deductions from the wool incentive payments at the rate of 1½ cents per pound of shorn wool and 7½ cents for each 100 pounds of unshorn lambs.

It is to the credit of the sheep producer that he realizes the wisdom of promoting his products just as other industries in America are doing and is willing to spend his own time and money to improve the economic condition of his industry.

Mohair growers have also organized a helf-help promotion and advertising program under Section 708 of the Wool Act, designed to increase demand for mohair products. The mohair promotion program commenced in 1967.

PAYMENT LIMITATIONS

The National Wool Growers Association adopted a resolution at its convention last month opposing limitations of payments under farm programs. While we feel that payment limitations are economically unsound in any farm programs, in the case of the wool program they would be highly impractical, discriminatory and would create serious economic hardships. This is especially true in the semi-arid regions of the West and Southwest where crops cannot be grown and where a sheep producer has to depend on his wool and lamb production for his total income. In the semi-arid regions, he frequently must graze over a wide area, must employ herders, and must have a large band of sheep to provide an economic unit.

Furthermore, such a limitation would force larger producers to liquidate their production because on the open market today they would receive an average of only 41 per cent of parity for that portion of their wool production that would be ineligible under a payment limitation program. Even with the present wool program, sheepmen frequently find production costs exceeding income.

Forcing a sheepman to liquidate is, of course, inconsistent with the purposes of the National Wool Act, aimed at maintaining and increasing production of a deficit commodity.

For these reasons we strongly oppose payment limitations.

CONCLUSION

S. 3068, before your Committee, and several bills introduced in the House, would make permanent the National Wool Act and other farm programs. Speaking on behalf of the National Wool Act, we feel this is a sound approach. As I pointed out in the beginning of this statement, the Wool Act is now in its sixteenth year of operation and has had consistent and almost unqualified support from the Administrations of both parties and almost all segments of the industry from the producer through the manufacturer. The Wool Act also has the endorsement of all three of the major farm organizations; namely, the American Farm Bureau Federation, the National Farmers Union and the National Grange. It would therefore seem most logical to place the program on a permanent basis rather than to have to go to the time and expense of hearings and all of the other work in the legislative process every three or four years, especially when Congress could at any time amend or rescind a program if it should be deemed necessary or advisable.

We would like to again emphasize the importance of the National Wool Act in maintaining a sheep industry in the United States. In fact, the Wool Act is vital to the economic health of our domestic sheep industry. Extension of the Act as early as possible this year would be advantageous to the sheep industry. Sheep production is a long-term enterprise. It takes two years from the time a ewe lamb is born until she reproduces. Clearly our production is different from a yearly planted crop. Furthermore, in planning production for two years ahead, or even for a longer span, loaning agencies have to know what the economic outlook is going to be for the industry and whether or not the Wool Act will be in operation. Announcement as early as possible this year of an extension of the program beyond 1970 would therefore be most helpful. Also, under the parity index formula in the Wool Act, the incentive level can now be determined a year in advance. Therefore, if the program is extended early this year, growers can determine the 1971 incentive level and plan ahead in their operations.

We would like to express our deep appreciation to this Committee for the consideration you have given us both at the inception of the Wool Act in 1954 and at hearings since that time on its extension.

TABLE 1.—NUMBER OF STOCK SHEEP, SHORN-WOOL PRODUCTION, WOOL PRICES AND PAYMENTS UNDER THE NATIONAL WOOL ACT OF 1954, BY MARKETING YEARS

Marketing year	Stock sheep numbers Jan. 1 (thousand head)	Shorn-wool production (thousand pounds)	Incentive price for shorn wool (cents per pound)	Average price received by producers (cents per pound)	Payments required, average amount [1]	
					Cents per pound	Amount (thousands)
April–March:						
1955	27,137	234,058	62	42.8	19.2	$57,614
1956	27,012	238,569	62	44.3	17.7	51,915
1957	26,538	235,366	62	53.7	8.3	16,104
1958	27,167	[2] 243,713	62	36.4	25.6	85,143
1959	28,108	[2] 259,939	62	43.3	18.7	53,865
1960	28,849	[2] 265,277	62	42.0	20.0	59,490
1961	28,320	259,161	62	42.9	19.1	56,895
1962	26,719	246,636	62	47.7	14.3	39,195
April–December: 1963	25,122	232,446	62	48.5	13.5	27,179
Calendar year:						
1964	23,455	212,333	62	53.2	8.8	20,329
1965	21,843	201,463	62	47.1	14.9	34,174
1966	21,456	195,053	65	52.1	12.9	26,300
1967	20,661	188,919	66	39.8	26.2	57,900
1968	19,105	177,767	67	40.5	26.5	[3] 53,800
1969 [3]	18,332	167,000	69	41.0	28.0	55,800
1970	17,578					

[1] Includes payments on unshorn lambs in support of pulled wool.
[2] Excludes Alaska.
[3] Preliminary.

TABLE 2.—NUMBER OF GOATS CLIPPED, MOHAIR PRODUCTION, MOHAIR PRICES, AND PAYMENTS ON MOHAIR UNDER THE NATIONAL WOOL ACT OF 1954, BY MARKETING YEARS, 1955 TO DATE

Marketing year	Number of goats clipped (thousand head)	Mohair production (thousand pounds)	Support price for mohair (cents per pound)	Average price received by producers (cents per pound)	Payments required	
					Average (cents per pound)	Amount (thousands)
April–March:						
1955	2,983	16,923	70	82.2		
1956	3,164	18,233	70	84.4		
1957	3,246	19,072	70	88.6		
1958	3,417	20,825	70	72.3		
1959	3,755	24,151	70	96.4		
1960	3,888	24,467	70	89.7		
1961	4,021	26,411	73	85.6		
1962	4,236	27,215	74	71.4	2.6	$797
April–December: 1963	4,363	29,007	76	88.1		
Calendar year:						
1964	4,568	29,736	72	94.3		
1965	4,803	32,420	72	65.6	6.4	1,900
1966	4,659	29,576	75.8	53.7	22.1	6,500
1967	4,113	27,127	76.4	40.9	35.5	11,500
1968	3,955	26,022	77.4	45.2	32.2	[1] 10,600
1969 [1]	3,600	23,700	77.4	65.4	12.4	3,100

[1] Preliminary.

TABLE 3.—WOOL AND MOHAIR PAYMENTS 70 PERCENT OF DUTY COLLECTIONS AND EXCESS OF SUCH DUTY COLLECTIONS OVER PAYMENTS

[In thousands of dollars]

Period or marketing year	Payments				70 percent of duty collections [1]		Excess of 70 percent of duties over payments	
			Total					
	Wool	Mohair	Annual	Cumulative	Annual	Cumulative	Annual	Cumulative
Jan. 1 1953 to Mar. 31 1955					103,644	103,644	----------	103,644
1955 (April–March)	57,621	----------	57,621	57,621	51,500	155,144	−6,121	97,523
1956 (April–March)	51,915	----------	51,915	109,536	51,626	206,770	−289	97,234
1957 (April–March)	16,104	----------	16,104	125,640	47,133	253,903	+31,029	128,263
1958 (April–March)	85,143	----------	85,143	210,783	56,769	310,672	−28,374	99,889
1959 (April–March)	53,865	----------	53,865	264,648	68,072	378,744	+14,207	114,096
1960 (April–March)	59,490	----------	59,490	324,138	72,049	450,793	+12,559	126,655
1961 (April–March)	56,865	----------	56,865	381,003	74,419	525,212	+17,554	144,209
1962 (April–March)	39,195	797	39,992	420,995	90,746	615,958	+50,754	194,963
1963 (April–December)	27,270	----------	27,270	448,265	69,338	685,296	+42,068	237,031
1964 (calendar year)	20,209	----------	20,209	468,474	79,327	764,623	+59,118	296,149
1965 (calendar year)	34,160	1,969	36,129	504,603	121,476	886,099	+85,347	381,496
1966 (calendar year)	26,142	6,418	32,560	537,163	110,851	996,950	+78,291	459,787
1967 (calendar year	57,906	11,516	69,422	606,585	96,950	1,093,900	+27,528	487,315
1968 (calendar year)[2]	54,409	10,658	65,067	671,652	117,600	1,211,500	+52,533	539,848
1969 (clendar year)[2]	55,800	3,100	58,900	730,552	100,000	1,311,500	+41,100	580,948

[1] 70 percent of all duties collected on imports of wool and wool manufactures as provided under sec. 704 of the National Wool Act of 1954, as amended. From the 1958 marketing year through the 1961 marketing year, totals have been derived by allocating ½ of the reported January–June total to each of the marketing years involved. The figure for the 1963 marketing year is 75 percent of the 1963 calendar year total.

[2] Preliminary.

TABLE 4.—AMOUNT OF PAYMENTS, TOTAL EXPENDITURES, AND REIMBURSEMENTS TO CCC UNDER THE NATIONAL WOOL ACT, BY YEARS

[Million dollars]

Fiscal year (July–June)	Total wool and mohair payments		Administrative expenses	Interest on account receivable	Total expenditures	70 percent of duty collections		Reimbursement in relation to year's expenditures	Amount unreimbursed at end of fiscal year
	Marketing year	Amount				Total preceding calendar year	Reimbursement to CCC [1]		
1954–55			0.2		0.2	[2] 25.4	0.2		
1955–56			2.0		2.0	[2] 30.1	2.0		
1956–57	1955–56 (April–March)	57.6	2.1	1.6	61.3	[2] 29.7	29.7	−31.6	31.6
1957–58	1956–67 (April–March)	51.9	2.3	2.9	57.2	[2] 25.5	24.5	−32.7	64.3
1958–59	1957–58 (April–March)	16.1	2.7	1.2	20.0	50.1	50.1	+30.1	34.2
1959–60	1958–59 (April–March)	85.1	2.8	4.7	92.7	67.2	67.2	−25.5	59.7
1960–61	1959–60 (April–March)	53.9	3.0	4.0	60.9	75.3	75.3	14.4	45.3
1961–62	1960–61 (April–March)	59.5	2.9	3.0	65.4	69.2	69.2	3.8	41.5
1962–63	1961–62 (April–March)	56.9	[3] 3.3	3.0	63.2	90.2	90.2	27.0	14.5
1963–64	1962–63 (April–March)	40.0							
	1963 (April–December)	27.2	4.0	2.0	73.2	92.4	87.7	14.5	
1964–65	1964 (January–December)	20.2	2.2	.2	22.6	79.3	22.6		
1965–66	1965 (January–December)	36.1	1.8	.4	38.3	121.5	38.3		
1966–67	1966 (January–December)	32.6	1.8	.4	34.8	110.8	34.8		
1967–68	1967 (January–December)	69.4	2.2	.9	72.5	97.0	72.5		
1968–69	1968 (January–December)	65.1	2.0	.8	67.9	117.6	67.9		
1969–70 preliminary	1969 (January–December)	58.9	2.3	.9	62.1	100.0	62.1		

[1] Under section 705 of National Wool Act, reimbursement is limited to 70 percent of duties on wool and wool manufactures for the preceding calendar year.

[2] Prior to amendment of the National Wool Act in 1958, the reimbursement was limited to 70 percent of only the specific portion of the duties. The unreimbursed amounts are carried by CCC as an account receivable.

[3] Includes approximately $1,000,000 prior year adjustments.

WASHINGTON, D.C., *March 11, 1970.*

Hon. ALLEN J. ELLENDER,
Chairman, Committee on Agriculture and Forestry,
U.S. Senate, Washington, D.C.

DEAR SENATOR ELLENDER: In accordance with your permission granted at the request of Mr. Edwin E. Marsh, Executive Secretary of the National Wool Growers Association, we submit the following statement and respectfully request that it be printed in the record of the Agriculture Committee's hearings on farm programs immediately following Mr. Marsh's statement of February 20, 1970:

The National Association of Wool Manufacturers wishes to express its support for the position of the National Wool Growers Association favoring permanent extension, without change, of the National Wool Act of 1954.

This Association is the national trade organization of the wool textile industry, which provides virtually the sole market for raw wool produced in the United States.

We consider that a sound and prosperous domestic wool growing industry is in the national interest. Certainly it is basic to the economy of a vast area of the United States.

Our Association has supported the National Wool Act since its inception sixteen years ago. We feel the Wool Act is almost unique among agricultural programs in that it has the unanimous support of all major segments of the industry from grower through manufacturer.

This program has allowed domestic wool to move into consumption without Government interference. It also encourages growers to use a portion of their support payments to improve the market for their product. Almost every sheep producer in the United States helps support this promotion program, through contributions from his incentive payments.

The Association strongly supports and would like to emphasize Mr. Marsh's statement to the Committee that "the National Wool Act is a program requiring no expenditures by the Government for storage charges, sales charges or possible losses on the international market, as is true with some farm programs."

In our judgment the Wool Act has worked well, to the benefit of growers, dealers, manufacturers, and consumers. We feel it is important that it be made permanent without change.

Sincerely,

JACK A. CROWDER,
President, National Association of Wool Manufacturers.

The CHAIRMAN. Mr. Duzan.

STATEMENT OF CLEO A. DUZAN, CHAIRMAN, UNITED GRAIN FARMERS OF AMERICA, OAKLAND, ILL.

Mr. DUZAN. Senator Ellender, Members of Congress, I have with me a group of farmers. I wish them to sit here behind me and some question you might ask that I myself might not be able to answer, I would like to call upon them.

The CHAIRMAN. Very well. Step forward, gentlemen.

Mr. DUZAN. Due to the lateness of the hour, I may just read through this and then we may come back to questions. Would this be of help, sir?

The CHAIRMAN. Well, do not mind about the time. I will listen. Both of us will.

Mr. DUZAN. Yes, sir.

Honorable Senator Ellender, I am Cleo Duzan, chairman of the United Grain Farmers of America, a group of dedicated farmers and businessmen who drove their tractors 800 miles to Washington last summer to ask you gentlemen for a program that would have the Government supervise sufficient control of grain production to cause

prices to reach parity at the market place. This we asked, as a program to replace the subsidy system that we have been operating under for nearly 40 years.

So far you have not seen fit to give the farmers a chance to vote on this kind of program. Realizing that farmers must have some price protection, UGFA has done the next best thing: We have joined the coalition of farm organizations, seeking price supports, until such time as the UGFA program is given a fair trial.

We ask you not to condemn the judgment of rural America, even if it may differ from your own; consequences of our deeds, history will record. Let us not forget that it was a coalition of farmers, small businessmen and tradesmen who migrated to this country from the oppressions of centralist nations, and who gave this country the basic structures and laws which have provided stability for the greatest Nation the world has ever known, and for a longer period than ever enjoyed by any other nation. We ask you not to cast off the institutions and laws which have made this responsible for a return of centralism which surely will lead to a new oppression.

The Roman Empire started out as a democracy, but gradually it gave way to monopolistic centralization. Rome of that time, compares with the the big city society of our time. Rural people of the Roman era looked up to the big city of Rome. What did they behold? "Bread and circuses", was the cry of the people. There was gay times, good job opportunities, wonderful highways, free medical services, sex, short hours, good pay and holidays unlimited. Young and old, the people took off for Rome. And, why not? It just did not compare with country life, where the hours were long, the work hard, and the pay poor. There was 50 percent of parity for production, no representation in government, and free farmers had to work in competition with conglomerates worked by slaves.

Then there came a time when the need for food became critical, and the people having tasted the goodies of life, would not go back. Eventually Rome fell.

Cuba, a modern Rome.

Many countries have since taken the route of Rome, but the case of Cuba should have particular importance for us, both because it happened in modern times and because the same financiers who "did it" to Cuba are trying to "do it" to the farmers of America.

Cuba had a long history in which many thousands of families lived an independent life on diversified family farms. But along came World War I, and a staggering demand for sugar. The world traders encouraged Cubans to specialize in the production of sugar. To do this, it was necessary to quit growing their own fruits and vegetables and livestock. The Cubans uprooted cocoanut plantations, mahogany forests, and other valuable crops to specialize in sugar. When the Cuban banks ran short of credit, Chase Manhattan and National City Banks extended credit through them, making it available at 10 percent interest.

Cuba then went on a pleasure binge described as the "dance of the millions." Things went along fine for quite a while, but the dancing ended when the price of sugar dropped from some 23 cents per pound to less than 4 cents per pound. The Cubans were not able to perform

on their notes, and the New York banks grabbed the Cuban land in default.

Hunger and privation followed that, and several decades later along came a Communist who got himself a following by promising to overturn the monopolists and give the land back to the peasants. But instead, he made it part of the communistic state.

Thus, first the monopolists exploited the peasants, then the Communists took it away from the monopolists.

The "magic formula" again.

Everyone, including our great white fathers in Washington, once again are singing the same old refrain. Specialization, volume, debt. Next comes captivity. It first became a swinging program, with the broiler business, followed by laying hens, then beef cattle, and it now threatens hogs and grain.

With less than 3 million farmers on the land, just months ago, the target was to shoot for 500,000 farms, producing 80 to 90 percent of the food and fiber. On February 3, speaking at the University of Illinois, Darryl Francis, president of the Federal Reserve Bank, St. Louis, endorsed the proposition that we target for 100,000 farmers to produce that same amount.

Other speakers on the program anticipated a future population of 230 million people. That would mean one farmer feeding 2,300 people in this country, to say nothing about the food we hope to ship overseas. The danger of a food crisis in this, should be readily apparent to anyone. Cannot we take at least a little hint from Rome or from Cuba?

Earlier I spoke of first losing our property rights, then our human rights. The southern gentlemen of the Agriculture Committee should know what I mean. And, as of January 1 of this year, the people of Indianapolis, Ind., and its home county should know, too.

I am referring to the push to centralize the governments of the country so that they can be run from Washington. I am referring to regional governments, also known as metro governments. The promoters of that effort have just come out with the cute slogan "be regionable in 1970." I have one of their leaflets here.

What really is behind all of this? Fundamentally, it is a lack of distribution of property in a given area. It is due to the fact that the farms are too few and too large. And it is due to the fact that farm commodities are selling far under parity. For every dollar fed in at the raw commodities level of the farm economy, economists know that there is a growth of at least $7 in the local economy. Because farms are few and underpaid, independent businesses are few and underpaid. This means there is a poor tax base.

The same centralists who plan everything are responsible for the idea of feeding Federal money back to the States. Several years ago, the Southern States began accepting the Washington handouts. It has gone so far now that the Federal Government is virtually in control of the southern schools.

Having developed the technique of tax feedbacks, known as "conditional grants in aid," the Federal Government now plans to regionalize all the governments in the United States and to replace our elected officials with appointed "experts."

As of January 1 the governments of Indianapolis and those of the surrounding county and smaller cities have been gobbled up into a region known as "Unigov."

Boiled down to the simplest terms, this means that the farmers and suburbanites will be taxed for the services the urban planners want. On a one-man, one-vote basis, the politicians of central city will be able to vote any tax they like onto the property holders.

This is an especial abuse insofar as the farmers of the county are concerned because the very same planners who dreamed up Unigov are for lower commodity prices. Thus, the farmers have no way to pass on the added costs.

We fought the Revolutionary War over the issue of taxation without representation. It is here again.

And how about President Dick Nixon? He is more forked tongued than ever.

Right here I want to say this is a slogan from rural America and it means that you talk from both sides of your mouth. You have heard his stump speeches about "returning the governments back to local levels," and many people have taken this at face value. But what does the President mean by "local"? Most people think this means their hometown, township, or county. But the President has other ideas. "Local" to his is Unigov, as his trip to Indianapolis proved.

And all this talk about the war on pollution, I see the day when the people of the United States will make the land pay for cleaning up the city smokestack and for the factory waste dumped into the rivers, all through Unigov.

But there is still a greater threat. Once those local governments of ours are done away with, and all power centralized in Unigovs or other regions, then we are wide open to takeovers by gangs of hoodlums who have demonstrated their techniques in the college administration buildings all across the country.

But, what do these great white fathers of the Committee for Economic Development advocate for a farm program?

It fits hand in glove with Unigov.

The present administration differs little from its predecessor. It favors a long-range program introduced by the Judas in the farm bureau who are the front men and mouthpieces for the CED planners who want cheap grain so they can trade it for cheap junk coming in from Japan and similar places.

The late Senator Dirksen wrote a letter to one of our people on July 28, the day before the famous battle of the wheat bags actually took place in Washington, between him and our tractor drivers; he said, and I quote:

> I have always hoped that we could achieve parity in the market place and have always devoted myself to the achievement of this objective. Accordingly, along with 19 other Senators, I have sponsored a bill which has the unequivocal support of the American Farm Bureau Federation which would phase out present programs over a five-year period and also make possible the acquisition by the Federal Government, of as much as ten million acres each year, in order to reduce production so that supply and demand can be equated in the market place and to achieve a parity price.
>
> I will be glad to purchase a bushel of the wheat which your brother brings to Washington. I have already stated that I will be glad to pay $20 for a bushel and that both the wheat and the money, can in accordance with your suggestion, be made available to the poor.

What the late Senator was talking about is Unigov. We in the UGFA asked for a cutback that would bring the prices of all farmers

to parity at the marketplace, and it would have cost the Government nothing.

Senator Dirksen, on the other hand, was talking Unigov-CED language. He was talking a socialistic program which would subsidize farmers to give up their property and become docile workers in CED factories.

Senator Dirksen's Unigov program would not bring prices to parity at the marketplace, for the CED planners themselves announced quite some time ago that by 1980 soybeans were to be $1.25 and corn 75 cents.

CED planners must have low farm prices to bring about their regional Unigovs. They must have high industrial activity to entice farmers to become common working slaves, but the final insult of it all is that through the central tax administration of the Unigovs, farmlands will be taxed for every service; the CED planners want to subsidize their factories in rural locations and thus to provide the jobs. The land is to pay for the destruction of family farming.

When farmers leave through the CED adaptive program, they take with them the main street businesses of America, and they take with them the "Government of the people, by the people and for the people", that Lincoln spoke of.

I would like to refer to a statement made about the farmer, by President Nixon, September 14, 1968, and I quote:

> During the past decade, his taxes have gone up 78 percent, his labor cost 46 percent, his machinery cost 30 percent, his debt interest 59 percent. Everything he has to buy has gone up; everything he has to sell has gone down. The parity ratio has shriveled to a mere 74 percent—the lowest price since the darkest days of the depression.
>
> Realized net farm income in 1967 dropped nearly $2 billion under the year before, and the latest estimates for 1968 indicate no substantial improvement.
>
> As noted earlier, the farm parity ratio which measures farm costs against farm prices has dropped over six points in the past 7 years, and stands now at a dismal 74. It averaged 84.5 in the 8 Eisenhower Republican years.
>
> There has been a 31 percent increase in the cost of production, farm debt is up 90 percent, and 903,000 farms have disappeared from the countryside just since 1960.
>
> Some 10 instances of intentional depression of farm prices have been documented by the Republican Task Force of Agriculture in the House of Representatives. I need not repeat them here. Suffice it to say that the present administration's record is a sad and sorry one—and rural America knows it.

I would like to state that the present administration's record is also a sad and sorry one. Here are 11 instances in which the Nixon administration has reduced farm income, or effected a lowering of farm income:

1. Reduced the soybean loan rate.
2. Changed the soybean loan basis from No. 2 to No. 1 beans.
3. Changed the ASCS storage and equipment loan, so fewer farmers can use it.
4. Reduced payments approximatly 5 percent on first 20 percent diverted; also 5 percent on next 30 percent diverted.
5. Cut off advance payments.
6. Canceled elevator reseal 1967–68 corn.
7. Canceled reseal of 1967–68 grain sorghum. (This action was rescinded until June.)
8. Canceled 1964–66 farm stored wheat reseal.
9. Canceled 1967 commercial stored wheat reseal.

10. Canceled reseal 1966 farm stored soybeans.
11. Canceled 1967–68 commercial stored soybeans.

The above has taken place in 1 year. If they continue at this rate, at the end of 4 years, they will have a grand total of 44. This is the Republican record.

The hour is late. The farmer and businessman are dead. The funeral is over, the hole is dug. Now we do not need President Nixon to be shoveling the dirt, as he is doing today in agriculture.

President Nixon and the powers of CED chose Mr. Hardin as Secretary of Agriculture because of his great image. Perhaps he, like all other Secretaries of Agriculture, will leave office with a taste of utter defeat. You see, I do not believe he is running the show. He has not showed me anything as yet. Mr. Paarburg's blueprint to get the Government out of agriculture as fast as you, the people, will tolerate, is a little at a time, bit by bit. It looks as if they will get the job done in less than 5 years. For shame, America and politician, letting an insurance company and food chain write farm programs. Far better to have Standard Oil write a farmer's program. They sell the farmer gas and oil. This should qualify them to know all about farmer's problems.

If labor and industry must have parity, then the farmer, the producer of most of the new wealth in this Nation, must have the same. I notice labor and industry make sure parity remains, by contributing large amounts to politician coffers.

Subsidizing most industries, labor, cities and foreign countries seems to be in style.

Subsidies are one way for the farmer to get parity. I would like to see it at the marketplace.

Food for thought. There are approximately 15 million colored people in the United States! there are approximately 7 million Indians in the United States (they are on reservations, and cannot even get an island out in San Francisco Bay for a museum).

There are approximately 2.8 million farmers (who the hell is the minority) ; 2,500 of these farmers are going to the city every week.

As I drive through the Midwest, making speaking appointments and tours, I am asked one major question: "What do I personally think of Washington, D.C.?" I make this comment: "Washington, D.C., reminds me of a great warhorse, floundering, kicking a little, sweating in turmoil, being consumed by maggots." There seems to be a few butterflies flying over the giant warhorse's head. I sincerely hope that there is only butterflies in this room, because agriculture cannot long survive with maggots.

The coalition of farm organizations have a lot of intelligent, dedicated people whom, I am sure, can guideline the farm program into the right direction. If there is anyone more capable in this Nation, I wish he would come forward, and help in these trying times.

If something is not coming to the aid of agriculture in the near future, it will be too late. I fear (Black Panther) type of people coming forth in agriculture to bring this Nation to its knees through violence. May the good Lord help the poor when this comes about. Both you and I know there is no surplus in America, if the hungry were fed.

Gentlemen, you sit in positions of trust. Your people have elected you; many of you, many times, to represent them; to guarantee freedom and independence of the independent families, businesses, and governments of America.

For the people who make up UGFA, I have outlined the role and function of the institutions that have made our America great.

It began with free family farmers, free merchants, free local governments.

The role of those institutions, though eroded over the years, is still valid. We cannot remain a free people without them. And undergirding all of it is parity of prices for farm commodities.

In the name of freedom and security for the rest of our lives, and for the future of our children, we ask you to bring parity of prices to farmers through whatever means you can.

What may we, as people do, to help you honorable Senators?

Now, I have here with me Gerald Cain, Union County, southern Illinois. He is a farmer of 2,000 acres. Darual Duzan, Coles County, 1,200 acres. Raymond Cottle, Edgar County, 900 acres, Lloyd Reiser, Dewitt County, 602 acres. Jim Hall, Douglas County, 720 acres. These are all large grain farmers, primarily corn and soybeans in central Illinois. And may God grant us the courage to change those things that are wrong, the serenity to continue those that are right, and the foresight and the knowledge to know the difference.

The CHAIRMAN. How many acres do you have?

Mr. DUZAN. 300, sir.

The CHAIRMAN. Who is the 1,200 man? 2,000?

STATEMENT OF GERALD CAIN, UNITED GRAIN FARMERS OF AMERICA, JONESBORO, ILL.

Mr. CAIN. 2,000.

The CHAIRMAN. Will you give your name?

Mr. CAIN. Gerald Cain.

The CHAIRMAN. Are you participating in the present program?

Mr. CAIN. Yes, sir, I am.

The CHAIRMAN. To what extent?

Mr. CAIN. Fifty percent.

The CHAIRMAN. Fifty percent. How much corn do you plant?

Mr. CAIN. 400 acres.

The CHAIRMAN. 400, what do you plant on the rest of your land?

Mr. CAIN. 1,200 acres of soybeans and 400 acres in the feed grain program.

The CHAIRMAN. Do you have any acres that are not planted on which you get money from the Government?

Mr. CAIN. Sir?

The CHAIRMAN. Diverted acres. Do you have any that you do not plant?

Mr. CAIN. You mean, concerning acres?

The CHAIRMAN. Yes.

Mr. CAIN. Thirty acres.

The CHAIRMAN. How many?

Mr. CAIN. Thirty acres.

The CHAIRMAN. How can you—are you in the program?
Mr. DUZAN. No, sir.
The CHAIRMAN. You plant all your land?
Mr. DUZAN. Yes. No. I take that back. I rent my land.
The CHAIRMAN. You rent it. What do you get for it?
Mr. DUZAN. $40 per acre. But take $10 and a half taxes off that. That does not leave me 3 percent gain.
The CHAIRMAN. I just want to find out.
Mr. DUZAN. OK.
The CHAIRMAN. Will you give your name?

STATEMENT OF JAMES M. HALL, UNITED GRAIN FARMERS OF AMERICA, OAKLAND, ILL.

Mr. HALL. My name is James Hall.
The CHAIRMAN. How many acres do you plant?
Mr. HALL. I have 720 acres in my operation of which 560 approximately is tillable. I go along with the program 40 percent and——
The CHAIRMAN. When you say go along with the program 40 percent what do you mean?
Mr. HALL. I mean I divert 40 percent of my tillable acreage and I plant the rest of my acreage in soybeans and corn.
The CHAIRMAN. What is the diversion payment? What is the amount of the Government check?
Mr. HALL. Well, sir, I farm my own farm and I farm also for three different landlords and with these landlords each farm is figured on a separate basis.
On one farm, for example, I have a corn base of 100 percent. On another farm which is a 300-acre farm I have a corn base of 120 acres.
On another farm which is about a 400-acre farm, I have a corn base of approximately 70 acres. But I still believe that it is beneficial to go along with the program because in the long run this is the only thing, the only method that we have to reduce any excess production that might be.
However, I would like to make this statement, that no one as long as there are hungry people in the United States and in the world, should consider our excess production as surpluses. It is merely an inventory. And at the present time, if my figures serve me correctly, our inventory in corn amounts to approximately 3 months supply. In soybeans it is approximately 2 months' supply and in wheat approximately 5 months' supply.
The CHAIRMAN. I think it is greater than that as to wheat.
Mr. HALL. Well——
The CHAIRMAN. We have 800 million bushels.
Mr. HALL. You see, I do not have the figures in 1969 as yet, and possibly it is now. However, I would like to also bring this forward. We talk about a farm program of a cost of $3.8 billion. If we will figure this on a family of four, with the population at 200 million, I believe we will see that it is $74 per family per year and I do not believe that this is excess.
Now, if we figure that our food costs at the present time are 17.2 percent of the disposal income after taxes, then a 35-percent increase

in farm prices, which is approximately what it would take across the board to bring us to parity levels, would only increase the consumer expenditure for food by 1.7 percent. I would also like to say that 2 percent of the present 17.2 percent is spent for fish and products that are imported and not produced on American farms. I think that if the statistics are brought forward, that you will find that we actually do not have enough feed grains growing in the United States to feed the cattle, to produce the milk, the eggs, that it takes to feed this Nation and to me this is a crying shame.

The CHAIRMAN. Well, somebody would have to pay for that.

Mr. HALL. For what, sir?

The CHAIRMAN. To feed everybody.

Mr. HALL. To feed everybody. Yes, sir.

The CHAIRMAN. Everybody as you suggested.

Mr. HALL. Yes, but as you know, we have a food stamp bill and at this time this is in the agricultural budget. As you realize, 55 percent of the total agricultural budget goes for other than direct income to the farmer and only 45 percent of the budget then remains in his category.

The CHAIRMAN. But the 55 percent, though, goes to assist the farmer in being able to grow better crops. You have got conservation. That has benefited you a lot.

Mr. HALL. Well, sir, I believe according to the House Agriculture Committee's book of farm prices and food costs that the figure is 45 percent along these levels. I could break it down for you but I am afraid it would take too much time. I have got the book with me here today. However, the main point that we would like to make, sir, is simply this. Parity prices for farm products are not too high. It was figured on a 1957–1959 basis present and they are not too high. If we had 100 percent of parity like I said before, it would only possibly increase the consumer price for food by 1.7 percent of the income, which is very low.

The CHAIRMAN. You mean for the amount that is produced, that is used in America. You see, your wheat farmers today are getting full parity on what is domestically used.

Mr. HALL. Now, you are considering certificates in on this, sir.

The CHAIRMAN. No, no. On all of the wheat that is consumed in this country, the farmers get full parity, which is——

Mr. HALL. Well, sir, I grow wheat on my farm. I have a wheat allotment of approximately 21 acres of wheat and no matter how I figure this, I cannot figure it at a full parity level on my production.

The CHAIRMAN. No, you cannot, because——

Senator CURTIS. 43 percent.

The CHAIRMAN. 43 percent of your production, that is, of all the wheat produced in this country.

Mr. HALL. I see what you are getting at and possibly this is true, but let us consider this fact, sir. Wheat delivered in Rotterdam, to get into the European Economic Community, has an import duty of at this time approximately $1.55 per bushel. Now, if our wheat in the United States was selling at a reasonable figure, minus shipping, in the European Economic Community there would be absolutely no reason for this import duty.

The CHAIRMAN. Well, they have been imposing them, though, for a long time.

Mr. HALL. I agree with you.

The CHAIRMAN. To protect the farmers there the same as we are trying to protect them here.

Mr. HALL. That is right, but we do not have these import duties on our wheat. Now, when we get into a situation like this, in my opinion, we must have like you have advocated, a two price system. However, at the present time in most feed grains using your theory on wheat, but in other feed grains, and in soybeans, we are not getting 100 percent of parity for our production. If this is necessary and considering that 85 percent of our corn production is fed to livestock, and approximately 10 percent of it is used for seed and in the food industry, then this leaves us 5 percent of our total farm production in the United States that is governing our total price for corn in the United States. Now, to me this is a sin when we cannot get parity price for corn in the United States for our American farmers and still we let 5 percent of it rule the rest of the price on the total production.

The CHAIRMAN. Well, since 85 percent of the grain is fed in the United States, your cattle prices are pretty good now, are they not?

Mr. HALL. Well, sir, it is according to what you call pretty good. They are not at 100 percent of parity at this time. My last figure was approximately 94 percent of parity.

Mr. DUZAN. May I say something here? That to me, is a byproduct of grain. That is inserting there that we should assume the cost of mining a material to build a car in the total price of the car, then they should build the price of the car up to take care of that. This is a byproduct of grain or feed grains and should not be compared to what we are talking about here as comparative prices of two farmers at their farm. That is my thinking on this.

The CHAIRMAN. Well, there is a lot of complaint. We are having a lot of trouble now to even pass, to renew the present farm program.

Mr. HALL. I agree with you.

The CHAIRMAN. Particularly in the House. I do not think we will have much trouble in the Senate to renew the present program, probably at the same level, maybe a little better, but the cost as you heard discussed today of the program, that is, for diverting land and the price supports, is about $3.8 billion.

Mr. HALL. Yes, sir.

The CHAIRMAN. And then, you have an additional cost of around $852 million for sales abroad.

Mr. HALL. Yes, sir.

The CHAIRMAN. Now, if full parity were paid as you are now proposing, the cost to the Government would be probably half as much as what the cost now is.

Mr. HALL. We are not advocating, sir, that the Government pay the difference between the price that they think is feasible for the consumer and parity price. What we are saying is, sir, that do not let the 5 percent on corn specifically and on the other grains, influence the total cost per bushel of the total production in the United States. In other words, sir, for example, right now we have soybean oil meal selling to the consumer who is a livestock feeder at approximately $110 per ton. Now, this is an increase of approximately $26, I believe, in the past year. Yet, figuring on a No. 1 basis for soybeans and price supports at $2.19 and figuring it at what it used to be

in our area on a No. 2 basis at $2.56 we are selling more soybeans in our area at the present time for about $2.43 per bushel.

Now, if supply and demand would work in this situation, and if we did not run into the fact that the processors have a very, very strong marketing situation as opposed to the producers, then our soybeans figured on a 15 percent margin and a 5 percent crush should be bringing us in the vicinity of $3 a bushel in the market place. However, they are not. So, we must realize that supply and demand is not working for the farmer. And in order to make it work for the farmer we must realize that perhaps we have to have a two-price system as is advocated to some extent in the coalition bill, which we support wholeheartedly and we think this is a good bill. It calls for 90 percent price support payments on corn. However, they do not have to be made up by subsidy payments if we will let the 95 percent that is consumed in the United States set the price rather than the 5 percent that would maybe be export production.

Mr. DUZAN. May I insert something here on this export production?

The CHAIRMAN. Just about wheat, for instance, our production—under the present program, our production is about a billion 250 million, 300 million, and we consume only 600 million.

Mr. HALL. The rest of it as I understand it, a portion of it goes into the Public Law 480 program.

The CHAIRMAN. And that is very costly, more or less a gift.

Mr. HALL. Very costly, sir, but let me inject this. Is it right for the American farmer as 5 percent of the population, to be penalized?

The CHAIRMAN. I do not quite follow you about your 5 percent.

Mr. HALL. Because of Public Law 480.

The CHAIRMAN. I do not quite follow you on your 5 percent. That would not work in wheat certainly.

Mr. HALL. Let me clarify this. I said 5 percent of the population. American farmers are approximately 5 percent of the population in the United States.

Mr. HALL. Yes. Yet, we are carrying the load in our wheat production, for example, and in the price that we receive to some extent, of the total Public Law 480 bill moneys that go for wheat. You see what I am saying?

Mr. DUZAN. I question this.

The CHAIRMAN. But the Government pays it, not you. If the Government were not to step in to pay it, this $800 million in order to take this off the market, there is no telling what you would get for your products here.

Mr. HALL. I am not sure that I understand you.

The CHAIRMAN. Well, the amount that you get, let us say the cost of this program of $4,600,000,000, that is what your present program is costing as we stated today.

Mr. HALL. Of that 800 million that was Public Law ——

The CHAIRMAN. No. That is included in here. Well, now, this $4,600,000,000 that is the cost of this program comes from the taxpayers.

Mr. HALL. This is true, and I figured it down here like I said previously, on 200 million people and figuring the program at $4 billion it is approximately $18 per person.

Mr. DUZAN. I feel they are using this to use as a floor and a ceiling on our products to discriminate against the farmers in a sense. Let us talk about these paper inventory supplies.

Now, I have one other thing I would like to bring in here. Mr. Cottle, would you tell about the paper inventory supplies over at Decatur, Ill., a couple or 3 years ago? These things need to be investigated. Perhaps you do not have the surpluses you think you have. It might be a paper inventory. Mr. Cottle.

STATEMENT OF RAYMOND COTTLE, UNITED GRAIN FARMERS OF AMERICA, KANSAS, ILL.

Mr. COTTLE. It was just a matter of the—this is about 4 or 5 years ago whenever the soybean meal at that time was supposed to be a drag on the market and the processors were supposed to have something like 156,000 tons of soybean meal that they said that they could not move and this was the reason why they could not pay the farmer a fair price. So, I live close to Decatur, Ill., which is supposed to be the soybean capital of the world, and got inside information that possibly this was not so. So, we got a group of farmers, some of them coming from as far as Ohio, with trucks to buy soybean meal. In other words, we made a run on it to see if they actually had this.

Now, this soybean meal the farmers bought to use for livestock purposes. When we got in there something like 60 trucks we only got 68 tons of soybean meal out of two different plants in Decatur. One of them was A. I. Staley Manufacturing Co. and the other Archer, Daniels, Midland. They only had 68 tons of soybean meal and they had to take 4 tons of that off a railroad car they had loaded.

But the dismal part about the whole thing was that the Department of Agriculture did nothing. There was no soybean meal. They never had enough to even begin to load those trucks.

Senator CURTIS. Was that this year?

Mr. COTTLE. No, sir.

The CHAIRMAN. 3 years ago. That is what you said.

Mr. COTTLE. Yes.

The CHAIRMAN. Well, the price at that time was pretty good, was it not? $3.60?

Mr. COTTLE. No, no. You mean on soybeans?

Mr. DUZAN. That is when they started to hand you people lower prices.

Mr. COTTLE. This was the start of the hammering down of the soybean loan.

Mr. DUZAN. This is not all that is going out here in grain processing. Let me bring some other things to light I know you people do not know.

The CHAIRMAN. I do not quite understand his point. There was no complaints at that time about the soybeans because the production was about in keeping with your consumption requirements and your market remained at a level.

Mr. COTTLE. Yes, sir.

The CHAIRMAN. But when other areas of the country began to expand in soybeans, that is when you got into trouble.

Mr. COTTLE. That is right. But the point is this on the soybean meal. This was at a time when the supply was supposed to be pretty well in line with the demand. But the question was, you see, we had $2.56 support price on soybeans. This is not 100 percent of parity. We knew that the supply was not there and they were getting a tremendous demand for—tremendous price for soybean meal. So why did not the price of soybeans go up to the farmer? They said the reason why they did not go up was because they had 156,000 tons. This is not just in Decatur. This was of all soybean processors in the United States this 156,000 tons, and where this came from was USDS and where they get it is from these processors. This is the only way they have to get this information.

So, to prove a point we went over there and they never had it. But the sad story is that USDA does not do anything about it. The fact of the matter, outside of the local newspapers in Decatur, Ill., this is as far as it got. Somebody put a clamp on that real quick.

But to get back——

The CHAIRMAN. Now, your soybean carryover has been increased to the point where this year, 350 some odd million bushels and at the time you are talking about——

Senator CURTIS. Is not the soybean carryover down now?

The CHAIRMAN. No. It is up.

Senator CURTIS. I mean, in recent months.

The CHAIRMAN. No. It is up. I do not know about the last 2 or 3 months.

Mr. CASSO. It is my understanding this year the outlook is that it is improving.

Senator CURTIS. It is down about 300 million.

Mr. CASSO. But that the carryover of soybeans at the end of this last marketing year was 365 million bushels.

Senator CURTIS. What is the date of that?

Mr. CASSO. August 31, 1969.

Senator CURTIS. And you do not have it since then?

Mr. CASSO. No, sir. The carryover; no, sir.

The CHAIRMAN. That is the last year's——

Senator CURTIS. I understand in recent months it has gone down, the carryover.

The CHAIRMAN. I am sure of that. Until the next crop it will keep on probably going down.

Mr. HALL. The carryover projection has gone down in the last few months. However, let me point this up again and reiterate that we will use for an example a machinery dealer in a small community who has an inventory on his shelves of nuts and bolts and parts. This is simply an inventory. And I would like to see any carryovers that we have in the present time in the United States be at least 4 months' supply of any feed grain or any product that is consumed by the American people as an inventory to insure that if we cannot import Australian and Argentine beef and we cannot import the meat imports that we import today and that we cannot import the 9 days' milk supply that we import today, that they will not run out of food.

Now, this is the consumer angle that we, as farmers, look at and we know that we cannot feed these cattle, we cannot produce this milk without this inventory in case of a disaster.

Mr. DUZAN. I would like to bring this point to light. We wonder why we are losing our foreign markets. I would like to be a seller of sand in the State of Texas for these big monopolies—some of them have testified before me—because they add to every shipload of grain, beans, going to Japan, $300,000 worth of sand. I would like to have control of the railroads in the United States and own one of these hundred-car trains so they could steal the rest of our products.

It is a sad state of affairs where there is nothing looked into from the higher level of what is wrong in agriculture. In the first place, you said we made $17 billion last year and to get this you had to add the big cattle operators and the farmers' income, the cattle feed lots, to get this income to $17 billion. This is the reason we are broke. Our actual income was $5 billion if the truth were known.

Now, let us go back to bread and flour. It is your chart. You people up here in Washington write all these charts. You known all the problems.

Your chart indicates in the flour usage that it is going down. Well, there is something wrong here. I think the American people would be eating a little more bread. Over the years it has gone down due to the fact there is something wrong here? Is something, maybe, in the charts wrong? Maybe some people are not paying their added 75 cents to the Government. There is something wrong in this category.

The CHAIRMAN. Well, you have got a lot of substitutes and——

Mr. DUZAN. I grant you that, sir.

The CHAIRMAN. Well, OK. And there is no doubt that the record shows that the per capita consumption of flour has gone down, not up, and it is partly due to making flour from potatoes and from rice or these other substitutes that take the place.

Mr. DUZAN. This, I grant you.

The CHAIRMAN. Then——

Mr. DUZAN. I did not know what it was then.

The CHAIRMAN. Then, you have a lot of people who want to remain thin and do not use as much flour, and there is no doubt that the consumption, per capita consumption, of flour has gone down.

Mr. DUZAN. We in rural America do not know only what we read and some of these assumptions that we introduce here, we are wondering why. So, it might be in the form of a question "Why?" instead of a investigation or something.

Senator CURTIS. I am going to have to run. I want to get one thing clear. You are here supporting the coalition farm bill?

Mr. DUZAN. Yes, sir.

Mr. HALL. Very definitely.

The CHAIRMAN. That is really the present program with a little honey added to it. That is about what it is.

STATEMENT OF DARRELL DUZAN, UNITED GRAIN FARMERS OF AMERICA, ARCOLA, ILL.

Mr. DARRELL DUZAN. I am Darrell Duzan. I formed a partnership with my father and I could not follow the Government program because I have a 79-acre program on a 240-acre farm. It is just impossible for me. I can make more money by not farming. Yet, a neighbor has a 240-acre farm and a 200-acre corn base.

The CHAIRMAN. That is because he followed the program from its inception.

Mr. DARRELL DUZAN. That is because of the history of the plan.

The CHAIRMAN. How else could you base it?

Mr. DARRELL DUZAN. Like if we need 300 million bushels of corn in the country and there are 400 million acres available, why not these small farms take the percentage instead of the allotments because like me, I rent this farm and right off the bat I find out that I cannot follow the Government program because of the history of that.

The CHAIRMAN. It has got to be based on history. For instance, we have the same situation in Louisiana about sugar cane. Our acreage is based on the amount of sugar that we can produce in this country, cane sugar, which is 1.1 million tons, and that is allocated on a basis of the production from the farms that had been in that production for a long time.

Now, a lot of people did not take advantage of the sugar cane program because they did not think it was advisable. They did not think it was profitable enough. So those who stuck by the program, of course, did suffer some, but they acquired a base through past performance.

Now, do you think it would be fair for a man who would not take the chance at one time to come in and get a base different from——

Mr. DARRELL DUZAN. Let me answer this with another question. I am 24 years old and I am the youngest self-supporting farmer in a three-county area. The average age is 53. In 12 years there are not going to be as many farmers in those counties as there are now and somebody has got to take their place.

The Chairman. I know that.

Mr. DARRELL DUZAN. I mean, there is no opportunity left in rural America.

The CHAIRMAN. I have been on this committee now 33 years. I have been chairman of this committee longer than any man in history and I have seen programs go up and down and up and down and, Lord knows, I have tried to help farm income all I know of. And I believe that farming is really the basis of our economy.

Have you got copies of my speech?

Mr. DUZAN. I have read it and I have even talked to all your secretaries around here to see if you were a fair man and they say you are, but this has nothing to do with the fact that we have got to have parity of farm income down in rural America or we are done, and this is the reason we are up here on our own now. We are not getting paid like Mr. Shuman was before us. We are only three people talking today.

The CHAIRMAN. My dear sir, I am telling you insofar as the Senate is concerned, I believe we can get a fairly good farm program but the people you have to deal with are on the other side where about 60 percent of the Members of Congress are from the city. That is, they live in cities. They do not care if the farmer makes it or not and we cannot get the program we desired by them.

Mr. DUZAN. They are using food in the city and you always traded before and I say it is time you start trading.

The CHAIRMAN. For what?

Mr. DUZAN. They are always wanting something up there in the city.

The CHAIRMAN. What do I have to trade?

Mr. HALL. That is the question. But again, sir, maybe I made this point and maybe I did not but these consumers need protection of their food supply and when our language changes to the fact that our inventory is just simply that, an inventory rather than a surplus, and when we quit letting this small surplus rule the complete market structure of our agricultural economy, then perhaps the farmer will get his fair share.

The CHAIRMAN. Well, ever since I have been on this committee, particularly since World War II, I have never known of a lack of food to supply our country. Of course, a lot you could not buy if you did not have the money to buy, if someone would not work, but we cannot help that but there is no doubt in my own mind but that the supply of food that we have in this country since World War II, a few years thereafter, has been sufficient to meet our demands.

Mr. HALL. Sir, I would like to put this up for your consideration. At the present time the United States does not grow enough red meat to feed the people here. We import almost 18 percent——

The CHAIRMAN. Well, that is our trouble.

Mr. HALL. (Continuing.) Red meat. Yes, sir. But we as farmers can do nothing about this. You in Government may be able to do something to protect us on these imports.

The CHAIRMAN. Well, do you think we ought to prevent them from sending it in?

Mr. HALL. Not necessarily, but I think that you made the statement just a while ago that at no time had you ever known in this country of a food deficit; is that not correct?

The CHAIRMAN. Well, I do not know of any. I mean, insofar as the main crops are concerned, like wheat. There may have been a shortage of something that we have to import like sugar, wool——

Mr. HALL. And meat.

The CHAIRMAN. But I am talking about our excess production, let us say wheat, cotton. We have cotton running out of our ears.

Mr. HALL. I will agree with that.

The CHAIRMAN. Why is that?

Mr. HALL. I agree.

The CHAIRMAN. Because the mills, although they have been permitted to buy cotton at world prices which meant a subsidy to the mills of eight cents a pound, $40 a bale, when that program was presented I fought it because I knew in advance that the consumer would not benefit by it. What happened was the mills got it and the mills profited by it but the farmer is now faced with a big surplus of cotton and instead of using cotton at a cheaper price the mills have used more manmade synthetics.

Mr. HALL. I agree.

The CHAIRMAN. So that today of all the cotton that is used to make clothing in this country, only 40 percent is cotton and the rest is manmade. How are you going to stop that?

Mr. HALL. I am not going to stop it but we were primarily talking about food and I would be the first to admit I know nothing about cotton production. The only thing I do know is cattle, hogs, and grain and I know—I do not know near as much about wheat production as I do about soybeans, corn and perhaps——

The CHAIRMAN. In the case of soybeans——

Mr. HALL. Perhaps grass.

The CHAIRMAN. I had quite a few arguments with my own people in Louisiana. They simply bulldozed thousands of acres of land to put soybeans in and they asked me my opinion about it and I told them they were doing wrong, that if soybean production continues to increase, a time would come when your production would be over your needs and prices are bound to go down. And in my book it is my belief that any farmer who expects price supports from his Government ought to be willing to curtail his acreage if necessary to keep production in keeping with consumption.

Mr. HALL. I agree with you 100 percent, but the point still remains, sir, that our production is not in excess at this time if we use the surplus that we have on hand as inventory. We have never produced over 6 percent more than what we have used in any 1 year.

The CHAIRMAN. But this little 6 percent, you know, manufacturing or——

Mr. HALL. On feed grains.

The CHAIRMAN. In any way will affect the market. It does not take much to affect the market.

Mr. DUZAN. If parity had remained a little more closely adhered to over the years I do not think we would be in such an economic bind out here in rural America.

The CHAIRMAN. But you would not have been able to sell your production abroad unless the Government subsidized it all. You know that.

I am glad you gentlemen appeared before the committee. And personally I am looking for any information I can obtain in trying to get a better program. If I were going to write it myself and let it be as I desire, your farmer would get as much of the economy as big business. But we cannot put the program through. We have not got the votes. That is our trouble.

Mr. HALL. Then the object is how do we get the votes, is it not? Is it not true that it is morally wrong for us to have to starve the people of the United States into giving us parity prices for our products?

The CHAIRMAN. Well, I wish we were able to get it, as the Farm Bureau puts it, at the marketplace, but we have become so productive now that it is pretty difficult to keep up with programs. For instance, as I said today, you must have heard me say it, we produce as much, let us say, tobacco now on 1 acre as we did on 3 acres only 20 years ago.

Mr. HALL. I agree with you.

The CHAIRMAN. Take the case of cotton. We are producing as much now on 16 million acres as we did on 40 million acres less than 25 years ago and I believe that the farmers who sell have improved their technique through the programs we have here because we gave you——

Mr. HALL. I agree.

The CHAIRMAN. (Continuing.) We gave you so many acres to plant and, by golly, you made those acres produce.

Mr. HALL. That is right.

The CHAIRMAN. And in the long run I say this cost to us will be repaid many times because as our population increases, we have

learned the business of producing more food on less acres and I am not—I have never complained about the cost of these programs. But the point is that we cannot get the programs we desire by any means and the programs that we have now are, I believe, the best we can obtain under the present composition of the House and Senate.

Mr. DUZAN. The best is not going to do it, I do not believe. The best is not going to be good enough to save rural America. This is what I predict.

Mr. HALL. I would like to inject this, sir. No. 1, technology has increased.

The CHAIRMAN. No doubt about that.

Mr. HALL. No. 2, we are receiving on 1957–59 parity figures 30 percent less than we would have been receiving on the 1947–49 figure on 100 percent parity. So perhaps this takes care of the technological increase.

No. 3, the question still remains of how we get the coalition farm bill through Congress and I think you will agree we will never do it by a negative attitude. And if we admit defeat and say that the present bill will have to be good enough at this time, I doubt if when the fight comes down to the last battle that we will be able to win it but if we say we are going to get this coalition bill through, then when the fight comes down to the last battle we mean business and we do everything that is humanly possible to do it.

The CHAIRMAN. I will tell you what you do. You work on the House Members.

Mr. HALL. We have, sir.

The CHAIRMAN. Because that is in my book, where the trouble lies.

Mr. COTTLE. We would not even have to go out of Illinois to get a good start, either. We have got plenty of work to do in Illinois.

The CHAIRMAN. I know their bill when they presented it in 1965 was not as good as ours by any means. We had a lot of difficulty putting in the bill that we proposed. Now we are confronted with the question of payments and this bill is so patterned that we hope to reduce acres and pay for this reduction and put as many acres to work to produce all the corn we need, all of the wheat we need, and whether that cut of acreage comes from a large or small farm makes no difference to me and yet if they put a limitation of payments on the bill that you are proposing as I understand they will, it is going to ruin the program.

Mr. HALL. They will not if the coalition has anything to do with that.

The CHAIRMAN. I tell you, you boys get to work on that. I am with you. We will do what we can to help but in order to be able to pass a bill through the Congress, that is, through both houses, you have got to have the votes, majority of the votes. Otherwise——

Mr. DUZAN. I feel this, that perhaps as the Democrats and Republicans have a little bit of feeling for rural America, that they ought to get together and work with this problem because I do not think you can survive long without us.

The CHAIRMAN. I know that.

Mr. DUZAN. And we are awfully close to going under.

The CHAIRMAN. If you read my talk as you say you did you will see the conclusions reached by me just about on the lines you are speaking

of. If the farmer does not make it, the rest of the country is going to go broke.

Mr. HALL. This is very true. What we are looking for is solutions. I think we all know the problems. What we need is solutions.

The CHAIRMAN. That is right. If you have anything new that you want to add to what you have here, let us have it.

The committee will stand in recess until 10 a.m. on Monday.

(Whereupon, at 5:05 p.m., the hearing was recessed, to reconvene at 10 a.m., Monday, February 23, 1970.)

AGRICULTURAL ACT OF 1970

MONDAY, FEBRUARY 23, 1970

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to recess, at 10:09 a.m., in room 324, Old Senate Office Building, Hon. Allen J. Ellender (chairman) presiding.

Present: Senators Ellender, Holland, Jordan of North Carolina, Aiken, Young of North Dakota, Curtis, Dole, and Bellmon.

Also present: Senators Symington and Eagleton.

The CHAIRMAN. The committee will please come to order.

We are pleased to have this morning two distinguished Senators from Missouri, Senator Symington and Senator Eagleton. You will recall Senator Symington was a member of this committee for some time and took a great interest in agriculture and still has his interest in it.

Today we have Mr. Fred Heinkel, Mr. Clell Carpenter, and Hilton Bracey of the Mid-Continent Farmers Association as witnesses. And I understand, Senator Eagleton, you desire to make a statement before that.

STATEMENT OF HON. THOMAS F. EAGLETON, A U.S. SENATOR FROM THE STATE OF MISSOURI

Senator EAGLETON. In the interest of time, I would like to leave this short statement as a part of the record and then introduce our three distinguished witnesses.

(Senator Eagleton's prepared statement is as follows:)

Mr. Chairman: It is a distinct honor for me to appear before you for the first time on behalf of Missouri farmers, and I look forward to working closely with you and your committee in the future in behalf of American agriculture.

Our state is among the top ten in America in terms of cash farm receipts. Missouri farmers add some $1.5 billion annually to our state income, and support an agribusiness complex that generates some $4.5 billion annually in Missouri's economy. Agribusiness is in fact Missouri's largest industry. It employs one out of every three Missouri workers, and accounts for nearly 40 percent of Missouri's economic income. As the Chairman knows, hundreds of millions of dollars worth of Missouri farm products pass through the port of New Orleans each year to earn hard cash in the world market.

A strong and viable agriculture—in Missouri and in America—is not only essential if all of our citizens are to have a continuing and abundant supply of food and fiber at fair prices; it is also vitally important to our balance of payments and to our strength on the world scene.

As we confront the task of renewing America's farm programs in 1970, we are nearing an important—and perhaps very hopeful—watershed in the development of American agriculture. I believe we have a good beginning on an improved

farm program in S. 3068, the so-called "coalition" farm bill which would extend and improve the Agriculture Act of 1965 and which I am proud to co-sponsor.

The most hopeful point is that this bill represents the joint effort of twenty-four major American farm organizations, representing a very large part of the American farm community.

For a long time American agriculture has been on the defensive, both in our own industrialized society . . . and in world markets. Our farmers, using the world's most advanced technology, find themselves doing business in what amounts to hand-to-mouth, subsistence-economy conditions.

But with broad unity among farmers, I believe we can develop federal programs which will let the farmer produce on a business-like basis with a decent return for his effort.

While no one claims that S. 3068 is the total answer to the multitude of problems besetting farmers in our agricultural economy, I do feel that with strong and purposeful administration it will bring us closer to doing the job that needs to be done.

Appearing with me here today in support of S. 3068 are Mr. Fred Heinkel, Mr. L. C. Carpenter, and Mr. Hilton Bracey of the Midcontinent Farmers Association. These gentlemen live and work with farmers in agribusiness. They are intimately acquainted with farm problems, and I commend their statement to you in behalf of farm programs that would insure a strong agriculture to serve the needs of farmers and the nation as a whole.

Senator EAGLETON. It is a distinct pleasure to introduce three Missourians who are, in my judgment, about the most knowledgeable men about farm problems: Mr. Fred Heinkel, L. C. Carpenter, and Hilton Bracey of the Mid-Continent Farmers Association.

I might add, Mr. Chairman, that just recently Mr. Heinkel was designated as chairman, or ad hoc spokesman, for some 27 farm groups which support S. 3068. I think that speaks more convincingly than anything I could say about the respect with which he is held by individuals who are intimately connected with the business of farming. And without any further ado I will yield to my distinguished colleague—

Senator YOUNG. May I say first, I agree thoroughly with your views regarding Mr. Heinkel. He is one of the best, if not the best, farm spokesman that I know and you are fortunate you have him in Missouri. I wish we had him in North Dakota.

Senator EAGLETON. That is even higher praise. We appreciate that very much.

The CHAIRMAN. I can ditto that, and so can Senator Symington.

Senator SYMINGTON?

STATEMENT OF HON. STUART SYMINGTON, A U.S. SENATOR FROM THE STATE OF MISSOURI

Senator SYMINGTON. Thank you Mr. Chairman. All I would say in corroboration of my distinguished colleague, Senator Young, and my colleague Senator Eagleton, one time Mr. Heinkel was very worried about what could happen with respect to our agricultural market in Europe, our largest cash market. As a result, he and I went up to see the gentleman who was handling that, Secretary Herter. Mr. Heinkel told Mr. Herter what he thought would happen as a result of what was going on in the so-called Kennedy round, et cetera. One might have thought he was looking into the glass of the future, because just about everything he prophesied would happen did happen, to the great detriment of not only the farmers of our State but the farmers of all States.

May I express my appreciation for the kind words said about Mr. Heinkel by the ranking member of this committee; and I would also endorse everything said by my colleague from Missouri, Senator Eagleton with respect to Mr. Heinkel's capacity and experience in this field.

Thank you for letting me make this statement.

The CHAIRMAN. Glad to have had both of you.

Senator HOLLAND. Yes, indeed.

The CHAIRMAN. All right, Mr. Heinkel, will you please step forward?

STATEMENT OF FRED V. HEINKEL, PRESIDENT, AND HILTON BRACEY, DIRECTOR, COTTON DIVISION, MIDCONTINENT FARMERS ASSOCIATION, COLUMBIA, MO.

The CHAIRMAN. Do you have a prepared statement?

Mr. HEINKEL. Yes.

The CHAIRMAN. How do you wish to handle that? Do you mind being examined, if we ask questions as you go along?

Mr. HEINKEL. Yes, if that is the way you prefer to do it.

The CHAIRMAN. All right. You may proceed.

Mr. HEINKEL. First, let me say after one has so many nice things said about them, it is probably a good time for me to live carefully.

My name is Fred V. Heinkel, residence Columbia, Mo., with the Midcontinent Farmers Association. I hope that this statement may all be included in the record.

The CHAIRMAN. Without objection, that will be done. If you wish to highlight your statement, you may do so.

Mr. HEINKEL. We were honored that our two distinguished Senators were deeply enough interested in farm legislation and in this particular bill to come over here and make some statements and put in an appearance.

This Senate bill S. 3068, commonly known as the coalition farm bill, it now has 27 organizations that work together in this group. It is not formalized by charter or bylaws or anything of the kind. It was created out of necessity and that is what holds it together. It is made up of general farm organizations, national in scope, some that are not national, and farm commodity groups.

I have with me here Mr. Clell Carpenter, vice president, and Mr. Hilton Bracey, director of the cotton division, and a little later I would like to have Mr. Bracey present our statement on cotton.

I certainly agree with you, Mr. Chairman, that if Congress does do away with the present subsidies and programs, we are courting disaster, and it will have a very serious and adverse effect on farm income.

I am also delighted with the statement that our distinguished Senator from North Dakota is supposed to have made, at least you were quoted to that effect, that you expected no major changes and felt somewhat optimistic that the Congress would continue worthwhile programs.

Commodity programs developed and refined over the years which are part of this proposed bill are widely supported by farmers who are

members of our organization, as do the farmers of other organizations. In a series of meetings held by the MFA and attended by 1,300 delegates elected by the membership, 94 percent voted in favor of a continuation of federal supply-management commodity programs.

Producers throughout the Nation, by their participation in these programs last years, indicated they approved these programs; 477,587 farms, with 92 percent of the cotton allotment signed up; 981,153 farms with 88 percent of the wheat signed up to participate in the program and 1,661,770 farms signed up in the feed grain program.

We are convinced that reasonable management of supplies of farm commodities is crucial to the success of any farm program. Effective, orderly production and marketing of a product is a sought-after goal of every industry, and is desirable. To produce more than can be efficiently utilized is wasteful of resources, results in low returns to the increments of production—labor, management, capital—and, if permitted to continue, creates economic chaos and social revolution within the industry.

Federal farm programs have, to a substantial degree, met national farm policy objectives as originally established and reviewed over the years by the Congress. Soil and water resources have been conserved and our land is today highly fertile and productive. Food and fiber are abundant, selection is broad and quality high. Consumer prices are reasonable. Consumers now spend a record low portion of their disposable income for food—about 17 percent. And I saw a figure the other day that indicates it has now gone below 17 percent.

The dairy section, of course, proposes to extend and improve the class I base plan and we support that. The National Milk Producers Federation is a member of the Farm Coalition and they will testify here and I have knowledge that they will support this bill and we join them.

Title II pertains to wool and we urge the retention of the present wool program.

Title III pertains to feed grains and I mentioned the kind of participation we had in 1969 with the feed grain producers which is evidence how they feel toward the program, and since feed grains is really the crux of our food production industry, it supplies the food for the production of milk, meat, eggs, poultry, and so forth, that constitutes an essential part of the daily diet of Americans.

We feel that this program ought to be continued and strengthened. We feel it has been weakened by the decision to do away with advance payments which are probably needed more this year than they have ever been needed in the history of the program.

Second, the Secretary decided to reduce the payment rate for the acreage diversion from 45 percent of the county price support times the farm's projected yield per acre to 40 percent in 1970.

This is not a major item but we feel it is a step in the wrong direction. These payments were based upon 50 percent of the county price support back early in the program, and they have been reduced now the second time down to 40 percent.

We are recommending, however, that in this coalition bill the price support loan be increased from $1.05 to $1.15 per bushel on corn and an increase in direct payments from 30 cents per bushel to 40 cents per bushel.

The CHAIRMAN. Mr. Heinkel, at that point I would like to ask a few questions about corn.

You are advocating a larger loan per bushel, $1.15. It has been difficult in the past to get full cooperation by the larger corngrowers and unless the large corngrowers participate in the program, the chances are that production will be far in excess of our requirements.

As you know, the present law as well as the coalition bill contemplates the continuation of the voluntary program for corn.

Now, some of the committee members feel that by reducing the loan on corn and increasing the direct payments, that we might get more cooperation from the corngrowers. What do you feel about it?

Mr. HEINKEL. Well, that is, of course, a matter of judgment and I know there is thinking on both sides of it. What we had in mind was trying to get some more income in view of the increasing costs with which corn producers as well as all other producers are confronted and we were splitting it up between the two, an increase in the loan rate and an increase in the payment, which will bring it up to about $1.55 a bushel total. Of course, that payment would not apply to all production.

That was part of our reasoning. We felt that $1.15 still in our opinion was not high enough to keep a lot of additional people out of the program.

The CHAIRMAN. Well, you would be surprised, though, that we had some witnesses here last Friday, one with a farm of over 200 acres producing an average of 137 bushels per acre, as I recall, and most of them produced above 100 bushels per acre and none of them were in the program.

Now, it seems to me that in order to get the results with this bill that we contemplate, if we raise the loan on corn, that the tendency will be for these large farms to continue to keep out of the program and let the smaller farmer, the smaller producer, be the one who participates in the acreage program and unless something is done to get the large farmers in, we will be confronted with a surplus of corn.

The thought was to reduce the loan level, that is, the amount of loan per bushel, and increase the direct payments so that the farmer will receive about what is contemplated in the bill.

Mr. HEINKEL. Well, we can retain the same objective another way. I do not know that our people would argue about that, although I remember one year that the loan rate was $1.05 and some of us pled with the Department to increase it. They did go up to $1.10 and nothing of major proportions happened. Of course, in some years it may have more effect than it would another year. It would depend on the prevailing price at the time the action is taken.

The CHAIRMAN. Well, it would seem to me that any farmer, whether he produces corn, wheat or anything else, if he expects price supports from the Government he should be willing to trim his acreage so that production will be in keeping with what the Department feels ought to be produced. And if you set a high loan level, it is my considered judgment that it will keep the large farmer out who can produce and make a profit at maybe $1.05, $1.10, or $1.15. And if you make it at that on a voluntary program as is envisioned in the bill, and is now provided in the law, it will continue to plague us with large surpluses, and that is what I fear.

41-649—70——28

Senator AIKEN. Mr. Chairman, maybe Mr. Heinkel can answer this question. I notice hogs are selling at around 30 cents now. I am just wondering why the prices of hogs has gone up proportionately more than the price of other farm commodities. You would think they would be using the nearly record supply of corn, although the market price is, I believe, a little over the loan right now, to raise more hogs. Is it because the hog grower has more self-restraint than other farmers?

Mr. HEINKEL. Well, the hog producers tell me this, and I have hundreds, even thousands of them make the same statement. They say the amount of hogs they can produce is determined by the labor of the farmer himself, and his family and also by disease problems; that they are the two main controlling factors in hog production. Plus the fact that a lot of the corn producers on good land have quit feeding hogs and are staying with grain production. And so, therefore, the feed grain program has had a part in this over a period of years. The hog producer has learned that he is going to have a stable supply of grain at reasonable prices and the corn producer on the good land has found that he can get along without also engaging in hog production.

Senator AIKEN. In reviewing the commodity market the last 10 years, apparently no farm product has gone up to the extent that hogs have. We were worried not so many years ago that we would have 10-cent hogs and the market price for years was 18 cents, maybe 20 at this time of year.

Mr. HEINKEL. Well, I have been as curious about it as you have been, Senator, and I made inquiry and these are the answers that I get invariably from hog producers.

Senator BELLMON. Mr. Chairman, May I ask a question? What percent of the feed grain enters the loan? Is it substantial?

Mr. HEINKEL. Well, it has not been so high. It varies from year to year. I would not know the answer to that percentagewise. It varies from year to year, depending upon the market price at harvest time. Some years two-thirds of it in our State—now, it might be different in other States—will go under loans. Another year it may be one-third.

Senator CURTIS. In that connection—excuse me.

Senator YOUNG. Is it not true that at one time almost every small farmer in the feed grain area produced hogs? That was true in my part of North Dakota. Almost every farmer used to have some hogs but now it has become more concentrated in the hands of larger producers. Like other types of farming, hog production requires a bigger operation to be profitable and economic. It is no longer the sideline that it once was.

Mr. HEINKEL. This is right, Senator. And I think in other States the production of feeder pigs has become a sizable operation and is done on a high grade and a scientific basis. The farmer does not feed those out. And, the farmer who feeds the hogs out is now in most cases, not producing the pigs but buying them from these people who specialize in feeder pig production. That ties right in with what you said.

Senator YOUNG. I know that is true in the case of my sons' farming operations. They used to be in hogs. It would not require much to get back in but they prefer to be straight grain farmers and feed cattle. Hog raising now does not even fit in with cattle feedng operation like it once did.

Mr. HEINKEL. Specialized business.

Senator YOUNG. It is.

Senator HOLLAND. Are the farmers who feed the hogs outproducing most of their feed or are they buying most of their feed?

Mr. HEINKEL. Well, they do both. Some of them produce part of it and buy considerable, and some of them, many of them buy it already prepared and brought out and emptied right out of the truck into their hoppers. So, again, that fits in with what Senator Young said, that this is becoming a specialized business.

Senator HOLLAND. I understand that, and I was wondering if you have any figures, what percentage of the corn is produced on the farm by the feeders and what percentage they buy. My understanding has been that they buy a large part of their corn.

Mr. HEINKEL. They do. Certain of these producers do. I would not know what the figure on the total would be. Those figures are available.

Senator HOLLAND. Well, we can get that perhaps from the Department.

One more question, if I may ask. What effect on this increased feeder hogs operation has the high cost of beef had and the turning of many people to the purchase of hogs and pork rather than beef?

Mr. HEINKEL. What effect has it had on which, the beef industry?

Senator HOLLAND. What effect has the high cost of beef, had upon this increase in feeder production of hogs?

Mr. HEINKEL. Well, I have never heard that mentioned as a factor. I really do not believe it enters into it very much because the price of hogs is kept along pretty close to beef.

Senator AIKEN. Just about the same.

Senator BELLMON. A little better at the moment. Hogs are higher than fat steers.

Senator CURTIS. Mr. Chairman, may I ask a question?

The CHAIRMAN. Yes, Senator.

Senator CURTIS. Is Missouri a surplus area of deficit area from the standpoint of feed grains?

Mr. HEINKEL. Part of the State is in deficit and part surplus. The State as a whole area is about on a break-even basis, I think.

Senator CURTIS. In other words, you feed about as much as you produce in the overall.

Mr. HEINKEL. It moves from one part of the State to the other.

Senator CURTIS. Oh, yes.

Senator BELLMON. Mr. Chairman, is this not about the case nationally with feed grains? We are not adding substantially to our feeder work at this time, are we?

Mr. HEINKEL. No, we are not.

Senator BELLMON. It seems to me we might be making a mistake to disturb this balance.

Mr. HEINKEL. We have added a little to it because we have had some problems with exports, as you know. Our exports are down some. We feel that this increase in price would not disturb the relationship. This has been due to the low price of wheat, more wheat moving into feed that has been taking place in the past several years.

The CHAIRMAN. Well, there is no doubt, I think the record will show that as a small farmer gets out of business he has had for quite some

time, that the hog growing has been concentrated most in large growers who buy their feed rather than raise it. Heretofore the smaller farmer grew his own and fed it to the hogs. Now that he is out you have people who concentrate on the production of hogs and then buy their feed and naturally you have many of these large corn growers who concentrate on the growing of feed only.

Mr. HEINKEL. But our small farmers, Senator, in the southern part of our State are the ones that are now specializing in this feeder pig production. They have a program where they sell them at auction over the telephone. People in other states, Illinois, Iowa, North Missouri, buy them and never see them. They sell them on their quality and reputation.

The CHAIRMAN. Well, in any event, what we hope to do before these hearings end is to get the Department to give us what the trend is between the growing, that is, small growers, and then whether the large corn grower participates very much in the hog business, and they will testify after we get through here. I am sure that we will be able to get a fair picture of the situation at the moment.

Senator YOUNG. Mr. Chairman, could I ask one more question? Mr. Heinkel, what in your opinion, would happen if hog prices remained the same as they are now and we reduced corn prices by, say, 25 percent? Would that result in increased production?

Mr. HEINKEL. Some increase.

Senator YOUNG. A sizable increase?

Mr. HEINKEL. Yes, it would. People would begin to figure, well, I guess I can get a little more out of this.

Senator AIKEN. Do you mean corn prices or corn supports?

Senator HOLLAND. I did not understand this, these two different thoughts. I would like very much to hear that answer.

Mr. HEINKEL. I think it would increase hog production to some extent. Of course, we still have the problem of the amount of help available and the disease problem, but there would be some more individual family farmers that would start to produce hogs that are not now producing, figuring, well, I can make a little more out of this corn by feeding hogs.

Senator YOUNG. Hogs are unlike cattle. Hog production can be sharply increased within just a year's time. Cattle is quite a different matter.

Mr. HEINKEL. Yes. Even 6 months.

Senator YOUNG. With cattle it is a question of 3 or 4 or 5 years before you can sharply increase production. If you want to increase cattle production very much—and I think this to some extent is taking place now since they are holding back more of the heifers than they usually do—you have to hold down the number of heifers and come you put on the slaughter market.

The CHAIRMAN. You may proceed.

Senator HOLLAND. Mr. Chairman, there is one question I would like to ask Mr. Heinkel.

Mr. Heinkel, I think you know that one of the very great difficulties we are going to have in connection with this new legislation is the question of limitation of payments and at least from my standpoint I feel that that is going to be a major question because I have been right

up against the matter on the Senate floor for the last 3 years. The problem has not come from this body but from the House.

If you have any comments that you can make as to where you think the principal problem is and how you think we should deal with it, I would greatly appreciate your making it because, for instance, you know whether the feed grain problem, the wheat problem, or the cotton problem has presented the biggest question mark here.

My own opinion has been that it has been the cotton field, the field of cotton production, and you also know as to how great a contribution to that problem has been made by the feed grain and wheat people which I think has been much more modest, a much more smaller contribution than has come from the cotton production.

Now, if you have any suggestions as to how this can be met to the best advantage I hope you will make it, because you are a practical man who has been in touch with the producers and I think you are practical enough to know that this problem in our major one this year as we move to try to come out with a reasonable program. So, I certainly hope that you will give us some help. I simply want to make that statement at this time, Mr. Chairman.

Mr. HEINKEL. Senator, I do not have any brilliant gems of wisdom to offer on that one. I would say that limitation of payments is not a hot subject in our State and in the area in which we operate.

Our organization has considered it in resolutions, but we have never taken any action in favor of limitation of payments. We have thus far opposed any limitation of payments.

Senator HOLLAND. So have we, and successfully so far, but it gets tougher and tougher with every year and my own feeling is that we have got to be very practical in dealing with this problem as we draft this new legislation. I am sure that the organizations which have testified up to now have realized that but they have not come up with any very practical suggestions. That is why I am suggesting that if you have a practical suggestion in this field, I hope you will make it because it is not enough to just say that we are going to raise the size of this program but not going to deal at all with the limitations problem.

Mr. HEINKEL. Well, it is a very difficult problem as you know, Senator, because the production is attached to land and to limit the payments in effect is saying we do not think Bill Jones or John Smith has got a right to own this much land. His production is a part of the total and what the Government is spending the money for is to try to increase farm income and stabilize production for everybody in the industry and the fellow who takes out a lot of acres is, of course, entitled to his payment. But I know you are familiar with all those arguments.

Senator HOLLAND. I hope you know that probably I have borne the brunt of the fight on the floor of the Senate in the last 3 years in opposing the limitations.

Mr. HEINKEL. I am familiar with that.

Senator HOLLAND. But at the same time, I know the problem is there and I know it probably as well as anybody else in the Congress because I have been up against it, and I know how this problem has been met in some industries. For instance, in the sugar industry, there is a sliding scale of payments, as you know. The small producers get 80 cents per hundredweight. And then that goes down step by step

until all the larger producers get only 30 cents per hundredweight for their production of the largest part of their crop. And it seems to work very well in that particular industry.

Now, that does not mean that it can work in any other and it does not mean that if there is a sliding scale program introduced in one commodity that that same one will work in every other commodity. But we have given considerable thought to having some modification of that program adopted in these other crops that have brought on the trouble. And if you have any ideas along that line, we would like to have them.

Mr. HEINKEL. I know there have been those suggestions made by some of the people that operate through the feed grain and wheat areas and they have looked at it seriously and if we just have to have limitations, I would say yes, that would be the most logical approach to this, certainly on a graduated sliding scale basis.

Senator HOLLAND. You understand that my suggestion would not apply to land retirement because the retirement of an acre of your land and my land should be dependent upon how productive your land and my land is and what the tax that we have to pay is, and so forth. And that should not vary with the fact that you may own a great deal more land than I own. But when it comes to the price support of the product of the land there is a chance for the consideration of that approach.

Frankly, I hope a great deal of serious attention will be given to that because we are right up against that problem and for us to ignore it, and at the same time try to raise the total size of this program would, I think, be a very impractical approach because we have seen these last 3 years just what a problem this is. You recognize it, do you not?

Mr. HEINKEL. Yes, I do; I recognize it.

Senator HOLLAND. I hope you will help us with some practical consideration of the way to meet this.

Thank you, Mr. Chairman.

The CHAIRMAN. Proceed, Mr. Heinkel.

Mr. HEINKEL. With the increased cost of production that the farmers are encountering today, this small increase is entirely justified, entirely desirable. We are talking about this proposed increase in corn loan payment rates.

Mr. Chairman, members of the committee, we live in the Midwest. We have daily contact with farmers in the feed grains area and feed grain prices at present levels leave room for some desired improvement. From firsthand information I urge you to take action soon on this legislation not only for the benefit of feed grain producers but it will also serve to maintain reasonable prices for producers of meat animals and other food products, and in the long run will be of distinct benefit to every consumer in the United States.

The next title is cotton. With your permission, Mr. Chairman, I would like for Mr. Bracey to take up that part of the statement.

Senator CURTIS. May I ask a question before you begin that? How severe were your transportation problems, speaking of boxcar shortages and poor rail service, in Missouri this past year and what was its effect upon farmers and farmer organizations? Grain cooperatives and such?

Mr. HEINKEL. It was very severe, Senator. It was a real serious problem and only recently I wired members of the committee dealing with that particular legislation. It still is a critical problem right now.

Senator CURTIS. I am told that in Nebraska the amount of production in the future will be somewhat geared to the ability to get our products to market because we have millions of bushels of corn and milo on the ground yet.

Mr. HEINKEL. That is a hazardous business.

Senator CURTIS. And we have grain companies that are faced with financial disaster. They have exhausted all their credit. They cannot get their grain to the terminal markets. And we have available records where the Burlington Railroad will build a box car or a car of most any kind—they build them right in Lincoln—and the record shows that car never returns to Nebraska sometimes for 5 years.

Mr. HEINKEL. According to our transportation people, that is one of the main facets of the problem, is that these cars get off in other territory and the other railroads can lease them so much cheaper than they can own them they never return them. That poses a question.

Senator CURTIS. And the railroads do not move them very fast. The grain men tell me that it used to be when they would notify the railroad that they had a car loaded out along in the late afternoon, that car would start to roll that evening. It might take 3 or 4 days now.

The CHAIRMAN. All right, sir, you may proceed.

Mr. BRACEY. We recommend and urge continuation of the cotton provisions of the Agricultural Act of 1965 with improvements to (1) protect and increase cotton farm income on an individual basis, (2) maximize sale and use of cotton both at home and abroad, and (3) keep program costs within reasonable limits. We are convinced that with one major change, a few "up-dating" modifications, and two badly needed additions, current trends toward destruction of the United States cotton industry could be halted and reversed. We are equally convinced that the overriding consideration involved in any future program should be and must be the need for maintaining and improving cotton farm income. Otherwise no program could succeed and cotton will in a short period of time cease to be a major farm crop in the United States.

As the major change in the current program, we recommend a loan level for cotton equal to production costs and reactivation and aggressive implemenation of section 203 of the Agricultural Act of 1956 which declares "quantities of cotton shall be sold as will reestablish and maintain the fair historical share of the world market for United States cotton." Prevailing circumstances and conditions require such an arrangement to (1) protect individual farmers from the very real threat of limitations on price support payments, (2) regain foreign markets so essential to the total off-take of United States cotton, and (3) keep Government costs within justifiable limits.

Especially important and essential farm income protection provisions in the current program which we recommend and urge be continued without change are:

1. Continue requirement that price support payments when added to the loan must reflect at least 65 percent of parity on the projected yield of the permitted acreage.

Mr. Chairman, if I may, we would like to digress for a moment and express to you on behalf of the farmers in our area our deep appreciation for this amendment which was offered by you and adopted by the Senate to the Agricultural Act of 1965. It is one of the things that makes it possible for us to be here today. Otherwise frankly, we do not think we would be in the cotton business.

Without a continuation of this protection, cotton farm income would be at the mercy of pressures to reduce program costs. This requirement is, in fact, the only protection in the current program that the cotton farmer has against further drastic cuts in income levels.

2. Continue requirement that price support and diversion payments be based on projected yields.

3. Continue authority for substitution of nonsurplus crops on allotted cotton acreage in event of flood, drought, or other natural disaster.

4. Continue the 16 million acre minimum national allotment.

5. Continue domestic allotment provision as in current program.

6. Continue full price support eligibility (without limitations) on all cotton produced in compliance with program requirements.

We recommend "up-dating" modifications in the current program as follows:

1. Eliminate the requirement for mandatory diversion before permitting voluntary diversion.

2. Permit sales, lease or transfer of allotments between producers without regard to counties—and without previous referendums.

3. Permit farmers to overplant up to "X" percent of their farm allotments without price support benefits (excepting loan eligibility) or penalties.

Senator YOUNG. Mr. Chairman, I wonder if I can ask a question before we get beyond this point.

You say where you would require a mandatory diversion before permitting voluntary diversion. Is the requirement that producers maintain their conserving acre base a problem for cotton producers in your area?

In some States the conserving acre base is up to about 49 percent of their cropland acreage and we find that many farmers have to lay the same land idle 2 years in a row, particularly in the summer fallow area, in order to qualify or take part in the programs.

Mr. BRACEY. No, sir. Conserving acreage base as you refer to is not a great problem. It is some problem in some areas but generally speaking, it is not with cotton. What we are talking about here, under the present program ——

Senator YOUNG. Is it a problem in Missouri with other crops?

Mr. BRACEY. No, sir. Excuse me. It might be with other crops. Mr. Heinkel, is it to your knowledge?

Mr. HEINKEL. I do not believe it is.

Senator JORDAN. Will you yield? What were you specifically referring to? I was a little confused on that same thing myself.

Mr. BRACEY. Under the interpretation of the present act the Department says there must be mandatory diversion before you can permit voluntary diversion.

In effect, you must make people take cotton out of production who want to grow it in order to let those who do not want to grow it take it out, if you follow me, and this is what we object to. We would like to see farmers have a right to grow cotton who want to and those who do not want to to have the right to diversion without forcing those who want to grow it to take it out. We think the end result would be approximately the same thing insofar as production is concerned. The big difference is it would let the farmer have a real choice.

Senator JORDAN. You do not think that would run the acreage up very much if you permitted that?

Mr. BRACEY. No, sir, it could run it down.

Senator JORDAN. But it could run it up, too, could it not?

Mr. BRACEY. I do not believe so because really you are talking about the same thing insofar as acreage is concerned. The only thing is it is just a matter of who takes it out, whether it is a man who wants to or the man who does not want to. We are saying let the man who does want it to take it out, sir, rather than force a man who does not want to do it in order to let the other man do it.

Senator BELLMON. Mr. Chairman, this might get to the problem we have in our State where some of the dryland cotton farmers would like to quit raising cotton if they can do so.

Mr. BRACEY. Right. But they cannot unless it is necessary to have mandatory diversion. Now, if you could permit those farmers to do so, they might take out some and it would not be necessary to force those who want to grow it to take it out.

Senator BELLMON. A lot of them would like to get clear out of the cotton business. Would they continue to receive a payment in your proposal? What would—they would have to give up, their allotments and their payments, would they not?

Mr. BRACEY. We have some proposals here which would be the short-term or long-term retirement and I think probably long-term retirement would fit the people you are thinking about, sir. I know it would in our State. In other words, maybe a long-term easement of the allotment which would be much less expensive to the Government and also be much better for the farmer concerned.

Senator JORDAN. Well, would you yield at this point?

Would that permit them to plant another crop, then, if they diverted these acres from cotton?

Mr. BRACEY. I would think they would have to be fallow, yes, sir.

The CHAIRMAN. Mr. Bracey, of course, it is my belief that our cotton program would be one of the hardest to deal with. You speak of more sales abroad, more use of hogs. Now, when the 1965 act was put on the statute books, the consumption of cotton by the mills in this country was 8,600,000, in that neighborhood, bales, and by making them one price, it was thought by some that the cotton use, domestic use, would increase by about a million bales, but it has not happened that way. Instead the mills, textile mills, of this country are now using only 8,100,000 bales on what was world prices, and this last year only 40 percent of the textile market was cotton in contrast to about 60 percent of man-made fiber.

Mr. BRACEY. The worst in history.

The CHAIRMAN. And it is going to keep on doing it. And the same thing is occurring abroad.

Now, with that in mind how can you increase foreign exportation and more use at home?

Mr. BRACEY. Senator, we are referring back to section 203 of the 1956 act which you, of course, helped enact.

The CHAIRMAN. Yes, I understand.

Mr. BRACEY. And this was a time when we offered U.S. cotton on a competitive bid basis and we did sell cotton, as you recall. In fact, the first year we went up from about 2½ million bales to over 7 million the first year and every year after that when it was aggressively administered, we did sell cotton.

Now, we have never, in recent history, at least, sold any cotton except, I mean abroad, except through a competitive bid export sales program of any consequence and, of course, the little 2.7 million that we exported last year was largely through special Government programs of one form or another, Public Law 480, and so forth.

The CHAIRMAN. That is our main outlet at the moment.

Mr. BRACEY. We did not sell any for dollars, so to speak.

The CHAIRMAN. But it strikes me that something must be done by the textile mills of this country to keep the cotton farmer in business, to keep themselves in business. And I can well remember when the matter came up that everybody felt that with the mills, domestic mills, obtaining cotton at world price, they would gobble up more cotton, probably as much as 10 or 11 million bales. But instead it is going down and I would like to have you suggest a way by which we can force more use of cotton by the mills if that is possible. Textile mills.

Mr. BRACEY. One thing we know based on experience, that the lower price has not accomplished the objective we hoped it would.

The CHAIRMAN. It has not at all.

Mr. BRACEY. In fact, instead of going up we have lost about an average of 200,000 bales per year since the enactment of the 1965 act. I am talking about domestic.

The CHAIRMAN. And the consumer pays as much if not more, for the cloth than before.

Mr. BRACEY. Considerably more. And also imports of the cotton textile products have increased rather than decreased as we hoped.

In addition to this we have lost, roughly, half of our export market due primarily to the operation of the so-called one-price system.

The CHAIRMAN. I would like you to give as much information as you can to the committee. How can we remedy that?

Senator AIKEN. I was just wondering, how were the mills able to declare extra dividends this winter if the cotton market is all gone? Is it the money they made on synthetics?

Mr. BRACEY. Senator, I could not answer that question. I frankly do not know.

Senator JORDAN. What was that question? I did not hear you.

Senator AIKEN. I say, how were the mills able to declare some extra dividends to their stockholders?

Senator JORDAN. Which mills are you talking about?

Senator AIKEN. I will tell you privately which one, not far from North Carolina. I do not think you want me to——

Senator JORDAN. I know some that are going to be liquidated now. I can give you a list.

Senator AIKEN. I only saw the report on one of them but it was good sized.

Senator Jordan. What was left out of the bankruptcy sale.

The CHAIRMAN. Not too long ago the cotton program was almost self-sustaining. Now, it is costing over a billion dollars a year.

Mr. BRACEY. Terribly expensive and it goes back to the one-price system.

The CHAIRMAN. That comes about because we made all cotton sold at world prices.

Mr. BRACEY. Of course, the domestic price is below world prices.

The CHAIRMAN. And the beneficiaries of all of this happen to be the textile mills in my book. And now we are short, I mean, I do not know how to solve it any more. I really felt at the time that those who proposed this world price for cotton would at least use more of it but it has not happened that way.

Mr. BRACEY. We all had high hopes that it would, but it has not worked as you have very well stated.

The CHAIRMAN. That is right, and now I would like to know how we can force it. If we cannot, how can we ask that the same minimum acreage be provided?

Mr. BRACEY. Well, frankly, we do not think, Mr. Chairman, that we can force domestic mills to use cotton if they have some other fibers that they would rather use. The important thing as we see it, is this price consideration. In addition to the other things that have happened to us, it has caused rather high payments to be made to producers in order to keep them in business and now we are faced with the very real threat of limitations on these payments as Senator Holland mentioned here. We just cannot live with all these things as cotton producers.

Now, if we are not going to use more cotton at the lower price, and the record of the past 4 or 5 years shows that we have used less instead of more in the domestic market, then we need to take this burden off the farmer where it rests today and take this threat of limitations away that will put him out of business if it comes to pass. This is why we are suggesting a loan level near production cost which would be 28 to 30 cents a pound and I think the record shows without question that we used more cotton domestically at 30 cents a pound level than we have ever used below it. Now, why, frankly, some of us do not have the answers to the questions.

The CHAIRMAN. That is because the textile mills bought just at support prices.

Mr. BRACEY. We do not think that the price had anything to do with it really.

The CHAIRMAN. There is no doubt that insofar as domestic production is concerned, most of the competition was among and between the textile mills in this country.

Mr. BRACEY. Right.

The CHAIRMAN. That is where it was and that was the point I made but notwithstanding that, I was voted down and the one-price system was established and it really was disastrous to the cotton grower as well as the Government.

Mr. BRACEY. We very well remember your position and history shows it was the right one.

Senator CURTIS. Mr. Chairman—in your opinion, why is the ultimate consumer choosing synthetic fabrics over cotton?

Mr. BRACEY. Well, they serve a purpose that the consumer wants served. There are a lot of reasons but I think primarily we have to admit whether we like to or not, and as cotton farmers we do not, but there are some fibers, man-made fibers, that can do everything that cotton can do and do some things better than cotton can do and this is what we are faced with. Particularly in shirts and household items today the lady wants a wash and wear. She does not want something that has to be ironed, and we have not been able to put into cotton the same properties that have been put into man-mades. And this is what is selling it.

Frankly, there does not seem to be any hope that we can ever put it into cotton to the same extent we have been able to put it into man-mades, and on top of this, the man-mades that are taking our markets today are priced roughly double the price of cotton. It is the polyesters that are taking the cotton market today. They are priced 60 odd cents average as compared to around 25 cents average on cotton.

Senator CURTIS. Does this same situation prevail among foreign consumers?

Mr. BRACEY. No, sir, not to the same extent it does here. Of course, under one so-called one-price system our domestic mills buy cotton anywhere from 3 to 7 cents a pound cheaper than the foreign mill can do it. I mean, the U.S. cotton. This is why the foreign mills are not buying U.S. cotton. They do not have to pay this premium for cotton from Brazil or Mexico or some other points. And they are not paying it.

The reason they have to pay a premium is because under our one-price system we do not make any allowance whatsoever for freight, brokerage, insurance or any other fixed costs between domestic and foreign points. If cotton is 25 cents on the Memphis market, that is what the domestic mill pays for it. The foreign mill pays 25 cents a pound but it costs them up to 7 cents more to get it to the mill. This makes 32. They will not pay it. They go to the other countries where they buy it for 28 cents or less.

Senator AIKEN. May I ask what effect the miniskirt had on the cotton market?

Mr. BRACEY. It did not help any.

Senator AIKEN. Just increased the interest rate.

Mr. BRACEY. I agree.

Senator HOLLAND. I think this witness has made a strong case against the one-price cotton system and I think he has also brought out that the protection of the individual farmers from the threat of limitations on price support payments is their first objective in the suggestion that they make here which is that the major change in the current program which they recommend is the loan level for cotton equal to production costs, plus the other matters mentioned. I think you say that you want a loan level of about 30 cents a pound, is that correct?

Mr. BRACY. 28 to 30; yes, sir.

Senator HOLLAND. As against the present one which is what?

Mr. BRACEY. 20¼ cents.

Senator HOLLAND. In other words, that is completely doing away with the one-price system.

Mr. BRACEY. Yes, sir, it would be, but you would couple this loan level with a competitive bid export sales program under section 203.

Senator HOLLAND. I understand. You suggest that and that, of course, is in line with what the Senator from Louisiana suggested in 1965, not only suggested but argued for very strongly and what I supported him in.

I note your later proposals here. It does not seem to me that all of your later proposals practically deal with this question of doing away with the danger of price limitations. Your suggestion No. 4 is that the 16 million acre minimum national allotment be continued. Your suggestion No. 1 under your updating modifications is to eliminate the requirement for mandatory diversion before permitting voluntary diversion. Your suggestion No. 3 is to permit farmers to over-plant up to x percent of their farm allotments without price support benefits excepting loan eligibility.

Your suggestion No. 1 as an addition to the current program is for a national cotton reserve along with the other reserves that are mentioned.

Well, of course, what we have been trying to get away from is to have a heavy surplus of cotton on hand and the cotton reserve that you suggest would certainly necessarily create a surplus. Whether it is available or not, it is there. I do not see that your suggestions deal very practically with the question of avoiding the danger of limitation of payments which is the principal thing that I am disturbed by. I would like for you to discuss this in some detail if you will, because I think that is the real problem that we have got to be confronted with.

I think you are correct in your first statement there, that that is the first problem we have got to deal with, but I do not see that your later suggestions deal with that.

Now, please make it clear just where you stand on this. In other words, the 30-cent price-support program, doing away with the one-price program, allowing over-planting and all these other things you suggest, it seems to me that they do not get away from the danger of limitation of payments. But instead they might even increase that danger.

Mr. BRACEY. Well, Senator, we do not expect anything that we might do would avoid limitations but we do think we can certainly reduce the adverse effects of limitations. We, like you, are terribly concerned about limitations.

For example, the reason for the, let us say, 28-cent-a-pound loan that we are suggesting, the larger more efficient farmers at least could survive, even though they had limitations on payments, if they had a cost of production loan. Now, this would not avoid the limitation but it would mean that they could stay in business and these are the people who would be hurt the most under limitations. So, let us assume that the larger, more efficient people could live with limitations if they had a loan level equal to production costs. At least this is the thought we are trying to present here.

Now, whatever they would get above this level, of course, would be a margin, profit margin, so to speak, and it would mean that they could go

ahead and maybe take on additional acreage under some of these other provisions that we are outlining here because the whole thrust of this proposal is to let cotton go to those farmers who want it and who can afford to grow it, and I think we all know that there are some farmers who cannot produce cotton for even 50 cents a pound. There are other farmers who can produce cotton probably in the neighborhood of 25 to 30 cents and at least stay in business and do some good, and we are thinking that these larger, more efficient people are the ones that are going to be hurt under limitations and this is why we are suggesting the production cost level as a loan in order to let these people continue if they get a limitation placed on the payments themselves.

Now, we think, No. 1, this does not avoid a limitation but makes it possible for farmers to live with it.

Senator HOLLAND. What kind of a limitation is it that you are trying to hedge against? What size limitation?

Mr. BRACEY. We would like to hedge against any and all limitations because in principle we are opposed to limitations. At the same time, just in keeping with your statement, sir, we think as a practical matter they are very likely to come about. Really we think, according to Mr. Heinkel, that a sliding scale type of limitation, if necessary, such as you mentioned, I believe the sugar people have, might be more workable than just a straight across-the-board limitation, cutting you off at x amount somewhere.

Senator HOLLAND. Do you think a sliding scale limitation is particularly adaptable to cotton?

Mr. BRACEY. Quite frankly, we do not think limitations are adaptable. Certainly, with the program we now have, the so-called one-price system, if you have a limitation you might just as well not write a cotton program in our opinion, and I think all the cotton people would agree with this statement.

Senator HOLLAND. Your principal contention, then, is against the one-price system?

Mr. BRACEY. If you have a loan at production cost level which would not be the one-price system, then you could live with a limitation of some kind but I am not saying you would live nearly as well as you would like to live but it would not force the larger more efficient people out of business.

Senator HOLLAND. Well, I think this witness has been more helpful to us than anybody else we have had up to now on cotton, Mr. Chairman.

The CHAIRMAN. We have two or three others tomorrow.

Senator YOUNG. May I ask a question?

The CHAIRMAN. Senator Young.

Senator YOUNG. As cotton acreage is reduced, what other crops take its place? Cattle, feed grains, or wheat in what proportion? It does not stay idle. Some use is made of it.

Mr. BRACEY. Soybeans is the principal alternate crop.

Senator YOUNG. Soybeans.

Mr. BRACEY. Yes, sir. It is going, though, I think to feed grains in some areas now. Particularly milo.

Senator YOUNG. And the cattle industry is expanding in some of the Southern States.

Mr. BRACEY. I suppose so, yes, sir, and it would affect every commodity or all commodities to some degree that would be suitable to the Cotton Belt.

Senator YOUNG. While we do not raise cotton in North Dakota, we do have an interest in this because of the expanded production of other commodities.

Mr. BRACEY. I might say we might grow some more wheat, too, Senator.

The CHAIRMAN. Senator Jordan?

Senator JORDAN. Talking about the cost of production on your loan, if my figures are right here, which I just got a minute ago, the loan is 20.25 cents, is it not?

Mr. BRACEY. 20 and a quarter cents.

Senator JORDAN. That is right. But you have got a 16.80 direct payment on top of that.

Mr. BRACEY. Right.

Senator JORDAN. So, you are getting 37.05. You are not getting 20 and a quarter cents from your cotton. You are getting 37.05.

Mr. BRACEY. On only 65 percent of the allotment.

Senator JORDAN. Right. Now, you talk about one-price cotton and if we put it in at cost of, well, any cost you want to put it at—25, 30, 37, whatever the cost is—who are you going to sell that cotton to? You cannot sell it abroad unless the Government subsidizes it as they are doing today, because what they are doing now is selling what cotton they are selling in competition with Brazil and all the other cotton exporting countries, and you will not get any unless you do make it a lower price.

Mr. BRACEY. You are exactly right and this is why we are suggesting reactivation of section 203 of the 1956 act so we can sell on a competitive bid basis, and match Brazil or Mexico or any other producing country. The way it is under the one-price system, it costs foreign buyers any way you look at it anywhere from 3½ to 7 cents a pound more for the same cotton that it does a mill in North Carolina and this is the reason we are not selling to them. If we were talking about one-price on a delivered basis to the mill door then we would have a true one-price system but we are not talking about that in the meaning of this particular program. We are talking about one-price in name only, not in operation.

Senator JORDAN. Well, if my information is correct it costs in the Orient about 3 cents more than the domestic mill. From California to the Carolinas it is less than California to Japan because they ship right out of the west coast.

Mr. BRACEY. Correct.

Senator JORDAN. But if you go back to one-price cotton from the United States, you are just writing the cotton farmer off forever because he is finished.

Mr. BRACEY. You mean in domestic markets.

Senator JORDAN. Yes, sir. Your trouble now is——

The CHAIRMAN. I do not think that at all, Senator.

Senator JORDAN. Well, I know it. So I do not have to think it. I know it.

The CHAIRMAN. Well, we can stop that somewhere.

Senator JORDAN. Well, your rayon is cheaper now than cotton. Your polyesters are cheaper than cotton. My shirt is all polyester.

The CHAIRMAN. If the textile mills want to stay in business they had better see that the cotton farmer stays in business, too.

Senator JORDAN. They are not worried about the cotton farmer.

The CHAIRMAN. No doubt about that.

Senator JORDAN. They are worried whether they can sell what they have. A year ago there was 100 percent cotton in men's undershirts. Today there is 20 percent cotton and 80 percent polyesters in men's undershirts. That is what the customer changed to. He did not have a thing to do with that, and that is what they are selling. You go in to buy a cotton shirt and you have to look a long time now to find a 100 percent cotton shirt because the public does not want it.

Mr. BRACEY. But they are paying roughly twice as much for these polyesters, and what have you, that are taking cotton markets today than they are for cotton itself.

Senator HOLLAND. You mean the mill.

Senator JORDAN. But they last longer. You do not have to send them to the laundry. You know that. Polyester has taken over the sheet market today very rapidly. You do not have to send these sheets to the laundry. Just run them through the washer, then through the dryer and put them on the beds.

Mr. BRACEY. And the USDA reports these polyesters are selling 65 cents on the average as compared to the cotton delivered to the mill at 25 cents.

Senator JORDAN. Then they did not check the prices; 45 cents delivered you take the cotton production and you lose 25 percent of it in waste. Your waste will hardly pay the freight on it today. In the other you have no waste. When you buy a bale of cotton you pay for everything, the same on the ties and the bagging as on the cotton. They can take the leaves and trash and sand that the smart farmer can put in there—and they put some in, it is there.

Mr. BRACEY. We do not do that.

Senator JORDAN. You go look and you will find it, about a peck a day, and once in a while a brick bat. A cat. I have even got cats.

Mr. BRACEY. I do not know who you are buying cotton from, Senator. You are not buying Missouri cotton. We do not do that.

Senator JORDAN. They are all about the same. But your problem is the polyester, and exports are what is killing your cotton market in this country.

Mr. BRACEY. Right.

Senator JORDAN. The imports of foreign textiles of all descriptions. There is your answer.

Senator BELLMON. Mr. Chairman, I would like to ask a couple of questions.

Mr. Bracey, in our State there is a great deal of interest in setting up an anniversary maturity date for cotton loans. I do not see that you mentioned this in your statement. Have you considered this? Our problem is: For a long time we do not get the cotton out until after the first of the year and the loans mature the first of July.

Mr. BRACEY. We have thought a lot about it and we have been queried on this by the USDA as to our views and, frankly, we cannot

see that it makes a lot of difference. You would, of course, maybe change delivery date by 30 or 60 days or some such amount but the end result——

Senator BELLMON. They might change it by 6 months.

Mr. BRACEY. But the end result, you have got the same bale of cotton to reckon with and you add considerably to your administrative confusion when you try to have different maturity dates for cotton or for a particular commodity.

Senator BELLMON. I am not a cotton farmer and I do not know that I understand fully how the market for cotton works, but people who talk to me about it say the mills know exactly what date the cotton is all going to be taken over by the Government, that they buy on a hand-to-mouth basis, planning to buy from CCC after the loans mature.

Mr. BRACEY. You are exactly right on this point. They do this throughout the season. In fact, CCC now is carrying most of the stocks.

Senator BELLMON. The thought was, if these cotton producers who get their cotton out late could hold it and perhaps deliver it in a more methodical way, that perhaps the open market would operate more freely.

Mr. BRACEY. We think it would help the cotton market cooperatives to do what you are suggesting and if it would, it indirectly stands that it would help the farmer himself, but just to a farmer on a direct basis, we cannot see any advantage to it.

Senator BELLMON. Of course, most of the cotton is marketed through the co-ops. I am assuming——

Mr. BRACEY. A very small percentage in total. I think less than 25 percent is marketed by the co-ops.

Senator BELLMON. Is that right?

Mr. BRACEY. I am not sure of this percentage, but it is a small amount. Certainly, less than half.

Senator BELLMON. One other question. You made the statement earlier in your comments that you felt there was not any practical way for the cotton to get back to the market they are losing to synthetics. I believe you said that.

Mr. BRACEY. Well, in effect, I may have. I think we have to face the facts of life and there are some manmade fibers that we are not going to dislodge and take over again regardless of what we do on price, research, promotion, or anything else. It is just a fact of life.

Senator BELLMON. My question is: If that is the case—and I do not know, but I take what you say at face value—then perhaps the impact of any program we write this year on the farm bill ought to help cotton farmers to phase into some other business if they choose to do that.

Mr. BRACEY. You are exactly right there. As we see it, we think this has got to be a part of the program. There is no need to keep on saying we are going to do it just because we have done it 50 years. Things have changed and I think cotton farmers know they have changed. Unfortunately, you do not have enough cotton farmers coming up here to talk to you. If you did, you would understand our views, I think.

Senator BELLMON. I have talked to a lot of cotton farmers at home and this is what I get from them. They are asking us to help them get free from this business.

Mr. BRACEY. In other words, they would rather get into some other production pattern because of the price or the return on their cotton production.

Senator BELLMON. But they need an orderly way to do it and they do not want to go into the soybean business and ruin that or feed grain and cattle and ruin it. They need a chance to phase out of one industry and into another.

Mr. BRACEY. That is why we are suggesting what we have here in the way of long-term easements for such farmers as you describe, keeping in mind we want the cotton to go to those people who want it and you are describing people who really do not want it.

Senator BELLMON. See if I understand how an easement would work. If I had a cotton allotment and chose to option this allotment to the Federal Government, then I might decide to stay out of all kind of production for 10 years and then I could buy my allotment back. Is that what you had in mind?

Mr. BRACEY. Well, really what we had in mind would be that a man would have, say, 100 acres of cotton allotment he does not want. The Government would offer him something for it for maybe 10 or 20 years. At the end of the easement period it would go back to the producer.

Senator BELLMON. And in the meantime, he would grow nothing on this land.

Mr. BRACEY. He could either fallow it or it could be turned to non-surplus production of some kind.

Senator BELLMON. Would this include pine and timber production, et cetera?

Mr. BRACEY. Yes. That would be in keeping with the Department's program for recreation and all this sort of thing.

Senator BELLMON. Mr. Chairman, it would be helpful to me if we could ask our witness to say how this kind of a phaseout would work in more detail. It is mentioned here in rather broad terms, but I would like to know more specifically what you have in mind on how this program would operate.

Mr. BRACEY. We will be glad to do it.

The CHAIRMAN. If you can broaden on your statement. We will have other cotton farmers testify as witnesses.

All right, you may proceed, sir.

Mr. BRACEY. No. 4, permit acreage allotment easements on a long-range basis.

5. Permit diversion of domestic allotment (if more than the 35 percent now permitted is needed to bring supply into line with demand) on short-term basis (annually).

6. Require that adjustments be made for abnormal conditions affecting plantings and production and that they reflect full credit for losses in acreage and production due to natural disasters.

7. Establish positive quidelines for various factors involved in determinations of premiums and discounts in the cotton loan program.

8. Encourage voluntary restraints on imports of cotton textile products.

As additions to the current program, we recommend:

1. A national cotton reserve along with a food and feed reserve to meet natural disasters, maintain supply and price stability to both

consumers and farmers and prevent the undesirable consequences of "feast and famine" production cycles.

2. Permit and require that raw cotton and cotton textile products be included in all appropriate welfare programs, both domestic and foreign.

Senator HOLLAND. What does that two mean?

Mr. BRACEY. It would mean in our feeling at least that it would be used the same as food. In other words, just as another basic need. Clothing as well as food to the underprivileged.

Senator HOLLAND. You mean that along with the food distribution program that cotton clothing be distributed?

Mr. BRACEY. Yes, sir. That would do more to increase the use of cotton at this time than any single thing that we could think about. I am thinking about the domestic market in particular.

Mr. Chairman, this is all of our cotton statement.

The CHAIRMAN. Thank you. Any further statements? If not, we thank you very much.

Senator HOLLAND. Mr. Chairman, I want to say that I think this witness has been more helpful to us in bringing out the critical nature of the cotton situation and the possible ways to deal with it than any that we have had and I still would like him to be a little more specific on what he is hedging against on the limitation of payments. He can do that on a confidential basis to this committee if he desires to do so. As far as this committee is concerned, we have stood as one against limitation of payments and yet we know that we are in the minority in the other House and we have had a pretty rough time staying in the majority in this House.

Senator YOUNG. I am in the minority on this issue in my own State.

Senator HOLLAND. And we have had some of our Senators feel like they have been jeopardizing their own standing in insisting that we preserve the opposition to limitations.

Now, we very badly need some practical thinking in this field and it seems to me that cotton probably more than wheat and feed grains might possibly work out on a graduated scale of loans, not talking about land diversion but of loans now. It seems to me that even though you may have to change your position on some of these things that you would like to continue, like over-planting, things of that kind, that it might be well to try to work out what you think is a practical approach to this problem. I personally would be one of those who would like to see you do so because I realize that your problem is the most critical of the three that we have been talking about. And I think that in terms of its effect on the limitation of payments it would have a more critical effect if it dealt frankly with that subject because the $3 million and $4 million payments that we have had thrown at us have come out of the large cotton producer areas and not out of the wheat and feed grain areas. So, I hope that you all will give some real thought to this problem and I am sure that we welcome it and would appreciate it. At least speaking as one I feel that way, and I would welcome any expressions from other members of the committee.

Probably I have been up against this problem more seriously than anybody else but I realize its seriousness and I hope we will all try to work out something here.

Senator YOUNG. You have borne the brunt of this problem. That is one of the many reasons why I do not think you should retire.

Senator HOLLAND. Well, I have borne the brunt of it in spite of the fact that I opposed the 1965 act and I think that our chairman went along with it in its last form rather reluctantly, certain as to cotton. I am not trying to speak for him. But we have a practical problem confronting us. We have got to meet it. That is why I am suggesting that these men whose full time efforts and whose in many instances fortunes are wrapped up in this problem, in this kind of production, that they give some real serious thought to it. But we have gone about as far as we can in the fighting of limitations of payments.

Mr. BRACEY. We would be glad to furnish the committee with a statement dealing with limitations if you care to have it.

The CHAIRMAN. I would like to very much.

Senator HOLLAND. We would like it very much and——

The CHAIRMAN. It would be the basis of it—now, of course——

Senator HOLLAND. If you wish to put it on a confidential basis——

Mr. BRACEY. We would prefer to do it that way.

Senator HOLLAND. —this committee would, of course, protect you on that. We are not trying to increase your problem. We are trying to help you solve it.

Mr. BRACEY. We appreciate it. We understand that.

The CHAIRMAN. All right. Thank you very much.

Mr. Heinkel?

Mr. HEINKEL. Title V deals with wheat. Wheat growers continue to suffer from extremely low prices. The carryover supply of wheat over the past 2 years has increased materially. Our existing program needs some improvement because it has demonstrated it is not being fully effective in maintaining a proper balance between supply and utilization.

Further, experience has proven it has not prevented declining prices to the producer. As a matter of fact, the economy shows the price of wheat has fallen from $2.22 in 1966, to $1.87 in 1967, to $1.79 in 1968, to $1.88 in 1969.

Senator BELLMON. Mr. Chairman, let me ask one question. That is not the market price of wheat?

Mr. HEINKEL. That is the blend price.

Senator BELLMON. You are including, then, the Government payment.

Mr. HEINKEL. Yes.

Senator BELLMON. I think your testimony should be a little clearer. You say the price of wheat has fallen.

Mr. HEINKEL. Well, I probably should say that the per bushel income of the blend price.

Senator BELLMON. OK.

Senator HOLLAND. Blended price.

Mr. HEINKEL. Yes.

Senator BELLMON. Actually, the market price of wheat in our country is more like $1.30.

Mr. HEINKEL. Well, it has been lower than that.

Senator YOUNG. The blend price has dropped in direct relationship to decreases in the cash price.

Mr. HEINKEL. Right.

Senator YOUNG. The price support has been the same during these years. It is the cash price that has reduced the blend prices you list here.

Mr. HEINKEL. In other words, these prices that we have in here do reflect the decline in the market place.

Senator YOUNG. Mr. Chairman, could I put in the record the cash prices for—the average cash wheat prices received by farmers for the last several years? During the period 1964 to 1968 they averaged $1.39 and in 1966, $1.63, 1967, $1.39, 1968, $1.24. For 1969 the projected cash price is $1.23 a bushel. These are figures from the Department of Agriculture.

(The document referred to follows:)

TABLE 1.—WHEAT: SUPPLY, DISTRIBUTION, AND PRICES, AVERAGE 1964–68 AND ANNUAL 1966–69

Item	Year beginning July				
	Average, 1964–68	1966	1967	1968 [1]	1969, projected
	Million bushels				
Supply:					
Beginning carryover	643.6	535.2	425.0	539.4	819
Production	1,401.9	1,311.7	1,522.4	1,576.2	1,459
Imports [2]	1.2	1.7	.9	1.1	1
Total supply	2,046.7	1,848.6	1,948.3	2,116.7	2,279
Domestic disappearance:					
Food [3]	513.1	501.9	519.2	519.8	525
Seed	67.8	78.4	71.5	61.6	55
Industry	.1	.1	.1	.1	
Feed (residual) [4]	110.2	98.9	57.0	172.5	200
On farms where grown	(40.1)	(26.1)	(42.9)	(58.6)	
Total	691.2	679.3	647.8	754.0	780
Available for export and carryover	1,355.5	1,169.3	1,300.5	1,362.7	1,499
Exports [2]	728.4	744.3	761.1	544.1	600
Commercial, including barter	(322.6)	(438.8)	(366.9)	(283.2)	
Total disappearance	1,419.6	1,423.6	1,408.9	1,298.1	1,380
Ending carryover	627.1	425.0	539.4	818.6	899
Privately owned—"Free"	(194.5)	(223.7)	(216.2)	(202.9)	
	Dollars per bushel				
Price support:					
National average loan rate	1.26	1.25	1.25	1.25	1.25
Average certificate payment	.50	.59	.48	.55	.65
Season average price received:					
By nonparticipants	1.39	1.63	1.39	1.24	1.23
By program participants	1.89	2.22	1.87	1.79	1.88

[1] Preliminary.
[2] Imports and exports are of wheat, including flour and other products in terms of wheat.
[3] Used for food in the United States and U.S. territories, and by the military both at home and abroad.
[4] Assumed to roughly approximate total amount used for feed, including amount used in mixed and processed feed.

The CHAIRMAN. That does not include, of course, direct payment.
Senator YOUNG. No; it does not.
Senator CURTIS. Is that the price, local price or terminal price?
Senator YOUNG. That is average farm price.
The CHAIRMAN. Does that include the domestic price of full parity?
Senator YOUNG. No. This is just the cash price on the market.
The CHAIRMAN. Cash price on the market.
Senator YOUNG. As a farmer received it.

Senator HOLLAND. The certificate must be added to that.

Senator YOUNG. Yes.

Mr. HEINKEL. That is what these prices I have here reflect.

The CHAIRMAN. Well, does that include—does the price that you presented include the support of prices at full parity for wheat domestically consumed?

Senator YOUNG. It is listed here as season average price received by nonparticipants which would be the cash market price received by everyone.

Senator BELLMON. Mr. Chairman, the way this operates, and I am sure you know, this is the price the farmer gets at the elevator. Then he gets a certificate from the Government which brings the price up to the figure you have given in theory.

Mr. HEINKEL. Right.

Senator HOLLAND. Your price here is an average price considering that which is used in the domestic market and that which is not used in the domestic market.

Mr. HEINKEL. Right.

Senator YOUNG. And the blend prices received by the program participants are exactly the same as Mr. Heinkel stated here.

Senator HOLLAND. I think we understand this but I think we had better ask the Department when it appears, Mr. Chairman, to give us a complete picture of this for each of the years covered showing what was the price without the certificate and then what was the amount that did not have certificates to add, and, therefore, we get a blended price for the whole thing by adding the whole thing together and dividing. And I trust that Mr. Chairman, you will ask the Department to give us that complete parity.

The CHAIRMAN. I have already suggested to the Department that they have their own men here and look over the questions asked and give their own answers to it if the answers given by the witness do not correspond with what the real facts are. So that we will have the whole picture.

Senator CURTIS. May I ask a question of the witness?

You referred to the drop in the blend price from 1966 to 1967 and then again to 1968. Now, the law did not change during that time. What, in your opinion, caused that price to go down?

Mr. HEINKEL. Well, two or three things. One of the main things was that about that time in history there was quite a wave of speeches and articles written about the world was going to starve and they had had shortages of wheat over in Russia and India and elsewhere, and so we got scared and we increased our allotment acreage 15 percent, and then some more articles appeared and we got scared a little more and increased another 15 percent.

Then on top of that we had a bountiful wheat harvest, and added to that, India had a good crop and Russia had a good crop and Australia and Canada and we just found ourselves in a tremendous oversupply of wheat, not only at home but worldwide.

Senator CURTIS. So in the years that the price dropped they also had to take an acreage cut.

Mr. HEINKEL. No. They took——

The CHAIRMAN. No, increased it.

Senator CURTIS. They took an acreage cut in 1967 and 1968; is that not right?

Mr. HEINKEL. No. They got two increases.

Senator CURTIS. That was in 1965 or 1966.

Mr. HEINKEL. 1966, yes.

Senator CURTIS. Then as the price started to drop they had to cut their acreage.

Mr. HEINKEL. Right.

The CHAIRMAN. But in the meantime you had that huge surplus not only in this country but all over the world.

Senator YOUNG. I think there is one other factor that should be added. We became less lenient with the Public Law 480 program than we had before. We tightened up on food aid exports.

Senator DOLE. Plus, Mr. Chairman, in the 1966–67 period there were some sales of Commodity Credit wheat which did not help the market much, either.

Mr. HEINKEL. Yes, I think there was. And also this pinching back on Public Law 480.

Senator DOLE. Right. For a while after the new act was passed, the market price of wheat in some areas of Kansas was above $1.70 and farmers kept thinking it would go to $2. Some held back some wheat waiting for that $2, but the price did go down. It finally got down to the market price around $1.25 or $1.50.

The CHAIRMAN. All right, proceed, sir.

Senator HOLLAND. Let me ask you this. As the production went up, when the allotments went up to permit—when planting went up to permit greater production, did the 65 percent that was supposed to take care of our domestic needs go down 65 percent of participation in the total crop?

Mr. HEINKEL. As I recall it, it did, did it not?

The CHAIRMAN. Anything further, Mr. Heinkel?

Senator HOLLAND. He has not answered that question.

Mr. HEINKEL. I do not have the answer to it.

Senator HOLLAND. Well, Mr. Chairman, if you can ask them to give us that answer also from the Department.

Mr. HEINKEL. Of course, further under wheat this bill on which we are testifying, recommends that export subsidy. It is supported by the coalition group of which we are one and we are supporting the idea of an export subsidy. That concludes my statement on wheat.

The CHAIRMAN. Mr. Heinkel, are you familiar with the consensus bill that is proposed by the Department?

Mr. HEINKEL. Not too familiar with it, Senator.

The CHAIRMAN. So you could not comment.

Mr. HEINKEL. I do not think so.

The CHAIRMAN. All right.

Mr. HEINKEL. Except to this extent. I noticed it contains a set-aside program and the thing that concerns me is not the name. I do not care what we call these programs, the matter of getting acres out of a production or adjusting production, but what concerns me about it is that it does away with any minimum support levels and give the Secretary authority to set them at any level. I frankly think, and our organizations think that is too much authority for any Secretary regardless of his name or political affiliation.

Senator YOUNG. That would mean that any Secretary could eliminate price supports entirely.

Mr. HEINKEL. Right. That is what it amounts to. And then the set-aside is not geared to any specific crop, and so the money would go and be spent, whatever money is spent on the set-aside would go to take acres out where they can buy them out the cheapest and you have no way of knowing when you start out to make contracts with farmers whether he is getting beans out of production or wheat or corn or what you are going to wind up with. So, I think it is very hazardous and our organization is very much opposed to it, if that answers your question.

Senator BELLMON. Mr. Chairman, could I ask one question?

This export subsidy you propose, do you feel it could be worked out without upsetting the so-called GATT arrangement?

Mr. HEINKEL. Well, as I understand it, if subsidies, export subsidies, are used to try to acquire a disproportionate part of the market, say more market, more of the wheat market than we are now getting, then it would apply and we would be in violation of it. But to hold the part that we now have——

Senator BELLMON. When you mentioned you are going to increase our export shipments——

Mr. HEINKEL. By this?

Senator BELLMON. That is what you said.

Mr HEINKEL. Well, increase them up to where they have been. In other words, try to get back that portion of the market that we have had. We have been losing—that is one problem with this thing of getting into a world price war. We do not seem to be able to hold our own too well. We lose in a world cotton price war and we are losing in a world wheat price war, and so we think we ought to use an export subsidy to try to get back that portion of the wheat export business that we have had. That is what we are talking about when we say increase.

Title VI is soybeans and flaxseed. Although these commodities have not been incorporated into supply management programs in the past as such, they have been interrelated sufficiently to permit supply adjustment programs to have a decided effect upon their acreage planted as well as price received.

We join the Soybean Growers of America, also a member of this Farm Coalition, in urging that authority be provided for an acreage diversion program for soybeans and flaxseed for any year when the total stocks of soybeans exceed 150 million bushels or 15 percent of the previous year's utilization, whichever is less. This provision, of course, can be left to the discretion of the Secretary and is to be initiated when these guidelines are in evidence. The soybean carryover is on the increase—it was 324 million bushels last fall and is expected to be 365 million bushels by September 1, 1970.

Mr. Chairman, for the sake of time I would just skip over the next two sections and say that marketing order and consumer protection reserve have our support.

Title IX, cropland adjustment. Although we as an organization and as a member of the Farm Coalition vigorously oppose a massive land retirement program, we do endorse the cropland adjustment program as contained in S. 3068. We not only urge that this title be adopted but would likewise urge Congress to fund this title in order that it

can be effectively used in orderly cropland retirement. Effective utilization of such land for public purposes, to permit senior citizens who reside on farms to place their land under this program, and to provide land for wholesome recreation for which the demand is greatly increasing daily.

Senator HOLLAND. Mr. Chairman, I want the record to show at this time that this body, the committees of this body, have strongly supported and have tried to keep the cropland adjustment program going. The opposition has come from the other end of the Capitol, and I never have been able to understand why. They have not been willing to approve continuation of the cropland adjustment program, speaking now of the present law, for the last 3 years.

Mr. HEINKEL. Well, we fail to understand that also, Senator. We think it is a good provision under anybody's administration and it is one that should have been funded and it can accomplish quite a lot by getting some of these acres that are not efficient, cotton acres, wheat acres, and so forth, that are in the hands of elderly people transferred over to some other use in an orderly manner.

Senator HOLLAND. Off the record, Mr. Chairman.

(Discussion off the record.)

The CHAIRMAN. As I have stated time and again, on the other side, House of Representatives, we have too many Representatives who do not seem to understand the farm problem. They come from big cities and they do not—they are not acquainted with it. It is my belief that is the reason why we do not get proper cooperation.

Senator HOLLAND. I did want the record to show, Mr. Chairman, that this body through its Appropriations Committee and through action on its floor has sought to continue the current cropland adjustment law program every year but has failed to do so because of the attitude of the other body.

Senator BELLMON. Mr. Chairman, could I ask a question at this point?

From what has been said, it is obvious that any cropland retirement program or adjustment program is going to have to have some appeal to the urban dweller and his representative in Congress and the Secretary in his proposal beginning in paragraph B of page 52 has outlined in very broad terms a proposition whereby a land owner who would agree to develop recreational opportunities on his land, both the land involved in the set-aside program or any diversion area he has under the farm program, and the land that he uses for cropping or livestock production, would be given an economic incentive and that this land then would be opened up for public use.

Now, from what you said, your description is a great deal shorter but it seems to me that you are both talking about pretty much the same thing.

Mr. HEINKEL. Yes, and as I recall, most of those provisions are in the present law.

Senator BELLMON. Well, not to the extent that the Secretary is talking about. If you take, for instance, the case of my farm, as the Secretary conceives of this program, if I were to open up my whole acreage, say I had a 1,000 acres and I am talking about land that I am able to use for crop production or for grazing, let the public

have access to it for recreational purposes, that I would be given some payment for this service.

Mr. HEINKEL. Well, I think that is a real good suggestion. It is just an enlargement on what we have in the law and we have never properly funded because of what happened over on the other end of the Capitol, and it is voluntary and I would think it would be a satisfactory program. And I might say that if you owned a farm near to a big city, and I do not think this is a selfish observation, but if you own a farm near a big city, as near as I do, and I am 50 miles away, and furnish as much free hunting and fishing and have as many fences wrecked as I have, you have a personal interest in this even though you do not intend to put your farm to that use.

Senator BELLMON. If we could get this kind of a program into operation, in other words, make multiple use of agriculture land, we will release the pressure on people such as yourself.

Mr. HEINKEL. Right.

Senator BELLMON. Because there will be more places that people can go.

Mr. HEINKEL. Title X, rice. We join with the National Rice Growers Association, also a member of this farm coalition, in the continuation of the acreage diversion program for rice in the same manner and at the same level as the 1965 act.

Conclusion. In conclusion, we urge immediate and positive action of this committee to establish a strong and constructive farm program, the benefits of which will accrue not only to the farmers of the United States but to every consumer and every individual in this Nation.

We need to do everything possible to continue to improve Federal farm programs to the end that farmers can work within a framework of national objectives to increase their income in order that rural communities can grow stronger and more prosperous.

In our opening statement, Mr. Chairman, we concurred with you that failure to act would court farm depression and rural disaster. In view of that grim outlook for the future, if action is not taken, we urge this committee to act favorably on S. 3068, and to act soon. Otherwise, wheat farmers will be forced to make a decision on their future not later than April 15, 1970. We favor enactment of S. 3068 without a termination date.

Let me reiterate that the Midcontinent Farmers Association feels honored to be a part of the National Farm Coalition. We feel again that farmers, although we may be fewer in numbers, are learning to work together and speak with a united voice for a constructive and improved agriculture.

Mr. Chairman, thank you very much for the privilege of our appearing here today with our two distinguished Senators.

(Mr. Heinkel's prepared statement is as follows:)

Mr. Chairman and members of the committee, My name is Fred V. Heinkel—residence Columbia, Missouri. Midcontinent Farmers Association has over 162,000 members located in Missouri, Arkansas, Oklahoma, Kansas, Nebraska, Iowa, Illinois and several other states.

We are honored that both Senator Symington and Senator Eagleton of our state have joined us here today before your committee. I have with me today L. C. "Clell" Carpenter, Vice President of Midcontinent Farmers Association, and Hilton Bracey, Director of the MFA Cotton Division. Our purpose in

appearing here today is to support S. 3068, commonly known as "The Coalition Farm Bill".

For the record, the Farm Coalition is comprised of general farm organizations and farm commodity groups that total 27 in number. Midcontinent Farmers Association members are proud to be part of this dedicated and distinguished coalition which depicts unity in speaking for the benefit of American agriculture.

Mr. Chairman, I agree with you wholeheartedly in your January 27th statement when you said, "Congress would court farm depression and rural disaster if it does not renew farm subsidies." Further, you said, "Abandonment of supports would reduce net farm income 3.7 billion dollars from its level of about 16 billion dollars."

I am delighted with the statement of the distinguished Senator from North Dakota, Senator Young, when he said he "expected no major changes in price support programs", and he said further he was "much more optimistic that the Congress would extend them, not only with improvements but for a longer period of time."

After carefully analyzing the many legislative possibilities and proposals, we continue to support wholeheartedly S. 3068 as being the best over all proposal being considered today.

The commodity programs, developed and refined over the years, which are a part of this proposed bill, are widely supported by farmers who are members of MFA. In a series of meetings held by MFA and attended by 1,300 delegates elected by the membership, 94 percent voted in favor of a continuation of federal supply-management commodity programs.

Producers throughout the nation continue to evidence their support of these programs by their participation in them. Last year 477,587 farms, with 92 percent of the total national cotton allotment, voluntarily signed to comply with provisions of the cotton program; 981,153 farms, with 88.7 percent of the total national wheat allotment voluntarily signed to participate in the wheat program; 1,661,770 farms signed to participate in the 1969 feed grain program, and those farms accounted for more than 70 percent of the base feed grain acreage of all farms.

We are convinced that reasonable management of supplies of farm commodities is crucial to the success of any farm program. Effective, orderly production and marketing of a product is a sought-after goal of every industry, and is desirable. To produce more than can be efficiently utilized is wasteful of resources, results in low returns to the increments of production—labor, management, capital—and, if permitted to continue, creates economic chaos and social revolution within the industry.

Federal farm programs have, to a substantial degree, met national farm policy objectives as originally established and reviewed over the years by the Congress. Soil and water resources have been conserved and our land is today highly fertile and productive. Food and fiber are abundant, selection is broad and quality high. Consumer prices are reasonable. Consumers now spend a record low portion of their disposable income for food—about 17 percent.

Title I—Dairy

This proposal serves to extend and improve the authorities for the Class I Base Plan and provides authority for self-financing of advertising, research, and promotion programs. It further permits an adjustment between the price support of butterfat and non-fat dry milk solids so that the support price of butter could be at a discretionary level while maintaining totally the support price for manufacturing milk.

The National Milk Producers Federation is a member of this Farm Coalition to which we have previously referred. We consider them to be knowledgeable in the field of dairy legislation and fully support their position. They no doubt have or will appear before your committee on this subject.

Title II—Wool

We urge the retention of the present wool program. It has worked well for wool producers over the past many years, and as you will note the National Wool Growers Association also supports this proposal as a member of the Farm Coalition.

Title III—Feed Grains

We urge the continuation of the existing provisions of the Feed Grain Act with some price improving amendments. As aforestated, 1,661,770 individual farms participated in this program in 1969. This figure would indicate that upward of 70 percent of the base feed grain acreage was incorporated into this program.

These facts alone atest to the merits and the popularity of the program. Feed grains are basic to the production of high protein foods such as milk, meat, eggs, and poultry that constitute an essential part of the daily diet of Americans. We are somewhat concerned about the extent of participation in the 1970 program since by Administrative determination the program has been materially weakened. First, it was weakened by the decision to do away with advance payments which are probably needed more this year than they have ever been needed in the history of the program. Second, the Secretary decided to reduce the payment rate for acreage diversion from 45 percent of the county price support times the farm's projected yield per acre, to 40 percent in 1970.

We are recommending, however, in this coalition bill that the price support loan be increased from $1.05 to $1.15 per bushel on corn and an increase in direct payment from 30¢ per bushel to 40¢ per bushel. (Other feed grain support prices in relation to corn.)

With the increased cost of production that farmers are encountering today this small increase is entirely justified and highly desirable.

Mr. Chairman and members of the committee, we live in the Midwest. We have daily contact with farmers in the feed grains area. Feed grain prices at present levels leave room for some desired improvement. From firsthand information, I urge you to take action soon on this legislation not only for the benefit of the feed grain producers, but it will also serve to maintain reasonable prices for producers of meat animals and other food products and in the long run will be of distinct benefit to every consumer in the United States.

Title IV—Cotton

We recommend and urge continuation of the cotton provisions of the Agricultural Act of 1965 with improvements to (1) protect and increase cotton farm income on an individual basis, (2) maximize sale and use of cotton both at home and abroad, and (3) keep program costs within reasonable limits. We are convinced that with one major change, a few "up-dating" modifications, and two badly needed additions, current trends toward destruction of the United States cotton industry could be halted and reversed. We are equally convinced that the overriding consideration involved in any future program should be and must be the need for maintaining and improving cotton farm income. Otherwise no program could succeed and cotton will in a short period of time cease to be a major farm crop in the United States.

As the major change in the current program, we recommend a loan level for cotton equal to production costs and reactivation and aggressive implementation of Section 203 of the Agricultural Act of 1956 which declares "quantities of cotton shall be sold as will re-establish and maintain the fair historical share of the world market for United States cotton". Prevailing circumstances and conditions require such an arrangement to (1) protect individual farmers from the very real threat of limitations on price support payments, (2) regain foreign markets so essential to the total off-take of United States cotton, and (3) keep government costs within justifiable limits.

Especially important and essential farm income protection provisions in the current program which we recommend and urge be continued without change are:

1. Continue requirement that price support payments when added to the loan must reflect at least 65 percent of parity on the projected yield of the permitted acreage (Ellender amendment). Without a continuation of this protection, cotton farm income would be at the mercy of pressures to reduce program costs. This requirement is, in fact, the only protection in the current program that the cotton farmer has against further drastic cuts in income levels.

2. Continue requirement that price support and diversion payments be based on projected yields.

3. Continue authority for substitution of non-surplus crops on allotted cotton acreage in event of flood, drought, or other natural disaster.

4. Continue the 16 million acre minimum national allotment.
5. Continue domestic allotment provision as in current program.
6. Continue full price support eligibility (without limitations) on all cotton produced in compliance with program requirements.

We recommend "up-dating" modifications in the current program as follows:

1. Eliminate the requirement for mandatory diversion before permitting voluntary diversion.
2. Permit sales, lease or transfer of allotments between producers without regard to counties—and without previous referendums.
3. Permit farmers to over-plant up to "X" percent of their farm allotments without price support benefits (excepting loan eligibility) or penalties.
4. Permit acreage allotment easements on a long range basis.
5. Permit diversion of domestic allotment (if more than the 35 percent now permitted is needed to bring supply into line with demand) on short term basis (annually).
6. Require that adjustments be made for abnormal conditions affecting plantings and production and that they reflect full credit for losses in acreage and production due to natural disasters.
7. Establish positive guidelines for various factors involved in determinations of premiums and discounts in the cotton loan program.
8. Encourage voluntary restraints on imports of cotton textile products.

As additions to the current program, we recommend:

1. A national cotton reserve along with a food and feed reserve to meet natural disasters, maintain supply and price stability to both consumers and farmers and prevent the undesirable consequences of "feast and famine" production cycles.
2. Permit and require that raw cotton and cotton textile products be included in all appropriate welfare programs, both domestic and foreign.

Title V—Wheat

Wheat growers continue to suffer from extremely low prices. The carryover supply of wheat over the past two years has increased materially. Our existing program needs some improvement because it has demonstrated it is not being fully effective in maintaining a proper balance between supply and utilization.

Further, experience has proven it has not prevented declining prices to the producer. As a matter of fact, the economy shows the price of wheat has fallen from $2.22 in 1966, to $1.87 in 1967, to $1.79 in 1968, to $1.88 in 1969. We, therefore, join the National Association of Wheat Growers, a member of this Farm Coalition, in support of providing authority for an export certificate between 65 and 90 percent of parity.

We, of course, would not be presenting the true picture if we did not point out that there would be some additional cost to the government estimated at $275 million. But it would have two very constructive effects: (1) most likely would increase our wheat export shipments, and (2) undoubtedly would improve net income to the wheat producers.

Title VI—Soybeans and Flaxseed

Although these commodities have not been incorporated into supply management programs in the past as such, they have been inter-related sufficiently to permit supply adjustment programs to have a decided effect upon their acreage planted as well as price received.

We join the Soybean Growers of America, also a member of this Farm Coalition, in urging that authority be provided for an acreage diversion program for soybeans and flaxseed for any year when the total stocks of soybeans exceed 150 million bushels or 15 percent of the previous year's utilization, whichever is less. This provision, of course, can be left to the discretion of the Secretary and is to be initiated when these guidelines are in evidence. The soybean carryover is on the increase—it was 324 million bushels last fall and is expected to be 365 million bushels by September 1, 1970.

Title VII—Consumer Protection Reserve

A Consumer-Protection Food and Fiber Reserve would establish and maintain a reserve of individual commodities in an amount sufficient to protect the interest of the nation. Of course, we now have carryover supplies of these products. But no program has been established to maintain a proper reserve to protect us in

the event of emergency which could either boost demand or sharply reduce production. With such a reserve, greater accuracy in supply adjustment by commodity programs would be possible. This, then, would permit us to more closely and consistently approach price and income goals.

This reserve would provide that:

1. To the maximum extent practical, reserve stocks of agricultural commodities be maintained under producer control.

2. The reserve level of a commodity for any marketing year be established at a percentage of the estimated export and domestic consumption of the commodity.

3. Whenever, during any marketing year, the uncommitted stocks of wheat, feed grains, cotton or soybeans owned by Commodity Credit Corporation fall below the reserve level established for such a commodity, CCC should acquire those quantities of the commodity necessary to rebuild the reserve at a purchase price at the prevailing market level.

4. When these commodities have been purchased and placed in the reserve, they must be held in such a manner so as not to adversely affect market prices.

Title VIII—Marketing Orders

We urge the extension of market order authority to any commodity, subject, of course, to the affirmative vote of the majority of the producers. Provision should be made for market supply control ranging from grading standards to marketing allotments subject to approval by two-thirds of the affected producers, as well as the pooling of sale proceeds under certain conditions.

Title IX—Cropland Adjustment

Although we as an organization and as a member of the Farm Coalition vigorously oppose a massive land retirement program, we do endorse the cropland adjustment program as contained in S. 3068. We not only urge that this title be adopted but would likewise urge Congress to fund this title in order that it can be effectively used in orderly cropland retirement. Effective utilization of such land for public purposes, to permit senior citizens who reside on farms to place their land under this program, and to provide land for wholesome recreation for which the demand is greatly increasing daily.

Title X—Rice

We join with the National Rice Growers Association, also a member of this Farm Coalition, in the continuation of the acreage diversion program for rice in the same manner and at the same level as the 1965 Act.

Conclusion

In conclusion, we urge immediate and positive action of this committee to establish a strong and constructive farm program, the benefits of which will accrue not only to the farmers of the United States but to every consumer and every individual in this nation.

We need to do everything possible to continue to improve federal farm programs to the end that farmers can work within a framework of national objectives to increase their income in order that rural communities can grow stronger and more prosperous.

In our opening statement, Mr. Chairman, we concurred with you that failure to act would court farm depression and rural disaster. In view of that grim outlook for the future, if action is not taken, we urge this Committee to act favorably on S. 3068, and to act soon. Otherwise, wheat farmers will be forced to make a decision on their future not later than April 15, 1970. We favor enactment of S. 3068 without a termination date.

Let me reiterate that the Midcontinent Farmers Association feels honored to be a part of the National Farm Coalition. We feel again that farmers, although we may be fewer in numbers, are learning to work together and speak with a united voice for a constructive and improved agriculture.

Mr. Chairman, thank you very much for the privilege of our appearing here today with our two distinguished senators.

The Chairman. Thank you very much, Mr. Heinkel. Does Mr. Carpenter——

Mr. Carpenter. No.

The CHAIRMAN. Thank you very much.

Senator DOLE. I have Mr. Chairman, one question with reference to your last statement, the conclusion. Since I have now been in the Congress about a decade, something that is of growing concern to me is that during that time we have lost about a third of our farmers. This is not a very good endorsement of this program. But, perhaps we would have lost a third with any other program.

The point I am making, how are we going to stop the migration of people from farms to the cities and reverse it?

Mr. HEINKEL. Well, in commenting on that, Senator, I realize that it has not stopped it but there are a number of things to take into account. Farms are getting larger which means that some of them are going to do something else, either go to a nearby town and find a job in a nearby factory if there is some industry moved out there. With better programs, we might have held a few more of them there but we certainly did not solve anything in the cities by moving them there. They help to aggravate the situation there when they leave an environment in which they were born and reared and to which they are accustomed.

Senator DOLE. That is my point. Maybe it is not valid. I do not have any crystal ball for the future. We can pass all the organizations' programs in the Congress and maybe some are good farm programs. Farm organizations now need to look at another aspect and maybe MFA is, your probably are, and that is rural development. In addition to farm programs, how are we going to keep what we have in rural areas plus some expansion? This is almost as important any more as the farm program. Whether it is this program, the coalition bill; the administration's bill; a farmer retirement program which might do it more quickly whatever program, at the same time, we have to have some format rural development program.

Mr. HEINKEL. I agree with that but, of course, Senator, we happen to find ourselves in agriculture in the production of crops, commodities, a good percentage of which moves into export and the problem is not really a new one. If we lower the support program, or if we had none and let the market price and the world price prevail, then we would get crucified because we are selling at a world price and trying to live in two economic societies at the same time, buying our supplies and production supplies, and so forth, that do not suffer those same problems. I believe it was Alexander Hamilton in his first report as Secretary of the Treasury, advocated a tariff for the protection of industry and at the same time he commented that the tariff would not materially help farmers, that they would need as he put it, I believe, a bonus on exports or on domestic consumption.

Now, that has been a long time ago which would indicate he was a pretty wise man, but we have begun to use that 100 or more years later. And I think——

Senator HOLLAND. Alexander Hamilton draws a little more water right now with the administration that is in power than he has for some time. Maybe they will look back.

Mr. HEINKEL. Without any program I would say there would have been a lot more of them.

Senator DOLE. That may be true, but my point is, probably we have a dual responsibility. We did, of course, lower support prices for wheat quite a bit in 1965.

That's all my questions, but I did want to tell you that your good friend, Cliff Hope, had a very severe stroke, is gravely ill in Garden City Hospital, and you may want to drop him a note.

Mr. HEINKEL. I shall do that.

Senator JORDAN. Mr. Chairman, one of the problems that we are up against in our farm program, talking about switching from this to soybeans, is that soybeans are already in trouble right now. You know that. Sunflower oil and sunflower meal have taken the place of our soybean shipments to foreign markets. They are cheaper than ours, but every year they go up. Russia is in the business of exporting sunflower oil now.

I was in India in November of last year and was there 4 years ago. That country has been one of our chief recipients of Public Law 480 wheat. Well, we have almost got them to where they raise enough for themselves—almost. The same is true with the Mexican wheat. We have improved their irrigation systems, and we have taught them how to raise their crops. Of course, we want to get them off our back, but at the same time we have taken a customer away from ourselves which hurts us at home. We do not want to quit feeding people who are hungry, but every year their wheat production is going up, so we have a real problem not to overproduce while we are trying to help.

Senator YOUNG. Can I give you an example of what is happening in agriculture in my State? One of the biggest, if not the largest, grain farmer I know had a sale last fall and sold all his modern machinery, $15,000, $20,000 tractors, and we all thought he was quitting, but now he is buying $40,000 tractors, still bigger equipment.

Mr. HEINKEL. This additional comment in regard to the comments that have been made here by the Senators. I think that is one of the reasons, Senator, we have this farm coalition. They used to think—milk thought if they could get some legislation they could go on their own and some other commodities thought that, and there was a time when we had a National Feedgrain Advisory Committee and they had one on wheat and they did not get them together in the same room because they did not get along very well, and so they experimented with me. They got brave with me and asked me to be chairman of both committees and we got along without any serious fights and they have learned to work together now and realize that no one commodity group can sit on a plateau of prosperity for very long because it will be torn down just by economic factors. And so that is why they are working together as one group.

The CHAIRMAN. Thank you very much.

Mr. Shackleford?

Senator BELLMON. Could I make one comment before Mr. Heinkel leaves?

It seems to me the farm groups may be overlooking one opportunity and that is that the whole answer to this farm program may lie in increased consumption and sale of meat. As you know, it takes about 16 pounds of feed grain to produce one pound of edible beef. Yet, no one has come in here with any suggestions as to how we can do a better job of marketing our meat or increasing consumption here at home.

Mr. HEINKEL. I saw the figures just recently but I do not have them with me in mind. There has been a tremendous increase in per capita consumption of both beef and pork, particularly beef, over the past 20 years, and there are some agencies like the National Meat

Board, and so forth, that are constantly working. There are some deductions on livestock that are shipped to nearly all markets. It is a small deduction. The farmer can get it back. It helps pay for educational and publicity work on beef and pork. So, I do not mean to say we are doing enough but we are making some progress in that direction.

The CHAIRMAN. All right.

The next witness is Mr. Shackleford, president of the Louisiana Cotton Producers Association.

STATEMENT OF DUKE SHACKELFORD, PRESIDENT, LOUISIANA COTTON PRODUCERS ASSOCIATION, JONES, LA.

The CHAIRMAN. You may proceed.

Mr. SHACKELFORD. Mr. Chairman, my name is Duke Shackelford. I am a cottongrower from Jones, La., and currently serve as president of the Louisiana Cotton Producers Association, in whose behalf I am offering testimony today.

With me is Edwards Barham, a cotton farmer from Oak Ridge, La., and a member of our organization.

Senator Ellender, to depart from my script, I might add that Mr. Barham is somewhat rare in our part of the country. He is a Republican. He is a member of the State central committee and I am Democratic member of our Democratic central committee. So we are going to give you a bipartisan approach. And we are not up here to make anybody mad.

Senator BELLMON. Did you have to look a long time to find him?

Mr. SHACKELFORD. He is kind of scarce.

We particularly appreciate the opportunity to offer a few of our thoughts to this committee, especially since the chairman is our senior Senator. We are proud of Senator Ellender, and are fully aware of the fine work he, and other members of this committee, have done for the cotton industry. We would like to express our thanks for the fine statement made by the chairman on the floor of the Senate on January 27. This stated agriculture's problems clearly with keen insight and understanding. We are also grateful to those Senators who associated themselves with his remarks.

We feel that if cotton producers in Louisiana could vote for the program they wanted, they would endorse the act of 1965. They would do this as long as it contained the Ellender amendment which has given them a measure of protection from runaway costs brought on by inflation. They also like the provisions of this act dealing with sale and lease of allotments, feeling that this gives flexibility of operation and provides protection of allotments in marginal areas.

We believe that any sound cotton program should accomplish the following major objectives:

1. Provide a reasonable return to the farmer for his investment and labor, bearing in mind that cotton farming is a risky business.

2. Provide an adequate supply of cotton for domestic and foreign markets, and also provide for a safe carryover of those qualities in demand. Nobody likes to shop in a store where the merchandise is always picked over and scarce.

3. Provides as permanent and stable a program as possible. This will allow the grower to make more intelligent long-range plans, and to manage his land and capital to better advantage.

We growers have been told for years by Congressmen and USDA officials to get together on legislation, and Congress would pass a sound cotton program. Gentlemen, we have been meeting with other cotton organizations for 2 years. And, gentlemen, I would add there that we have met more than the Girl Scouts. We really have. Through the Producer Steering Committee of the National Cotton Council, representing all areas of cotton production, we have tried to develop together the principles of a workable cotton program. Growers are no different from Senators. They have trouble reaching agreement on policy matters. However, we feel that the "guidelines" developed by this committee are a reasonable compromise of our differences. These guidelines will be presented to you Wednesday by council president Bruce Lynn, who incidentally is a member of our association. We would like to record Louisiana Cotton Producers Association in favor of these guidelines.

With respect to the Department of Agriculture draft—I believe they call it the consumers bill—as presented to the House Committee on Agriculture, we would like to make some observations:

1. We feel that cotton should be given different treatment than the feed grains program. We would hope for special consideration since we think our case is different. There are several reasons for this. Cotton is the only major commodity that has a cost of production almost 1½ times greater than its selling price. Cotton is also the only major agricultural commodity with fierce competition from synthetics, and it is the only major commodity not presently in surplus.

2. We do not believe that a cotton program which follows the Department's draft closely will encourage production of an adequate supply of cotton.

3. We think the so-called set-aside program would be unfair to cotton farmers because, through the years, we have adjusted our production downward by greatly reducing acreage. And we ask, is it logical to have a set-aside requirement for a crop not in a surplus situation?

We believe the first result of set-aside in the cotton area will be a drastic reduction in farm income.

Gentlemen, let's face it, compared to most of these United States the cotton south is a poor country. Our people desperately need more income, not less.

4. We are opposed to that provision which provides for financing payments only by prior appropriation each year. We do not think any long-range program can be made effective under this system. Lending agencies will be slow to finance farmers if they are uncertain whether money will be made available for payments. The assignment of Government payments has been good collateral with any lender in our area. We also feel that this provision will bring the farmer back to Congress each year, scared half to death, with his hat in hand like poor kinfolks. We know this makes us vulnerable to those members of the Congress who do not attempt to understand, and always oppose any farm program.

5. We believe this proposed bill leaves a great many decisions to the discretion of the Secretary of Agriculture, and while some flexibility is desirable, too much may be too risky.

6. We are opposed to payment limitations for many reasons which we will not enumerate. Judging from past Senate action, you gentlemen understand this issue very well.

Thank you, gentlemen, for giving us this time.

The CHAIRMAN. Well, now, have you any suggestions as to additions or subtractions to the present law?

Mr. SHACKELFORD. Senator——

The CHAIRMAN. The law of 1965?

Mr. SHACKELFORD. Well, would you care to comment?

STATEMENT OF EDWARDS BARHAM, LOUISIANA COTTON PRODUCERS ASSOCIATION, OAK RIDGE, LA.

Mr. BARHAM. I will say this: I believe the proposal that has been made to use, say, 100,000 bales of CCC cotton to promote some of these newer developments, as Senator Curtis asked a while ago, why are we getting torn up in the marketplace, one of the reasons is the synthetics have done such a fine job in research, product development, promotion, and so forth. As you know, cotton farmers have gotten under this dollar a bale checkoff and a good bit of this money is being used in research and promotion, and if some of this cotton that the CCC holds could be used in some way to encourage the mills, and so forth, to try out some of these new products,I think it is one of the most constructive things and that addresses itself, Senator, to the question that you asked a little while ago.

Mr. SHACKELFORD. Senator, this is not in our testimony but we talked it over among ourselves and we feel like basically if the production payments on cotton could go to the actual production of cotton and not to the not production of cotton, it would reduce the cost of the program in the long run which seems to be a basic need.

The CHAIRMAN. Now, you mean by that——

Mr. SHACKELFORD. To pay on the actual production instead of necessarily on a projected yield or approved yield because obviously there is more cotton being paid for being produced than there is getting produced. I don't want to get myself in a trap. You know what I am talking about.

The CHAIRMAN. That is a very volatile question among some of the cotton growers.

Mr. SHACKELFORD. I understand that, yes, sir.

The CHAIRMAN. Any questions?

Senator YOUNG. Yes.

In provision number four you state, "We are opposed to that provision which provides for financing payments only by prior appropriation each year." I agree with your position. I don't know of anything more dangerous than this proposal in the so-called draft farm law. You would never be able to get appropriations sufficient to take care of all the contingencies. One year cotton, wheat, or corn farmers may want to sign up and participate in record numbers, or it may be necessary to take care of surpluses which often-times can't be foreseen very far in the future. I don't know of any provision that I think has less merit than this one. It sounds good on paper but it just wouldn't work in the farm program.

Senator BELLMON. Mr. Chairman, I would like to ask Mr. Shackelford a question about whether or not the cotton growers in Louisiana would favor an anniversary date for the maturity of the cotton loans.

Mr. SHACKLEFORD. There has been a good deal of sentiment for it, yes, sir.

The CHAIRMAN. Mr. Barham——

Mr. SHACKELFORD. Might I make one comment to Senator Curtis? This is not anything to do with our cotton, Senator, although we have a desperate boxcar shortage in the mid-South, the Mississippi Valley, for many years. If you can do anything to help that situation out, it would help our part of the country and yours, too.

The CHAIRMAN. Do you wish to add anything further?

Mr. BARHAM. No.

The CHAIRMAN. Any further questions?

(No response.)

Thank you very much, sir.

All right, Mr. Hofer. I believe you are vice president of the National Association of Wheat Growers.

Mr. HOFER. Yes, sir.

The CHAIRMAN. You may proceed.

STATEMENT OF GLEN HOFER, EXECUTIVE VICE PRESIDENT, NATIONAL ASSOCIATION OF WHEAT GROWERS

Mr. HOFER. Senator, our testimony doesn't need to be read to the committee. I would like to highlight it.

The CHAIRMAN. Your whole statement will be put in the record at this point and you may highlight it. Proceed.

Mr. HOFER. I would like to say that we are members of the farm coalition. We believe this is significant, this organization. It supplies part of the need for an organized farm vote that we have long been criticized for lacking.

I would like to say that our support for the 1965 act which is basically what the coalition bill is based on stems from our belief—I will read a short section here—that it embodies the best combination of administrative tools necessary for coping with the problems that beset our industry. The fact that wheat stocks are again on the increase and that world and domestic wheat prices are disastrously low does not in our eyes constitute a condemnation of the program provisions.

A slight hysteria in 1966 about a crisis in world food production—a green revolution which has abruptly and dramatically changed the world wheat production pattern—a 3-year period of good wheat weather which negated attempts to cut back U.S. production—a vicious spiral in production costs—these are the reasons the U.S. producer is in serious trouble—not because of the 1965 Farm Act was ill-conceived.

We do support the coalition bill and the four major wheat changes in the bill are enumerated here. I know several witnesses have talked about those four before. I will simply enumerate them.

We do ask for an export certificate on wheat. We would like to see a change in the effective date of the support loan from maturity time to harvest time. We are for at least 50 percent advance payments for participating, cooperating wheat farmers, and we would like to see a limit on the amount of projected yield that could be reduced in any one year.

Those are the four changes. I know they have been the subject of prior testimony.

Senator BELLMON. Which page are those listed on? Do you have that?

Mr. HOFER. Yes. Those are on pages 2 and 3, Senator Bellmon.

I will be glad to answer any questions on those.

I would like to make another point and we have done it in our testimony and previous testimony, that we fear that there is a serious underestimation of what is happening in the dry land wheat area because land values are turning rather rapidly and dramatically out there and we have tried to document this by getting statements from financial institutions and business people in our dry land wheat areas.

We have excerpts here from three letters from bankers, two from Nebraska and one from Kansas. I would like to read them to the committee:

In McCook, Nebr., a banker had this say about land values:

> We are witnessing a decline of land values in our area. This is particularly true in the dryland wheat areas. Dry cropland of the type that commonly sold for $150 to $175 per acre in the recent past, is now on the market at $125 per acre and there is considerable buyer resistance even at these prices. In the last 12 months, I feel we have experienced as much as a 25 percent decline in the price of some of the good farm land in our area.

A Holdrege, Nebr., banker says:

> We see a constant attrition of our farmers. Their numbers are on a steady decline. This is not just the problem of the inefficient operator, but is a problem facing even the best of our producers. The declining purchasing power of the individual farmer, coupled with the decline in numbers, is placing a severe burden upon the business community. We are experiencing an unusual number of business failures and in too many instances the failure is due to the general economic condition of agriculture.

Senator CURTIS. May I inquire right there? The Holdrege, Nebr., banker didn't say anything about land prices, did he, sir?

Mr. HOFER. In his letter he didn't give any specific prices. We have now about 50 and these I must say are in some sense solicited letters. We asked our people in those States to go to their financial institutions and ask for a statement of some kind.

There are several that do specifically refer to land prices and most of them indicate that they are going down in the dry land areas. Now, with irrigated land there is some exception. If the land has a possibility of irrigation through deep wells or some project, then the land values are not going down, but in the dry land, the dry land area which much of our commercial wheat is on——

Senator CURTIS. By dry land you mean——

Mr. HOFER. Summer fallow.

Senator CURTIS. Land of insufficient rainfall.

Mr. HOFER. Yes.

The CHAIRMAN. What is the average production now on this dry land?

Mr. HOFER. Average production in the Nation was about 30 bushels per acre.

The CHAIRMAN. I mean on the dry land.

Mr. HOFER. I would guess probably on the dry land areas that I represent it probably is around 22 to 23.

I will continue with this Basine, Kans., banker's remarks.

> Farmers are fighting a fight for survival in the price-cost squeeze. I am referring to the efficient sized unit under better than average managerial ability. These are the men who by all standards should be the future of the agricultural industry. Many of these men would quit now—if they could find a legitimate buyer. They would do this in order to attempt to salvage what is left of net worth accumulation before it gets wiped out.

The typical small bank is headed toward the same plight as the area farmers and if the trend is not reversed, there will be considerable more problems involved than those in focus at this time.

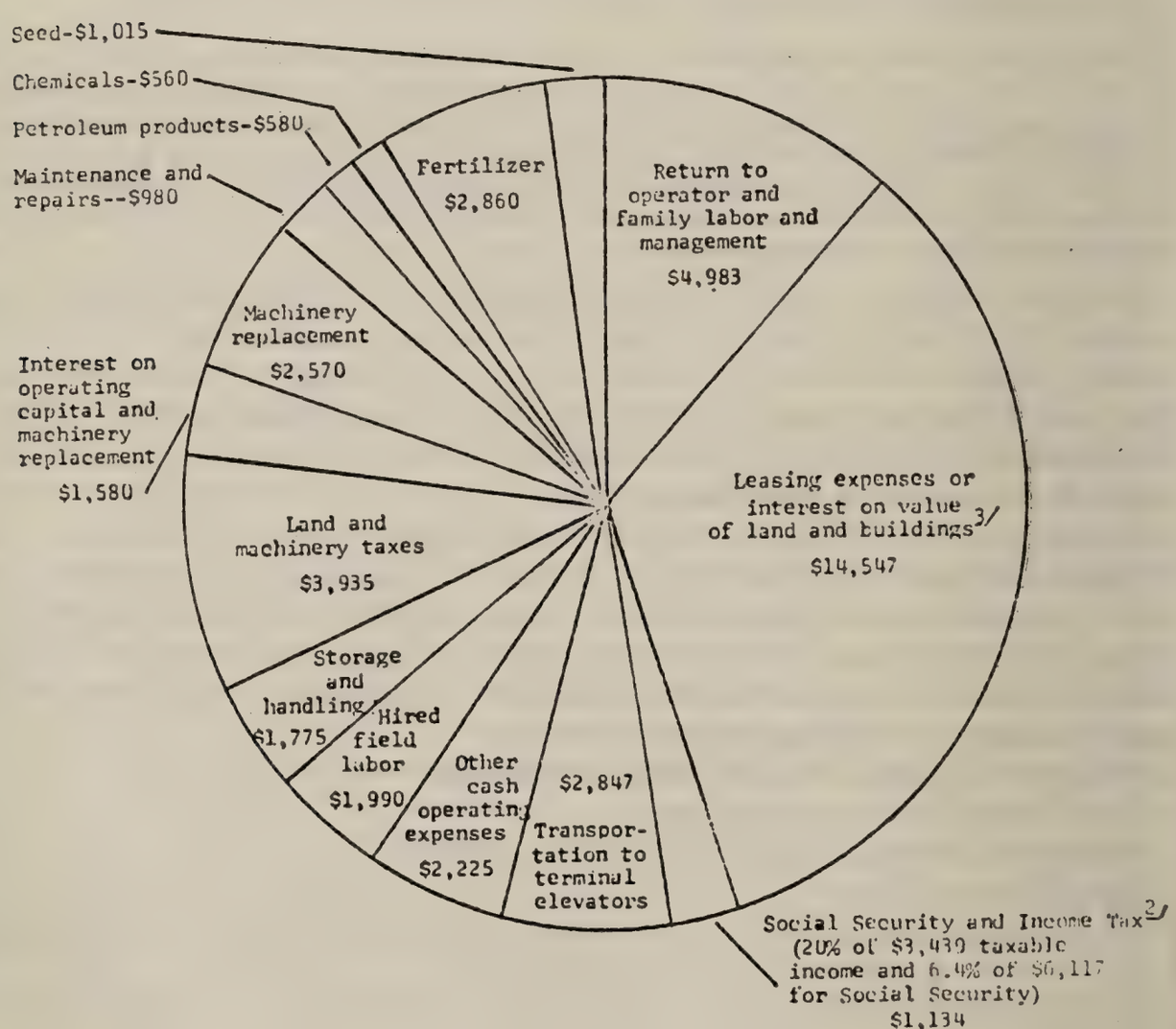
These are fairly typical of those letters and I would be glad to make that pad of letters available to any Senator who is interested for his perusal.

Then at the end of our statement we have two little exhibits. One, exhibit A, shows the distribution of a $43,000 gross income on a wheat farm in the Pacific Northwest. It was done by Washington State University personnel and they have all the inputs that a farmer needs to carry out a farm that size, and they show how a $43,000 gross income is decimated by production costs at this point in time, and I think it is pertinent to what we are trying to say.

(The exhibits are as follows:)

DISTRIBUTION OF GROSS INCOME[1] ON A REPRESENTATIVE P.N.W. WHEAT-FALLOW FARM, 1968

(1,255 acres)



Source: Expenditure data from Washington Agricultural Experiment Station Circular 501. The average of all ten producing regions was used.

1/ The gross income was $43,581 (Portland blend price [including wheat certificate payments] of $1.99 x 43.8 bu./acre x 500 acres).

2/ Social Security tax estimated as 6.4% of $6,117, self employment income. Income tax estimated as 20% of taxable income after subtracting four standard deductions or $2,400 ($6,117-2,400= 3,717 x 20%).

3/ One-third of gross income or 4.42% of farm market value of $329,437, (the tax free income if farm were liquidated and money were invested in tax free municipal bonds).

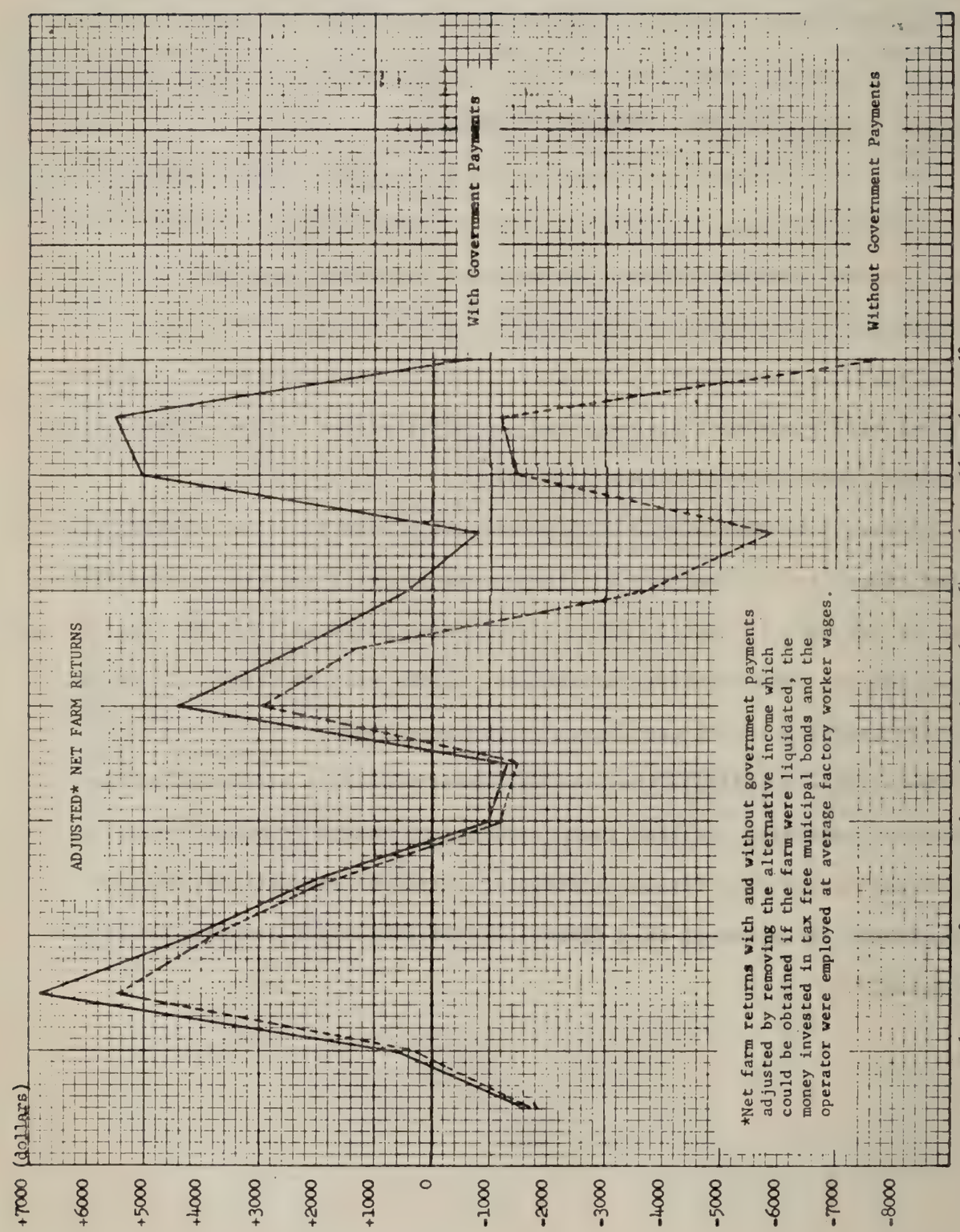
The Wheat Producer's Plight

The following table best illustrates the impact of changing conditions on the individual wheat producer in the Pacific Northwest. Data on a representative wheat-fallow farm in the Pacific Northwest were obtained from the USDA which show net farm returns with and without government price support payments. These are the returns to the representative farm for operator and family labor, management, and interest on investment in land and buildings.

From this net return we subtracted the dollar amount the operator and landowners could have obtained had they liquidated their holdings and invested the money on tax free municipal bonds. In addition, we subtracted the dollar value of the operator's labor had he been employed at the average hourly wage of a worker in the U.S. manufacturing industry. This yielded the so-called adjusted net returns with government payments and the adjusted net returns without government payments shown on the accompanying graph.

The result is startling. With government payments to the representative farm, the return to the operator and landowners is small and has been negative in five out of the past 14 years. Without government payments, the adjusted net farm return would have been negative in eight out of the past 14 years and has deteriorated very markedly in the past seven years since 1962.

These results indicate that the PNW wheat producers are heavily dependent on government payments. Without them (assuming no change in market prices or loan rates) farmers would face financial disaster. And the communities, business firms and individuals so dependent on a financially healthy wheat industry would also suffer greatly.


ADJUSTED* NET FARM RETURNS
(dollars)
+7000
+6000
+5000
+4000
+3000
+2000
+1000
0
-1000
-2000
-3000
-4000
-5000
-6000
-7000
-8000
'55
'56
'57
'58
'59
'60
'61
'62
'63
'64
'65
'66
'67
'68
With Government Payments
Without Government Payments
*Net farm returns with and without government payments adjusted by removing the alternative income which could be obtained if the farm were liquidated, the money invested in tax free municipal bonds and the operator were employed at average factory worker wages.

The CHAIRMAN. What is the acreage?

Mr. HOFER. On these?

The CHAIRMAN. $43,000, you said.

Mr. HOFER. $43,000, 1,255 acres. And this is summer fallow which means——

Senator CURTIS. What was the net increment?

Mr. HOFER (continuing). Let me see if I can find——

Senator BELLMON. $4,893.

Mr. HOFER. That is right. That is return to the operator and family labor and management. That is out of a gross of $43,000.

The CHAIRMAN. Are you familiar with the concensus bill?

Mr. HOFER. Yes, I am.

The CHAIRMAN. As to wheat?

Mr. HOFER. Yes.

The CHAIRMAN. Would you care to comment on it?

Mr. HOFER. We agree with the consensus bill inasmuch as it does continue the basic two-price plan for wheat with the domestic certificate, with the loan price, with the processor's certificate. It proposes to attempt production control by a different means, using the set-aside system to take acres out of production. Where we find fault is the fact that in the consensus bill, as it has been given to us to observe, the Secretary in effect has to write the bill every year because it is at his discretion to set the level of the loan, what the value of the certificates will be.

He has too much of a burden centered on one area that would have to be taken care of every year, and the same battle would have to be fought every year with the Bureau of the Budget and everyone else he has to defer to at times in making these decisions. Personnally we would like to see permanent legislation and I think where it would have to be written every year in that manner, it would not really be permanent legislation.

The CHAIRMAN. You think he is given too much authority, then?

Mr. HOFER. Yes, sir.

The CHAIRMAN. Can you comment on other commodities under the consensus bill?

Mr. HOFER. Other commodities?

The CHAIRMAN. Yes, if you are familiar with them.

Mr. HOFER. Well, I think a question has been raised at these hearings about the problems of normal conserving acres as it affects all the commodities under the bill. And certainly if they go to the set-aside as I have seen it designed, it would be a problem in the wheat areas, because one of the main attractions that is held out to us is that it would give a farmer more freedom in his farming operation. After he sets aside a certain percentage of his acres, he can do anything he wants to with the rest of his cropland acres, but as a matter of application in most of our summer fallow farms, they have a large percentage of what they call normal conserving acres that have to be maintained in that manner. In other words, he really wouldn't have any more planting freedom and in fact some of our farmers have over 50 percent of the normal conserving and they would lose permitted acres under the set-aside plan.

Now, that is not to say it couldn't be adjusted and not be objectionable but the way it is right now, we certainly would be interested in seeing that adjustment made before the set-aside plan was put into effect.

There is another aspect of the set-aside proposal, regardless of the fact that it may give farmers more freedom individually, that we worry about in some respects. It might turn production loose too much in some commodities. Supply control is the way we have decided is the best way to go and we don't want anything to negate control efforts. I am not sure at this point that even the very intelligent group that has put this set-aside plan together know themselves what would really happen to feed grain production for instance.

We have heard predictions that feed grain production might rise dramatically under this bill. We wouldn't want that because it has to be kept in balance. That wouldn't necessarily directly affect wheat but it all has to be kept in balance.

The CHAIRMAN. Did your association take part with other associations in effecting the bill that we have under discussion?

Mr. HOFER. Yes, sir.

The CHAIRMAN. You agree with it as written?

Mr. HOFER. Right.

The CHAIRMAN. Any further questions?

Senator YOUNG. Mr. Hofer, in one of your recent news releases for the National Wheat Growers Association you dealt with conserving acre base problem. Now, this is a real problem. As you mentioned a bit ago, for some farmers it amounts to about 50 percent of their total cultivated acres.

Mr. HOFER. Yes.

Senator YOUNG. Do you have any answer to this? Two of the reasons I understand for this inequity between States and between farmers, is that where they complied strictly with past programs, they seemed to wind up with a bigger conserving acre base. In States where they planted fence to fence or had a different, looser administration, they have a very small base.

This is a serious problem, particularly in my State, in Montana, and some others like it. It has reached the point that many farmers find it very difficult if not impossible to participate in any kind of a program.

Mr. HOFER. That is right. There are a lot of inequities in the normal conserving base and it started, I think, as you might expect in the base years that they used to calculate individual farms normal conserving base, which is 1959–60. The practices that a farmer was using on his farm at that time, without knowing they were going to be worked into a future program, became the law of his farm if he was going to be a complier, and during those base years many farmers were, as any farmer will do, were trying new things, many of them good conserving practices, using legumes to build up his soil or whatever. Whatever he was doing in those years, if they came under the normal conserving description, they became a part of his farms history and he has borne that ever since. He might be penalized, as a matter of fact, for using a good conserving practice on his farm because it has been worked into his farms formula.

Since 1966 another inequity has worked its way into the normal conserving situation without any evil doing on anybody's part. It is just the way our system works with State and county ASCS committees making decisions on appeals by individual farmers who have asked for a reduction in their normal conserving base. Different States have handled it differently and quite legally, all of them, but some of them were very reluctant to make any change—they tried to play it straight, according to the letter of the law. Washington, Oregon, Montana, North Dakota—those in the northern tier were apparently reluctant to make major adjustments whereas further south in Nebraska there was quite a bit of adjustment made, and further south into Texas there was a great deal of conserving base adjustment, all perfectly within the rules. It is just a matter how they interpreted how they should run their State or county committee.

As a result, however, if you look at a graph of the wheat States and you will find that in Texas, for instance, thay have 8 percent normal conserving base—8 percent of their tillable acres in normal conserving—while in your State and some others it is as high as 49 percent. I have an actual example here of a farm with 56 percent normal conserving acres which does shackle him in his practices on his own farm.

Senator YOUNG. What is the answer to it?

Mr. HOFER. That is a hard problem but I think it could be solved. I think it could be adjusted administratively. It would be very difficult, I am sure, to go in those States that have a low normal conserving base now and raise them a great deal because it is worked into their farm practice very deeply but I think that if the USDA could take a look at all of those farms that have really high normal conserving base, say above 35 to 40 percent, and give the kind of adjustment they might need to give them a little more flexibility on their farm. Then if it still appeared that production might increase too much and some slack had to be taken up, perhaps you could increase the percentage of set-aside a little bit.

Senator YOUNG. You think it could be done administratively?

Mr. HOFER. It could be done administratively, I am sure. It might be difficult and perhaps scrape hide off here and there a little bit, but I think it could be done.

The CHAIRMAN. Would you suggest a base, percentage-wise?

Mr. HOFER. From the figures that have come to us from our own farmers, it seems like anyone who has between 35 and 40 percent normal conserving base would not be in too much difficulty with a set-aside program. They are mostly summer fallow farmers and they all have at least that percentage in summer fallow, it seems, each year anyway. So that isn't so much of a problem.

It is when you get—I will say 35 percent—when you get over 35 percent conserving base, the summer fallow farmer starts to bear too much of the normal conserving burden.

Senator YOUNG. Some farmers now have to summer fallow the same land 2 years in a row in order to comply with the programs.

Mr. HOFER. Yes, a bad practice. This is in often in areas where wind erosion is a problem and it is really a bad conserving practice. I hate to be arbitrary with that figure of 35 percent. It is not official. It is my personal observation, based on the farm figures that came to our office.

The CHAIRMAN. Any other questions?

Senator BELLMON. I am in the wheat business but can you tell me what is the reason for the conserving base?

Mr. HOFER. I think it is just another one of the production controls we have—supply control program—and they had to write in some elements to control the supply. All right. One of them was allotment but also right at the time these programs were being written there were some new farm practices coming into use. I know fertilizer was coming into my home area and a lot of farmers were saying, well, I will bet on the rainfall a little bit and put on a little bit of fertilizer here, and I will crop that summer fallow ground some and try to get a little more income this year—take my chances on getting the necessary moisture.

Senator BELLMON. These were the ones who were not cooperative, not paying any attention——

Mr. HOFER. That is right. They were noncooperators but their practices during those years, while they were outside the program, worked into their history when they did come into the program. Then they got large allotments. They got low normal conserving bases. I think the department and people putting this program together saw how things were kind of changing and they thought, we had better put a clamp on this normal conserving because practices may change and farmers may be able to plant more than they used to because of new technology, so we will make the maintenance of a normal conserving base another element of control and supply.

It probably wasn't a bad idea originally, but the equities worked their way in. I suppose that was inevitable.

Senator BELLMON. So you are not recommending that the conserving base be eliminated?

Mr. HOFER. No, we are not making that recommendation. I have heard a proposal that eliminate the normal conserving base and handle the whole thing through a higher percentage of set-aside. That might answer the problems we have in the dry land wheat area but I know how much that it would compound the problem in the cotton area, for instance.

Senator BELLMON. Do you feel we ought to have exactly the same rules for cotton and wheat and all other commodities? Couldn't we have a special program for cotton and one for wheat that might meet these different situations?

Mr. HOFER. Well, there are differences in the commodity programs now and perhaps this is another area where the crops could be treated differently.

Senator BELLMON. Let me ask another question on a different line. How long do you feel it will be before we have hybrid wheat in common production?

Mr. HOFER. I understand hybrid varieties are now out on a very substantial experimental basis. I would say by 1972 you will see commercial hybrid production.

Senator BELLMON. And how much additional yield per acre do you think the hybrid will bring?

Mr. HOFER. I think in the areas where you are able to use them they will more than double production. It won't do that for the whole Nation because I don't think they are going to be able to successfully

grow them all over the Nation, but where we are getting now 30 bushels per acre, I don't think you would be making a mistake to think it might take the national average to 45 bushels to the acre if they start using hybrid where they are applicable.

Senator BELLMON. Let me ask one other question and I will get to the key. Do you, in your position, have any forecasts of what our export demands are likely to be?

Mr. HOFER. Our export demands?

Senator BELLMON. Yes. I am talking about up to 1975. Do you anticipate an increase in wheat exports from this country?

Mr. HOFER. We hope for an increase. I think there are several factors to keep our eye on right now. I believe unless I am mistaken there is—the winds of change are blowing a little bit in our attitude toward trade with Communist nations, for instance. There has been a substantial export wheat market in Russia and China. Canada and Australia have had an unopposed advantage there. There may be a chance eventually that the United States may be able to compete in those markets. I think also that increased exports depend a great deal on how the agricultural programs in India and Pakistan progress.

Now, they have had several good production years but like any farmer, they are very much at the mercy of weather and if their monsoons don't come out right or drouth strikes, and they get a very low production again—there may be a large wheat demand in those markets. And I might say the law of averages is for a weather change between now and 1975 because they have had a series of good years.

Senator BELLMON. My reason for asking these questions, if our wheat yield is due to increase by 50 percent and acreage stays the same, this will mean an additional 700 million bushels of wheat produced annually between now and, say, 1975. Do you have any thoughts as to—how we go about taking into account this future development?

Mr. HOFER. It has been suggested to us by Mr. Palmby, Assistant Secretary of Agriculture, that if there is a future for wheat in large expansion of production as you mentioned, it would have to be in a reclassification of a lot of wheat as a feed grain and its use through meat production as you said earlier in testimony today.

Now, certainly this poses a problem to us as wheat farmers because there is a price involved and if the arithmetic doesn't come out for a farmer on his return from the market as against his production cost, it doesn't make any difference how much wheat moves into feed grains. He has to have some kind of a profit on it or it won't help him.

So while we agree that there is potential on the feed side for wheat, we are terribly concerned about keeping it in the return from those bushels in perspective. We can't let it get too low because it then becomes a deficit program and wheat farmers can't do it.

We haven't too much advance information on what the hybrid wheats might do to our cost per bushel—perhaps costs can be pared to some extent.

Senator BELLMON. It strikes me that the thing that this committee needs to concern itself with is an answer to this problem. It may be over in the area of accelerating meat consumption, either here

or abroad. This we perhaps can't talk about here but unless the big export demand develops, I think we are going to face a serious problem even if we try to move this wheat into feed grain channels because they are already full.

Mr. HOFER. That is right. We have a feed grain industry here. We can't displace too much feed grain with wheat unless the total market——

Senator BELLMON. Yes.

The CHAIRMAN. Senator Young?

Senator YOUNG. Isn't it true that most of these new hybrids are more of a feed grain type than of high baking quality?

Mr. HOFER. Well, hybrids are still experimental and their early varieties might be comparatively low quality, but I think it is probable that they will be able to breed the milling quality into them in a few years' time that the bread industry feels is desirable.

Senator YOUNG. Generally high yielding wheat has been low-protein wheat.

Mr. HOFER. That is right, generally that is true.

Senator YOUNG. That is one of the reasons why the wheat we are producing is still drawing a big premium, 40 to 60 cents over these cash prices we quoted.

Mr. HOFER. Very good milling quality with North Dakota wheat is generally of high protein.

Senator YOUNG. There is a provision in law now permitting the Secretary of Agriculture to reduce price supports for the poorer varieties of wheat, which he does.

Mr. HOFER. Right.

Senator YOUNG. That could be used more extensively. I cannot understand the proposal being made to lower all wheat price supports, I would think it would be better to discount the feed type wheats.

Mr. HOFER. Varieties, yes. That may be true.

Senator YOUNG. Rather than lower the price support for all wheat.

Senator BELLMON. You couldn't be speaking now for North Dakota.

Senator YOUNG. No, I think for the overall good of the wheat producers, if you lower the price support it is going to lower the cash price. I think, Mr. Hofer, would you agree with me that if we lower price supports 15 cents a bushel, the cash price would follow them down?

Mr. HOFER. Yes. We agree the cash price has a deplorable tendency to follow the loan price.

Senator YOUNG. I think this question—of discounting the poor quality varieties of wheat, and they do discount about 15 or 20 of them now—has helped a whole lot in the hard wheat producing States, for example, to produce a better type of wheat.

Mr. HOFER. Discounts could in effect give us a three-price wheat plan—feed wheat price, cash market price, and certificated blend price.

The CHAIRMAN. Thank you very much.

All right, Mr. Curry, would you identify yourself for the record.

STATEMENT OF JOHN CURRY, COCHAIRMAN, LEGISLATIVE LIAISON COMMITTEE, AND HOUSEL ROBERTS, NATIONAL CORN GROWERS ASSOCIATION, BOONE, IOWA

Mr. CURRY. I am John Curry, of Boone, Iowa, and I have with me Housel Roberts. We are directors of the National Corn Growers Association with headquarters at Boone, Iowa. We would like to speak very briefly in behalf of that organization today and we appreciate the opportunity to appear here.

We are farmers, Housel and I. We raise corn, soybeans, alfalfa, raise hogs, feed cattle, and generally operate in the fashion of family-type farmers in western Illinois.

Our foundation in the sociological-economic-political structure of agriculture was laid in Knox County Farm Bureau. We have each served during the last 15 years as local officers of County Farm Bureau and County Service Company, each are serving currently on Statewide Regional Farm Bureau Cooperative Board. We have been directors of National Corn Growers since 1961.

We speak today in behalf of National Corn Growers Association and in place of Walter Goeppinger, its very able president.

We in NCGA have been and are a part of the group of 27 general and commodity organizations referred to as the coalition group. We consider the unity that exists among these organizations as most encouraging. And we support fully the coalition farm bill, S. 3068.

We favor continuation of the general principles of the Food and Agriculture Act of 1965 with the additions and amendments provided in the coalition bill. Some of the features we like in this law are:

1. Its wide acceptance. Over 1,661,000 farms participated in 1969, to the best of my knowledge.
2. Its ability to reduce burdensome surpluses.
3. The stabilizing effect it has on production, supplies, and prices.
4. The projectability of total supplies early in a given season, subject to severe weather variations.
5. Wide acceptance of the voluntary concept.

We think one of the advantages on reviewing legislation for renewal is the opportunity to amend, delete, and reemphasize. Areas we feel necessary to consider in review, at this time, are:

1. Price supports. Farmers cling to the concept of parity as a useful measure. Ninety percent of parity has long been accepted as an equitable and just level for agriculture. We do view with suspect any effort to reduce support prices or efforts to tie support prices to any concept of parity that tends to average down support prices.

An example of 90 percent support prices for corn that meet with farmers' favor and acceptance is one in which the loan price for corn is $1.15 per bushel, and direct payments of 40 cents per bushel on 50 percent of projected yield times the base acres. This is the kind of formulation and simple economics that is understood down on the farm. It is the kind of formulation that encourages adequate participation in the program. It is the kind that sustains Main Street, Small Town, U.S.A. It is the kind that lets food costs remain at their relatively reasonable levels. It is the kind that lets our feed and foodstuff move, pricewise, throughout the world.

2. At this time we favor continuation of the historical base-acre concept. Acceptance of this method is far from universal; however, a reasonable degree of voluntary supply management and total production projectability has been proven possible with this as a basic part of the farm program.

Methods to update the historical base period that recognize the loyalty of long-time farm program participants as well as the dilemma of new farmers who are trying to operate newly organized units with inadequate bases must be explored. The "new approach"—and we are hesitant to term it at this time because we think the language being used, the terms "set aside" has some very good points in it, but we certainly don't want to be negative toward it. We do have some views as we see it at this time and as we understand it. We refer to it as the "new approach."

The "new approach," which allows a producer to retire a part of his base and maintain his conserving base and then plan as he sees fit on all of the rest of his tillable acres meets some of the requirements of updating historical base. However, our first analysis would lead us to believe that the present approach to this concept would lead to exaggerated excesses and shortages of crops involved.

For example, in the corn belt we could expect production of 5½ billions of corn—it would very easily be possible in a given year—and at the same time have insufficient supplies of oats and soybeans. We think the wide variations in price and the scramble of farmers to rapidly shift production patterns would be most unsettling. We think this is the effect it would have in corn and soybean—in the corn and soybean country, which is one-base farms primarily.

We are advised, and certainly are not experts in this area, however, that in wheat country and in cotton country which basically are in multibase farms generally, this concept tends to lock farms into their present basic patterns because of a provision requiring a 20-percent loss in base in a year that the base is not fully planted.

One analysis would indicate that on this type of farm, flexibility would be reduced from the present position. We do, however, encourage the Secretary of Agriculture to continue the in-depth study of updating production patterns.

We wish to extend our praise to him for making an early effort in trying to solve this problem.

3. The basic concept of the 1965 act has been employed for most of a decade. It has proven to have flexibility, simplicity, and resilience. It has passed most of the tests of the sociological, economic, political requirements of agriculture. We feel it is time to propose these concepts as basic structuring for agriculture and enact them into permanent law.

Whole farm retirement as well as long-lease retirement of part-farms can be valuable tools in the overall effort to reduce plant size of the whole of agriculture. We do, however, feel that the costs of going this route are quite large. The debate over the effect on small towns will seriously hamper wide acceptance of this approach.

Housel and I do not profess to be authorities in international trade. We do, however, believe that Walter Goeppinger, president of NCGA, and John Butterfield, vice president, are two of the best informed

agriculture leaders relative to agricultural exports. We make only general statements in this area. As directors of NCGA, we look with pride to the accomplishments of U.S. Feed Grains Council.

As citizens we try to understand the workings of balance of trade and the contribution of agricultural exports to it.

But as farmers we are quite concerned about the narrow margins between the cost of production and world price.

We reaffirm our position in opposition to limitations on payments.

We thank you for the chance to express our views before this committee.

The CHAIRMAN. Well, I notice that you have been members of the Farm Bureau quite some time.

Mr. CURRY. Yes, sir. We are still members of the Farm Bureau.

The CHAIRMAN. And you are not in accord with its proposal.

Mr. CURRY. We made our position, Housel and I did, to that organization in 1960, in which we presented a resolution to the State and National organization and we recommended some basic changes in viewpoint of leadership and viewpoint of public relations and viewpoint of working with other organizations.

We worked for a long time in that organization to bring these about. We found we had to find our board assertion in some other way.

The CHAIRMAN. Are many of the farmers who belong to the Farm Bureau and who are in your fix happy? Can you tell us?

Mr. CURRY. The best——

The CHAIRMAN. Can you give us an idea?

Mr. CURRY. One of the best indications recently was a poll that was run in a magazine very widely read in Illinois, and it indicates——

The CHAIRMAN. Is that the Prairie Farmer?

Mr. CURRY. It indicates——

The CHAIRMAN. We have that study in the record already.

Mr. CURRY. This poll, we think, has borne out what we have felt for a long time, and we worked in many of the phases of agriculture in Illinois and especially through the farm bureau, and we drew this conclusion quite a long time ago. We are convinced that it does bear out the fact; yes.

The CHAIRMAN. Well now, can you tell us something about the consensus bill proposed by the Department?

Mr. CURRY. Not too much.

The CHAIRMAN. Let's say, insofar as it affects corn, with which you are familiar?

Mr. CURRY. I would feel in corn, for one thing——

The CHAIRMAN. And soybeans.

Mr. CURRY. The sliding scale which I have been advised is a pertinent part, would tend to lower the price of corn. We have this great fear among us. This is a general fear.

Now, I would only point out that I am a hog farmer. Right now this is a good business. The hog business is one of the best in agriculture today. I buy a lot of corn. So I know what the real market price of corn is throughout the year.

If I would take the average of the last 3 years of what I have had to pay for corn, to buy my corn in 1970 it would be lower than what I paid for it in 1969, about 5 or 6 cents a bushel. This concerns me, not

so much as a hog farmer, although frankly we have long been proponents that the livestock business, even though the hog business is not reflecting it at the moment, is ultimately in long-term tied to this production of feed grains out there.

The CHAIRMAN. Well, how much of your corn or feed do you grow?

Mr. CURRY. I grow about half of it.

The CHAIRMAN. Half of it. Now, what do you have to pay for the corn you buy, the feed grain you buy on an average?

Mr. CURRY. I pay from $1.08 to $1.14 for it this fall at the harvest low.

Senator CURTIS. Do you mix your own feed?

Mr. CURRY. I have it mixed in an elevator; yes.

Senator CURTIS. But you buy the separate ingredients?

Mr. CURRY. Yes, sir.

The CHAIRMAN. Can you produce it as cheaply as you can buy it?

Mr. CURRY. There isn't too much difference, frankly. We felt a long time that somewhere between the efficient farmer in Illinois who may be able to produce for 90 cents, and he averages 1 to $1.05, it is very close there. It depends a little on whether you consider your land value today at $2.50 an acre or consider it back there when your father bought it at $60, and this is a basic difference. It depends whether you are borrowing money at production credit at 9½ percent or whether you still have got a bank connection that you are getting some money at 7. These are some of the variables that are making quite a difference between the highly efficient farmer and the average farmer.

The CHAIRMAN. Are you participating in the present program?

Mr. CURRY. We have participated in the program many, many years. We participated in this program every year it has been in effect. Our farm has a smaller wheat base on it, 50 acres, that I believe dates back to the first program. Well, with the changes in between.

But this is one thing that worries us a little in our understanding of the set-aside. Again I say our understanding may not be entirely correct, but from what we understand at this moment, do I dare, even though I might want to, do I dare put corn on that 50-acre wheat base this year and lose it or is this concept highly enough tied into the future of agriculture that we may not have to back up and take another look.

If I lose my 50-acre wheat base, I feel I am lost. Under the present program I can substitute corn for wheat and if the future indicates we have made an error and may have to back up and go in another direction, this is the thing that concerns me. If you lose 20 percent a year, in 5 years it is all gone.

The CHAIRMAN. Do you want to add anything to what Mr. Curry has stated?

Mr. ROBERTS. Not a great deal. I think I would like to emphasize to the committee that I am not a hog producer as Mr. Curry is, although I am somewhat interested in it. But the thing I would like to bring forth is that we don't feel a drastic reduction in price will move any more crop. We don't feel that we can stand a drastic reduction in price.

We feel that we have got to have a basis here whereby we can avoid disaster.

Senator YOUNG. Could I ask a question at that point?

It has been indicated and I think there is a distinct possibility of producing a lot of 100-bushel-an-acre wheat. They do it now on the west coast. Wheat has a little higher feed value per bushel than corn, doesn't it? And it is raised usually on much cheaper land than corn. If big wheat yields like this become general it would increase the availability of feed for livestock. Do you feel this would have an adverse effect on livestock prices.

Mr. CURRY. Yes.

Senator BELLMON. Mr. Chairman——

The CHAIRMAN. Senator Curtis?

Senator CURTIS. Do many of the farmers in your area avail themselves of crop insurance?

Mr. CURRY. Not very much. I am not entirely sure why. The rates are not quite as favorable. I suppose because we are in a little higher hail area and hail insurance is more generally carried with just the private insurance companies.

Senator CURTIS. Well, I won't dwell on it, but in my area it is increasingly becoming an instrument for farm credit.

Mr. CURRY. This is a good point.

Senator CURTIS. Farmers take crop insurance and assign the insurance for bank credit. I am told that it is not being utilized in some communities where sizable portions of farmers have been taking out crop insurance, but neither the bankers nor the county agents nor the farmers themselves happen to think of it.

But in other areas it has been a very good source of credit and sometimes at more reasonable terms.

That is all, Mr. Chairman.

The CHAIRMAN. Senator Bellmon?

Senator BELLMON. Mr. Witness, I noticed when you list crops that you raised, you didn't list wheat. I assume you are substituting corn for wheat.

Mr. CURRY. That is my error. I never thought about it until right now. Yes.

Senator BELLMON. You raise some wheat.

Mr. CURRY. Yes; 50 acres, which is a fairly large size base in Illinois.

Senator BELLMON. If it weren't for the fact that you have to plant that wheat in order to keep your allotment, would you still plant it? Do you like to raise wheat? Is it profitable for you?

Mr. CURRY. There are two or three things, first.

We are each concerned, one, that the livestock business needs a lot of bidding and the straw wheat is a substantial portion of it. One hundred bales of straw at 50 cents a bale amounts to $50 an acre return.

Two, we are hesitant to lose our historical pattern here until we feel more confident in the direction that agriculture is going. That is one of the factors. We can utilize labor to a little advantage in that we harvest in July and plant in October. And we might not be quite so busy. That is not really a big factor.

I think the straw, plus the hesitancy to give up anything until we see this thing settling down, are the important factors.

Senator BELLMON. Do you feel you could make a greater yield per acre from soybeans and corn than you can from wheat? Greater income?

Mr. CURRY. A greater return. Wheat coupled with the certificate plan is on par with corn and with soybeans, in my opinion, in our area. Our yields are a little higher than the national average, too.

Senator BELLMON. What does your wheat normally yield per acre?

Mr. CURRY. We have a proven yield which means that we have got a 5-year record of 50 bushels.

Senator BELLMON. Can you suggest any way that the committee might encourage farmers who have an inefficiently small wheat allotment to give it up? I can't see the economics of a man raising 12 acres of wheat. Frankly, I can't see the economics of raising 50 acres of wheat.

Do you have to keep extra tools?

Mr. CURRY. Right. It does require extra tools. Many have given up their small yields in Illinois and this present program—I am talking about Corn Belt country now—its present program that we have now is allowing complete substitution and this is what they are doing. It does tend to move downward the total price received per acre for voluntary diversion when you do this. But I would say they have done it en masse in Illinois, especially in southern Illinois where the price of soft wheat is bringing—I bought some and paid $1.08 for it. This is ridiculous on a 35-bushel yield anticipated.

With 7½-percent money and $10 an acre taxes, this is—it is just not workable at all.

Senator BELLMON. I want to ask another question.

On page 2 you refer to the wide acceptance of the voluntary concept. I know that the present program is described as being voluntary, but from the economic standpoint just how voluntary is it in your State? Does the farmer really have a choice?

For instance, if you were farming on rented land, would your landlord allow you not to participate?

Mr. CURRY. Oh, yes. Unfortunately, in Illinois, that is a problem. Now, this is not true in Iowa and if Walter Goeppinger were here, he would give a different opinion of the participation in Iowa, where it runs around 80 percent. We are running around 50 percent participation, so that means it is an equal choice. It is being chosen.

Senator BELLMON. I see.

That is all, Mr. Chairman.

The CHAIRMAN. Thank you.

Anything else you want to add?

(No response.)

The CHAIRMAN. Thank you very much.

The committee will stand in recess until tomorrow morning at 10 o'clock.

(Whereupon, at 1 p.m., the committee adjourned, to reconvene at 10 a.m., on Tuesday, February 24, 1970.)

AGRICULTURAL ACT OF 1970

TUESDAY, FEBRUARY 24, 1970

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to recess, at 10:10 a.m., in room 324, Old Senate Office Building, the Honorable Allen J. Ellender (chairman) presiding.

Present: Senators Ellender, Jordan of North Carolina, Allen, Aiken, Miller, Curtis, and Bellmon.

The CHAIRMAN. The committee will please come to order.

This is a continuation of the hearings on the extension of the present farm bill or the creation of a new one, and the first witness for this forming is Mr. Healy, secretary of the National Milk Producers Federation.

Mr. Healy, you may proceed, sir.

STATEMENT OF PATRICK B. HEALY, SECRETARY, NATIONAL MILK PRODUCERS FEDERATION

Mr. HEALY. Thank you, Mr. Chairman.

My name is Patrick B. Healy. I am the secretary of the National Milk Producers Federation with offices at 30 F Street Northwest, Washington, D.C. Mr. Chairman, I have quite a lengthy statement which I would like to file with your permission, and make some brief comments.

The CHAIRMAN. Without objection, that will be done. You may proceed to highlight it.

Mr. HEALY. Thank you, sir.

The policy positions enumerated by the federation are the only nationwide expression on national public policy related solely to dairy farmers and their cooperative associations. This statement will reflect the desires of dairy farmers and their cooperatives with regard to seven points which we think are necessary to the continued good operation of their markets.

Mr. Chairman, I think it is appropriate at this time to say that the dairy farmers of this Nation are generally satisfied with the basic legislation that they have, the legislation which provides for the cooperative structure, the legislation which provides for price supports, and the legislation which provides for market regulatory programs, the Federal order system, and so on.

Senator AIKEN. You do not think they are ready to give up their milk marketing orders?

Mr. HEALY. No, sir. What we are proposing here today are seven ways in which this basic legislation can be changed so as to improve its operation in the markets.

We believe, first, that there should be certain amendments to the Marketing Agreement Act of 1937. We think there should be an amendment to the Agriculture Act of 1949. We are endorsing an extension of the authority beyond June 30 of this year to reimburse farmers for losses due to pesticide residues. We are urging the committee to extend the authority beyond June 30 of this year for the special milk program. Similarly, we urge you to extend the authority beyond December 31 of this year for the Department of Agriculture to provide milk and dairy products to the Armed Forces in veterans hospitals. We again urge effective legislation to regulate the import of dairy products and we want to discuss with the committee a little bit about the need to support prices for manufacturing milk at 90 percent of parity under the current authority in the law.

First, Mr. Chairman, we would like to address ourselves to amendments to the Agricultural Marketing Agreement Act of 1937. The federation supports two measures to amend this act the first of which is contained in S. 3483 and is a method for distributing the returns from the sale of milk among dairy farmers supplying a Federal milk marketing order.

The second is in S. 2015, which would authorize the deduction of funds from the pool in order to finance educational research, promotion, and advertising programs.

We would like first, to address ourselves to S. 3483, which would amend the Agricultural Marketing Agreement Act in three ways. First of all, it would provide for a continuous and a modified and improved class I base plan.

Secondly, it would provide for the continuation of seasonal base plans. And third, it would provide specific statutory authority for the Louisville plans which are designed to maintain prices of milk to handlers at a stable level and a just return seasonally to producers.

The provisions of S. 3483 modify the class I base plan which was contained in the Food and Agriculture Act of 1965. We have worked with Members of the Congress, with the Department of Agriculture, and within our own organization and have substantial agreement on these modifications. The base plan as it is now included in the Food and Agriculture Act expires December 31 of this year. One of the changes which we are proposing in this law is to remove the termination date, make it a permanent part of the Agricultural Marketing Agreement Act.

The CHAIRMAN. As written?

Mr. HEALY. No, sir. With the modifications that we propose here this morning. And make it a permanent part of the act.

The CHAIRMAN. Well, what about the one included in the bill that we are considering?

Mr. HEALY. The one that is in the bill that we are considering includes the modifications and the removal of the termination date, yes, sir.

The CHAIRMAN. Well, in other words, that is the bill that has been proposed by the 27 or 28 associations?

Mr. HEALY. Originally—yes. We are a part of this coalition.

The CHAIRMAN. Coalition.

Mr. HEALY. And we originally wrote this bill into the coalition bill, but since that time, after work here particularly in the Congress, there have been certain modifications proposed. We have talked just this week with the members of this coalition group who have agreed to accept the modifications which are before this committee in S. 3483.

The CHAIRMAN. Now, are you familiar with the consensus bill that has been proposed by the Department as a consensus bill?

Mr. HEALY. Yes, sir, and S. 3483 as it is before this committee is identical to the consensus bill, to the class I base provisions.

The CHAIRMAN. Yes, I understand.

Mr. HEALY. We have almost virtually complete agreement on this—on the provisions of this base plan within the Department of Agriculture, within at least at this time the House Committee on Agriculture, among the farm groups, and I think we have worked this thing out to where it is generally acceptable by all parties.

Senator AIKEN. There is general dissatisfaction with the operations of the Puget Sound base plans operation.

Mr. HEALY. There is general dissatisfaction with the rigidity of that plan and this bill here takes care of the things we have learned in 3 years in operating that plan out there.

Senator AIKEN. That is the only one.

Mr. HEALY. That is the only one. I might say, Senator, that there are 40 markets in this country which have displayed some interest, varying in degrees, in putting a base plan in should we get these provisions that we are asking for here.

Senator AIKEN. However, some are for the new base plan with amendments, which probably would be adapted for themselves, I understand.

Mr. HEALY. May not, but I would say that if we get the law amended as we are proposing here, there will be a substantial number of markets seeking a plan.

Senator AIKEN. I agree. Some of them may want to wait a couple of years and see how it operates as revised.

The CHAIRMAN. Well, to what extent does this new plan that you are proposing, that is, included in the bill—does away with the blend price?

Mr. HEALY. Well, that is its whole purpose, Mr. Chairman.

The CHAIRMAN. I know, but you are for that.

Mr. HEALY. Yes, sir.

The CHAIRMAN. In other words, you are for giving a better price for the milk that is produced for direct consumption?

Mr. HEALY. Yes, sir.

The CHAIRMAN. And give a better support price for the milk that is used for manufacturing.

Mr. HEALY. That is correct.

The CHAIRMAN. But I have been contending that for a long time, as you know.

Mr. HEALY. I know that. We were very happy to bring this to you today because we know of your feeling on it.

The CHAIRMAN. Well, I am happy that has occurred and the only thing—I object that it took so long to come to that conclusion.

Mr. HEALY. This, of course——

The CHAIRMAN. I am very hopeful——

Mr. HEALY. This, of course, will not become a mandatory law but will be available.

The CHAIRMAN. I understand.

Mr. HEALY. Because——

The CHAIRMAN. But still, those who desire to participate in such a program may do it.

Mr. HEALY. Will have it available, yes, sir.

The CHAIRMAN. All right.

Mr. HEALY. And I must again emphasize to the committee that S. 3483 is a consensus bill. It is something that has been worked out among all of the parties which have an interest in this program, both in the Congress, in the Department of Agriculture, and among the farm groups of the country. So, it is a very precise thing, too. It is something which we learned last time can be changed substantially by just a little rearranging, so we would endorse this thing to you as it is written.

It does, as we pointed out, remove the termination date—makes adequate provision for new producers while at the same time to a reasonable degree protects the status of the established producers in the market. It is in the last analysis, Senator, a method under which farmers distribute money which is already theirs. It does not affect the price to handlers or to consumers. It ends for all time where it is used this base race which has accelerated production needlessly in many markets in this country. It is a good piece of legislation. It is something that the milk producers of this Nation have sought since 1961 and if we can have it, it is one more thing that we can put behind us and go on about our business.

The second part of that same bill provides statutory authority for seasonal bases. It provides for an arrangement under which prices can be increased during the fall months of the year to encourage production when the milk is needed and when the animals normally would not produce as much, and for lower prices during the summer months, the spring months, when the normal process would make more milk available to the market.

It has a third provision which allows for the so-called Louisville plan which provides statutory authority for the Louisville plan which is now used by some 18 orders in the country. Under this system certain amounts of money are taken out of the pool during the peak production seasons and fed back into the pool during the short production seasons. This has two advantages. First of all, it allows for stable pricing to handlers, and second, does provide this incentive for leveling production in the markets so we do not have way to much in the spring and not quite enough in the fall.

This has been, we believe—we believe it is currently authorized under the act. The Department of Agriculture has suggested that we seek specific statutory authority for this. It is a commonly used part of the orders and one which could well be written specifically into the act.

The second major amendment which we are suggesting to the Marketing Agreement Act deals with the authority to use pool funds under

the order program to support advertising, research, promotion, educational programs as to milk so as to increase their sales. The program would work as follows: Funds would be deducted from the total pool of money available to farmers. Again, we are speaking of farmers' money. The milk is sold in the market, the money is accumulated in the pool, and certain parts of that would be set aside for use by a producer committee elected in the market for certain specific uses; advertising, research, promotion, development.

The CHAIRMAN. Is there a limitation as to how much could be used out of the pool?

Mr. HEALY. No, sir, no limitation.

The CHAIRMAN. It is left to the management?

Mr. HEALY. The specifics of this plan would be developed just as the specifics of any part of an order drawn or through the hearing process.

Senator AIKEN. Would these deductions be put in separate funds or would they be combined with the ADA or would that depend upon the order area?

Mr. HEALY. This would depend upon the order area. The legislation provides that there would be a producer committee which would direct the funds and they could well be directed to ADA or to National Dairy Council or to this new DDI that is in your part of the country at the direction of this producer committee.

Senator AIKEN. Now, is it the ADA that raises about a million and a half?

Mr. HEALY. The ADA raises about $15 million.

Senator AIKEN. $15 million?

Mr. HEALY. Yes, sir.

Senator AIKEN. I guess probably it is our area that raises about one and a half.

Mr. HEALY. That would be close to right.

Senator AIKEN. I have noticed they get out some very different publicity advertising on TV than they had before.

Senator JORDAN. Would this fund be handled by your producers?

Mr. HEALY. Yes, sir. There would be arrangements developed through the hearing process to put together a committee of producers to administer the funds.

Senator AIKEN. I believe the State of New Hampshire has a constitutional prohibition against this. How do we get around that?

Mr. HEALY. Well, in the first place——

Senator AIKEN. I know 90 percent of them are voluntary.

Mr. HEALY. 90 percent of them are voluntary but if it were legally impossible to do this—we would be able to separate out those who could not contribute or who must contribute voluntarily and take moneys which were developed by the milk farmers elsewhere. I do not think it is necessary for us here this morning to impress this committee with the necessity for advertising milk and for conducting nutrition research and educating people as to its nutritive value. I think the important thing to emphasize is that the collection costs on these voluntary programs are so great that much of the farmers' money which is generated is unable to be spent for the purpose for which it is deducted. It costs tremendous amounts of money to continuously convince farmers that they should advertise and to arrange for the

collection of these funds. If we were able to have this legislation, we would go through the normal hearing process that we do now as it relates to any provision of any order. The Secretary would as a result of that hearing record, develop a program. He would put it to the farmers for referendum. It would take the positive vote of two-thirds of the farmers to put the program into existence. If at any time 50 percent of the farmers or one more than 50 percent decided that they did not want the program, they merely have to notify the Secretary and it is out. So, we are not——

The CHAIRMAN. Would this advertising be nationwide or restricted?

Mr. HEALY. It could be either, Senator. This would be at the discretion of this producer committee.

The CHAIRMAN. And the law is broad enough to make it nationwide?

Mr. HEALY. Broad enough to make it nationwide, broad enough to allow these funds to be used in the programs which are now in existence such as dairy council and ADA, but also broad enough to allow this local producers committee to make up its own mind what it wants to do with its own money.

The CHAIRMAN. Now, how about the voting of members of the cooperative? Could a cooperative cast it for all its members or——

Mr. HEALY. Under the legislation that we have in now, it would be—a vote would be made by the cooperative association. There is, as you probably know, some—I should not say some, but considerable controversy over this.

The CHAIRMAN. Yes, I know that.

Mr. HEALY. We are currently working with the farm organization which has raised this point and I would say are closer to resolving this point of controversy between this legislation and their views on it than we ever have been, and I would expect that within a year we should be able to resolve this and hopefully bring legislation to the Congress in which all parties are in agreement just as they are now on the class I base plan.

The CHAIRMAN. Well, could you give us an idea as to whether or not we might put into the law a provision that would be permissive and not have to come back to Washington, to the Congress for additional——

Mr. HEALY. This bill as we have proposed it here is again permissive legislation. It is only enabling legislation just as the class I base plan is. It is left to the discretion of the farmers in each market as to whether they——

The CHAIRMAN. I understand that, but I mean as to the method of voting.

Mr. HEALY. This is one possibility, Mr. Chairman.

The CHAIRMAN. Well, if we could do that, I think it would be better than to postpone it, because, as you know, there is a lot of opposition to having one cooperative vote the views of maybe 1,500 members.

Senator AIKEN. They are supposed to have the consent of 51 percent of their members to do that, I believe.

Mr. HEALY. That is correct.

Senator AIKEN. And that is where the saving——

Mr. HEALY. Well, I think that—Senator Aiken points out they are supposed to have 51 percent of their members before they do something

like this, but it works out that before they would go into something like this, they would have virtually complete support of their membership because if they were to vote the board of directors to take money from their members' funds to spend you can bet that they would be pretty sure that most of the people wanted it.

Senator AIKEN. They would not do it unless they had a very large majority, I am sure.

Mr. HEALY. And furthermore, Mr. Chairman, we have always looked upon this thing as a marketing device. It is part of the market. You must collect the milk. You must find a market for it. You must advertise it. You must do research. You must do these things to properly market milk and it is as much of a marketing technique and, therefore, the business of the board of directors of the cooperative as any other part of the marketing process might be.

My organization stands fully behind this legislation as it is before the Congress. We would not, however, want a controversy which we recognize as being in existence to preclude the adoption of other legislation which we are proposing because I believe that we are very close to resolving this controversy. Maybe your suggestion is a point around which we can develop a solution to this controversy.

The CHAIRMAN. Well, I wish you would give it thought. The problem of having so many to vote for a plan on its own so that each individual can cast his own vote.

Mr. HEALY. Well, this is one of the solutions that is possible. Our people have been, of course, charged with the responsibility for marketing this milk for upward of 50 years and we think—they think they have done a very good job in doing this and they think this is another tool that can be used.

Senator AIKEN. Why not say the directors of a cooperative with the consent of two-thirds or more of their members could cast a vote for all of them?

Mr. HEALY. This might be another solution.

The CHAIRMAN. I think there is a possibility of doing it in this legislation.

Senator AIKEN. Yes.

Mr. HEALY. Very good.

The CHAIRMAN. Instead of discussing it further, let us try to——

Senator AIKEN. Put a hedge in there somewhere.

Mr. HEALY. We will pursue this vigorously, Senator.

Senator AIKEN. And then later on if we think it is advisable——

The CHAIRMAN. Well, it is easier to do that——

Senator AIKEN.Remove the——

The CHAIRMAN (continuing). Than to wait and wait and put a complete program in. I would rather try to have some kind of—some language in there would permit this to happen.

Mr. HEALY. Right. Let us pursue that because we are in communication with the people who oppose it.

The CHAIRMAN. Now, as you know, we had—you know Dave Pierce from my State, secretary of agriculture?

Mr. HEALY. Yes, indeed.

The CHAIRMAN. He has done pretty well for the milk people in Louisiana and southwest Mississippi, and I hope that nothing in this bill will prevent him from continuing to do that if it is possible.

Mr. HEALY. No. I will tell you, the people in your State of Louisiana generally support this bill. All of the milk producer groups down there, and I know the people so very closely with them that they must be in agreement on it. I have not talked to them about it.

While we are on this subject of advertising milk, it is extremely important now with the advent of the ersatz milks which are appearing in the market—many of these products are little more than mixtures of chemicals and water. The Food and Drug Administration has, I think, got away out ahead of itself in approving some of these things. Much to their later sorrow after they get some clinical data on them, they discover that they made horrible mistakes and must pull back.

Right now Food and Drug Administration is in the process of issuing a standard for imitation milk. There is virtually no imitation milk sold in the market today and why they feel that they have got to waste their time and their money and the talents of their people to provide a standard for something that is almost not sold without having the clinical data available to discern, to decide whether these products are fit food for the people who normally drink milk.

Senator JORDAN. Are you talking about Pream and that type stuff?

Mr. HEALY. No, sir. I am alking about pure imitation milk which is really a mixture of chemicals and water and they are right in the process today of developing a standard for this stuff which—it is again something on which everybody in my industry is united. We oppose it. We think that it is a terrible waste of the time for this agency to engage in. We think that it is dangerous for them to be doing it because we do not know what this stuff is going to do after people drink it for a while, and——

Senator CURTIS. What is the origin of the chemicals?

Mr. HEALY. I do not know, Senator. One of the basic chemicals, sodium caseinate, which has its origin in milk; but the others, I really do not know what they are. I am not qualified to know.

Senator CURTIS. Do you know, Mr. Chairman?

The CHAIRMAN. No, I do not. All that is a secret, you know.

Mr. HEALY. But there has been absolutely no clinical work done on this at all. They have done very little animal work on it. They are able to say that it is chemically equal to milk. We do not know whether—we can stack fat up beside coal, for instance, and have the same chemical energy. We must be careful of this product. I would think it might be a real service for this committee to—or at least the members of this committee——

Senator JORDAN. Maybe that thought hit them when they saw some of this milk. They used to say about milk that the farmers saw a branch on the way to town and it looked a little bit blue.

Mr. HEALY. We have solved that. I think it would be a very good thing for members of this committee to be sure that the Food and Drug Administration knows what it is doing before it issues this standard which will be used.

Senator CURTIS. Before you leave that subject, I would like to know are there any companies that in any way benefit from our existing milk program or what you propose here who are dabbling in this imitation field? You do not need to name them. I just want——

Mr. HEALY. Yes, there are. Senator Jordan brought up this imita-

tion cream thing and, of course, many of them do produce and market this, yes.

Senator CURTIS. And by that you mean that they benefit financially from this.

Mr. HEALY. Oh, I would think so. They put a lot of money into promoting it, so I would judge——

Senator CURTIS. Do they benefit financially from the Government program on milk?

Senator JORDAN. No. No milk is involved in it at all.

Mr. HEALY. No. We are fearful that they will benefit financially from the use of this imitation standard if Food and Drug administers it because then they will use that as a springboard——

Senator CURTIS. What I am getting at, are we using the power and the funds of the Government to assist manufacturers and distributors of dairy products who in turn are engaged in the synthetic competition to dairy products?

Mr. HEALY. I believe, Senator, that the basic programs which this committee oversees are designed to benefit farmers.

Senator CURTIS. I understand that.

Mr. HEALY. They do to this degree, to the degree that they provide a stable market for the proprietary handlers of milk to move their product they benefit those people. I do not believe that there is any direct benefit to proprietary handlers from these programs. I would say—I return again to this Food and Drug thing—if this is issued, then this will be merely a tool which they will use to promote this product about which so little is known and in that respect I would answer yes to your question, that this would be an action by the Government which would aid people in preying on a market which farmers have developed for a highly nutritious food.

Senator CURTIS. Then, it would be an action by Government by reason of the approval of the Pure Food and Drug?

Mr. HEALY. Right, that is correct.

Senator CURTIS. Because they use that as a selling gimmick, that Pure Food and Drug have approved it or something or other.

Mr. HEALY. Yes, sir; and you know, along that same line, I do not have this in my statement but I think it is again something that this committee should know of. There is a law which says that oleomargarine cannot prey upon the market which butter has developed for itself. This law has been assigned for administration to the Federal Trade Commission. I am sure that all of you have seen these advertisements which have appeared on television in the last 6 months to an increasing degree. They are clearly in violation, not only of the law which Congress passed, but of the law as tested by the courts.

We have made five complaints on five companies which are clearly in violation of this law to the Trade Commission and I have been told by one of the members of the Commission, one of the Commissioners, that we are to receive a letter very shortly telling us that this is a trivial matter and, therefore, they are not going to waste their time on it. And when this Congress passes a law and the President signs that law and assigns it to a Government agency to administer, I cannot believe that it is a trivial matter that they should not make these companies obey. I think it is a terrible thing.

The CHAIRMAN. Well, you are not opposed to oleomargerine companies making oleo look and taste like butter.

Mr. HEALY. No, sir. They have done that. What I am complaining about, Senator, is the nonenforcement of the law. There is no law which precludes that but there is one which precludes their trading on dairy terms when they advertise, and we cannot get that law enforced and I think that is a terrible thing.

Senator JORDAN. What you are saying about their synthetic milk, if you want to call it that, is that it could be a competitor to milk.

Mr. HEALY. It could be, yes, sir.

Senator JORDAN. That is what you are fearful of.

Mr. HEALY. Yes, sir.

Senator JORDAN. Well, I can understand that, but I also would say without any hesitation anybody who can develop a product that is good and is nutritious and does not harm anybody has a right to sell it. I do not care what it is made out of.

Senator CURTIS. But Pure Food and Drug do not have all the answers. I would still rather drink milk than coal or petroleum.

Senator JORDAN. I think I would, too, but that still does not preclude somebody from making something that is wholesome and selling it.

The CHAIRMAN. I wish they could apply that to cotton and get my friend from North Carolina here to use more cotton in his mills.

Senator JORDAN. He wants to do away with nylon. It is all right with me.

Mr. HEALY. Senator, we make no objection whatsoever to the development of food products and their sale in the market. Our major objection here today as regards this imitation milk is that we do not know whether it is a food product and if Food and Drug issues this standard for identity, it will by decree become a food product and we have seen—our most recent example is these cyclamates. I do not know what is good or bad about them but here all of a sudden—they were things that could be used and all of a sudden they were not, as soon as clinical data was available, and I think Food and Drug ought to be very careful with diddling with this milk which has nurtured the human race.

The CHAIRMAN. But all of these problems, of course, are within the jurisdiction of other committees. I hope we can deal with milk and butter.

Mr. HEALY. Yes, sir.

Senator MILLER. What agency did you say you have not been able to get to move on this abuse of advertising?

Mr. HEALY. The Federal Trade Commission.

The CHAIRMAN. Proceed.

Mr. HEALY. Yes, sir. The next legislation which we are proposing has to do with the Agricultural Act of 1949. There must be some way found to shift part of the price burden from the fat fraction of milk to the nonfat side because over many years we have lost sales both of butter and of fat in fluid milk to the point today where it is beginning to burden our market. And we are proposing merely that the mandatory requirement to support the price of butterfat marketed in farm-separated cream be removed from the Agriculture Act of 1949. This would in no way change the support program as it is operated

today. The Department of Agriculture would continue to buy butter, all the grades it buys today, buy nonfat dry milk and buy cheese. The only change it would make is that it would give the Secretary of Agriculture some badly needed discretion in establishing a price between butter and nonfat dry milk.

Senator JORDAN. May I ask a question at this point? Do they get most of the butter from the nonfat dry milk? Is that where the largest part of the butter comes from that they have to market?

Mr. HEALY. Yes, sir. As you know, milk contains butterfat and nonfat milk solids.

Senator JORDAN. I do know. I am an old two-handed milker.

Mr. HEALY. And they separate it and make nonfat dry milk out of the nonfat side and they make butter out of the fat side. So, when milk comes into a surplus plant they can do two things with it. They can make cheese out of it, which requires the whole milk or they can make butter and powder out of it, and what we are talking about here is a means to allow the Secretary of Agriculture to decide, after consultation with interested parties, as to how much of that price he must put on the butter and how much he must put on the nonfat dry milk.

He is bound by this provision which is currently in the law, first, to meet the requirements of the law by putting so much of that price on butter, then putting what remains on the nonfat dry milk. This was a necessary thing in 1949 when the Agriculture Act was passed because a great part of our butter was made from farm-separated cream at that time. Now less than 1½ percent of it is, and it is really time to make a change to keep this law in tune with marketing conditions of today.

Senator JORDAN. In most of the milk that is delivered to the homes and the hotels, here and everywhere else, the cream has not been separated from it?

Mr. HEALY. No, sir.

Senator JORDAN. It is not supposed to have been?

Mr. HEALY. Well, in many areas it is standardized. Some areas require that it cannot be. But I would say that in most areas part of the cream has been taken off. Part of the fat has been taken out of that milk.

As a matter of great interest, Senator, in that same regard, since the 1949 act was passed and up through last year, a very good estimate tells us that fluid milk products today have six-tenths of 1 percent less fat in them than they had in 1949 and that means, out of the milk that is sold today, that six-tenths of 1 percent of fat which used to be put into the fluid milk products is providing 318 million pounds of butter. So, much of the butter that we have results from this standardization.

Senator MILLER. Who makes the decision on that standardization?

Mr. HEALY. The market does.

Senator MILLER. Well, I mean that is not included in a marketing order?

Mr. HEALY. No sir; not at all.

Senator JORDAN. Some States do.

Mr. HEALY. You know there is a lot of bottled skimmed milk sold.

Senator JORDAN. Do some States set a minimum standard for the butterfat?

Mr. HEALY. A minimum standard for milk but they also allow the sale of 2 percent or 1 percent milk or skimmed milk.

Senator MILLER. Do we not have a Federal standard for that?

Mr. HEALY. Not on fluid milk.

Senator MILLER. I thought we had one on ice cream that was established and some of the States were unhappy because the Federal standard was less than theirs and——

Mr. HEALY. Yes.

Senator MILLER. They argued that this was destroying the quality of their ice cream. Do we have something like that in milk?

Mr. HEALY. Many States require regular fluid milk to contain a minimum of 3.25 percent butterfat.

Senator MILLER. Below which you cannot go but some States may have it higher. That is what you are saying?

Mr. HEALY. No, sir; what I am saying is that they also market a low-fat milk which is 2 percent butterfat. They also market a lower fat milk. They also market skimmed milk and many people today are drinking these things instead of the full-fat milk.

Senator MILLER. I appreciate that, but when you go into a store here in the District of Columbia or in Virginia or out in Maryland and you buy a typical quart or 2-quart carton of homogenized vitamin D milk, top quality, are those all going to be the same in this area?

Mr. HEALY. Not necessarily. In many States they must be at least 3.25 percent.

Senator MILLER. At least, but according to your statistics they have been coming down on a national basis.

Mr. HEALY. In years past they ran 3.7, 3.8, and higher, but now many dairies are standardizing their milk at the minimum level.

Senator MILLER. To this Federal level.

Mr. HEALY. To the required minimum level.

Senator JORDAN. No prohibition on selling the higher fats.

Mr. HEALY. Some do, but in their aggregate, when considered with the low-fat milk, the change between 1949 when this Agriculture Act was passed and today amounts to an equivalent of over 300 million pounds of butter.

Senator MILLER. Now, if we are concerned about the supply of butter, would it not indicate a change upward in the Federal standard, because, as I understand it, that Federal standard is resulting in a fallout of increased butter, so if we are concerned about the increase in butter, why not raise the Federal standard a little bit?

Mr. HEALY. Well, it would be one way to approach it, but I think, Senator, that to get the necessary agreement on this thing might be almost an insurmountable task.

Senator JORDAN. There is no shortage of butter today?

Mr. HEALY. There is no shortage.

Senator MILLER. I understand if anything there is more than enough. We have got a problem on butter, have we not?

Mr. HEALY. Well, not as a matter of fact. We are a little fearful that we can, in the not too distant future, have a problem on the undersupply side.

Senator MILLER. Why would it not be a good idea to give the Secretary a little flexibility and let him set the standard for this butterfat

content in milk and if, in the coming year it is indicated that we are going to have an oversupply of butter, just let him increase that standard a little bit?

The CHAIRMAN. Could he not do that under the present law?

Mr. HEALY. No, sir.

The CHAIRMAN. That is the minimum?

Mr. HEALY. No. The Secretary really does not——

The CHAIRMAN. We are talking about a minimum, 2.6.

Mr. HEALY. The Secretary really does not have any authority to set this fat content.

Senator MILLER. This is done by law?

Mr. HEALY. There is a standard which has been adopted in many States, but it is a minimum. A Federal standard might be prescribed by regulation.

The CHAIRMAN. By regulation.

Senator MILLER. Well, the regulation under authority we have given the Secretary.

The CHAIRMAN. If you can regulate it at 2.6 you can make it 2.9 if you want to.

Senator MILLER. That would be my point.

The CHAIRMAN. I think he has that authority under the present law. Our counsel happens to be on the floor.

Mr. HEALY. I am afraid not, and I will tell you, Senator, I really do not think you could get agreement to do that.

The CHAIRMAN. Let us look into it.

Mr. HEALY. But this thing, to give the Secretary the discretion to assign support prices between the fat and nonfat fraction of milk, is a commendable thing. It is something which the Secretary of Agriculture agrees he should have and I have his personal assurance that he supports this.

The CHAIRMAN. Now, what you are talking about now is in neither of these bills. That is additional legislation.

Mr. HEALY. Yes, sir; and we have appended such a piece of legislation to our statement.

The CHAIRMAN. All right. I wish, in addition to that, that you would submit to the committee in connection with your testimony such amendments as may carry out your suggestions.

Mr. HEALY. Yes, sir. We have that appended to our statement.

The CHAIRMAN. You have got it appended to your statement?

Mr. HEALY. Yes, sir.

The CHAIRMAN. Proceed.

Senator CURTIS. Before he leaves that subject of the substitutes, Mr. Chairman, is anything being done to find out what is in these commodities that are selling as ice cream or something similar to ice cream even though they do not use the words ice cream?

Mr. HEALY. Yes, I think we generally know what they have.

Senator CURTIS. Is it a dairy product basically?

Mr. HEALY. Yes. Quite often the major difference in items which are sold under a name different than ice cream is that the butterfat has been removed and a vegetable fat has been substituted for it.

Senator CURTIS. Vegetable fat has been added and something in lieu of sugar?

Mr. HEALY. Vegetable fat in lieu of butterfat.

Senator CURTIS. Any other chemicals in it?

Mr. HEALY. There are really two general types. One, the so-called mellorine in which the vegetable oil has been substituted for the butterfat and the others are the custard-type products and they are, of course, different from ice ceram. We generally know what is in them.

The CHAIRMAN. Proceed.

Mr. HEALY. Next, Mr. Chairman, we would like to discuss the necessity for extending beyond the termination date which is June 30 of this year, 1970, the authority for the indemnity program for pesticides in milk. Now, this is not a great program of great import to the milk economics of this country unless it happens to be your milk that is hit by it. We are not trying to make any case here for the farmer who does not follow the rules. What we are worried about is this man who has his fields next to an orchard or next to a cotton crop which may have been sprayed and the pesticide drifts over and gets into his feed and, therefore, into his cow and into his milk. He is required for long periods of time to refrain from marketing that milk. The program has been in existence since 1964 and just a little more than $1 million has been spent on it. It has averaged something under $200,000 a year. As I say, it is not of great national economic importance but it represents the difference between continuing ability to live and to farm to the person that it hits.

Senator JORDAN. That is not a great problem now. There is a great deal of discussion going on now, and in some States it has already been done, about outlawing DDT. That is your big enemy, I understand.

Mr. HEALY. Right, but the same thing holds true to all the chlorinated hydrocarbons, all of the persistent pesticides, and the same types of chemicals are used for weed killers along roads. They are persistent. They stay in the soils and they have caused quite a bit of trouble. And to the farmer that is hit, it is a very, very tragic thing.

Senator JORDAN. What do you do about it? Pay him for his milk?

Mr. HEALY. While he is purging——

Senator JORDAN. How long does it take for a cow to get rid of that?

Mr. HEALY. For a herd it can take upward to 4 or 5 months.

Senator JORDAN. You have to change the feed to a feed that does not contaminate.

Mr. HEALY. You must have the feed tested, have a clean feed, many, many things, which purges the animal of this residue of pesticide, and it is not an expensive program. It has been a lifesaver to the few people who have been hit and one which we recommend very highly to this committee.

The next thing, Mr. Chairman, is the special milk program for children. The authority for that program runs out June 30 of 1970. This is one of the most successful programs which has ever been developed for the distribution of food among people who need it badly. It was established in 1954 by action of this committee and rose from a participation of 2½ million children in 1955 to more than 17 million who now participate.

The authority for the program runs out and, of course, at the same time we have the budget problem for this program.

Senator MILLER. What is that budget problem?

Mr. HEALY. The budget problem is that there is no provision for it in the current budget which has been submitted to the Congress.

Senator MILLER. Do I understand the reason for that is that they intend to phase it in, if anything, on an increased basis, as a part of some other program?

Mr. HEALY. Yes, sir. We have heard that, too, but we have looked at the phasing-in process and it just is not there.

Senator MILLER. If it were there, would that satisfy you? It seems to me that what we are after here is the continuation and, if anything, enhancement of the nutrition activities going to these schoolchildren and, whether you call it a school lunch program or children's milk program or anything else, the important thing is that they get it. So, I had understood that the reason it was not in the budget was because the intention was that the quantities of milk that go into this program now would be phased into some other program. Now, if it is not going to be that way, I certainly want to know about it.

Mr. HEALY. Well, it just is not—last year under the milk program there were about 3 billion servings of milk. Under this phasing-in program we would lose about 2½ billion of those servings.

Senator MILLER. And they would not show up in some other program?

Mr. HEALY. No, sir. No, sir. And I cannot for the life of me understand why in this day when our great emphasis is on nutrition and we are trying to develop programs, many of which are questionable, that we start out by knocking out the one highly successful nutritional program which this Congress has authorized.

Senator MILLER. I could not understand it either, unless we were going to see to it that an equivalent amount at least is showing up in some other program.

Mr. HEALY. Well, it is just not there. We have looked at the numbers. We have talked to the people who administer the program and it is just not there.

Senator MILLER. Have you got an analysis made of that proposed program?

Mr. HEALY. Yes, we made one. I do not have it with me but I will be glad to furnish it for the record and send you a copy.

Senator MILLER. Mr. Chairman, may we have him do that?

The CHAIRMAN. I was going to suggest this. I would like to have for the record—I am sure you would, too—a list of those special programs——

Mr. HEALY. Yes, sir.

The CHAIRMAN (continuing). Outside of price supports now in which milk producers benefit because there is a string of them.

Mr. HEALY. Yes, sir.

The CHAIRMAN. And what I would like to put in the record for comparison is all of these programs and the approximate cost of them.

Mr. HEALY. Yes, sir, we would be very glad to supply that.

Senator MILLER. And also how this shows up in the new budget with this switch here that you are objecting to. I think it would be helpful to the committee to have that in the record, Mr. Chairman.

The CHAIRMAN. Very well.

(The information is as follows:)

PROGRAMS FOR WHICH APPROPRIATIONS ARE MADE TO BENEFIT DAIRYING

For F.Y. 1970, programs for which appropriations were made to benefit dairying include the following:

School Milk Program for Children.—$84 million was appropriated.

Indemnity Payments to Dairy Farmers.—Under this program payments are made to dairy farmers who have been directed to remove their milk from commercial markets because it contained residues of chemicals registered and approved by the Federal government; and contamination resulted from factors outside the control of the farmer. For F.Y. 1970, $200,000 was appropriated.

Marketing Agreements and Orders.—Administration at the local level is financed by local assessments upon handlers. The Federal costs of administering the program—as identified in the President's "Federal Economy Act of 1970" requesting recovery of such costs—amount to $2 million. As of June 30, 1969 there were in effect 67 orders for milk; 4 agreements and orders for tree fruits, nuts, and vegetables; and 1 (one) order for shade grown tobacco.

Purchases of Dairy Products Under Section 709 of the Food and Agriculture Act of 1965.—About $7½ million.

	Fiscal year 1970	Fiscal year 1971	Increase (+) or decrease (−)
School milk	[1] 3,000,000,000	[2] 0	−3,000,000,000
School lunch, etc	[3] 4,035,000,000	[3] 5,581,400,000	+546,400,000
Net decrease (½ pints of milk)			−2,453,600,000

[1] Page 143—2d col. Appendix to the budget for fiscal year 1971.
[2] Page 143—1st col. Appendix to the budget for fiscal year 1971.
[3] Page 145—2d col. Appendix to the budget for fiscal year 1971.

Senator JORDAN. I thoroughly agree with you on that. I think the school milk program ought to be out in the open, where you call it what it is, vote for it rather than tying it in with something else. Otherwise you get a good thing mixed in with a lot of stuff you do not want. This is the old stunt. I would vote for keeping this program out in the open so you know where it is going and what it is costing.

The CHAIRMAN. I think this committee has made provision for all of that and has done quite a bit for the milk business, but today and yesterday we have been knocked around by the so-called McGovern committee. Here we voted for programs unanimously but the McGovern committee has been able to override the views and some of the suggestions made by this committee. And I think it is reaching a point where it seems as though the Senate is more willing to follow the Nutrition Committee than the Agriculture Committee, standing Agriculture Committee.

Mr. HEALY. Senator, there are two things I think that are important. First of all, this milk program expires June 30.

The CHAIRMAN. I understand.

Mr. HEALY. There has been a bill passed by overwhelming majority in the House, I think 384 to 2, to continue it. We are asking that you include a continuation——

The CHAIRMAN. You do not have to worry about that, I do not suppose.

Mr. HEALY (continuing). In the farm bill. Now, if by chance the farm bill does not move along fast enough so that this authority will be available on July 1, we would hope that this committee could make some expression of its feeling in this regard so that we will be able to go to the Appropriations Committee and seek the necessary funds to fund the program should it be authorized.

The CHAIRMAN. Well, because of the uncertainty of what is going to happen in the House, I would not advise you to put it in this bill. You might simply take the House bill and act separately from the general farm bill.

Mr. HEALY. This is one of the things which we have considered but by the same token, Senator, we are very anxious to keep this milk program under the jurisdiction of the Agriculture Committees in both Houses and we are trying to get it done within time and leave it where it belongs.

I think, Senator, we will provide that material you want but I think that you should be mindful and the committee should be mindful that milk is a part of most nutrition programs because it is such a great, highly nutritive food, and, therefore, necessary to have in there.

One other item we are suggesting for amendment to the Agriculture Act of 1949 is the continuing ability of the CCC to make its surplus commodities available to the Armed Forces and to the veterans hospitals.

This is a very worthwhile program, a very worthy use to which to put excess dairy products. That authority expires and really should be extended.

The sixth item which we wish to draw to the attention of the committee is the fact that we still today do not have effective control over the imports of dairy products into this country. We have enunciated the continuous history of evasion and contravention and subterfuge which have been used since 1953 when the current legislation was put into operation to dump surpluses of the world on our market. We have here another instance of refusal of a Government agency to apply a law. The law requires that the Secretary of the Treasury apply countervailing duties to imports of commodities which are subsidized so that they can be imported. I think virtually every member of this committee has written the Secretary of the Treasury asking him to apply this law which is mandatory but has no discretion in it whatsoever, and I think for 2 years Members of this Congress, and particularly the members of this committee, have been attempting to encourage him to apply this law which he is charged with administering, and his replies to you have indicated that for 2 years he is investigating it. He needs no more investigation.

Senator JORDAN. Is that largely canned milk, evaporated milk?

Mr. HEALY. It applies to anything—canned milk. It applies to cheese. It applies to this new ice cream coming in, all of which is coming in from Western Europe.

Senator MILLER. I thought a couple of years ago either the Secretary of the Treasury or the Tariff Commission revised some of the formulas to prevent abuse.

Mr. HEALY. They did.

Senator MILLER. And are you saying that that revision was not effective or are they——

Mr. HEALY. No, sir.

Senator MILLER. I know the game of musical chairs that has been going on. We set a standard, then they horse around with something else that just gets in under the margin, but I know there was a lot of hope expressed at the time that this was going to kill off most of that abuse but you are saying that it has not done that.

Mr. HEALY. Well, they applied quotas at that time, it was about a year and a half ago, which allowed for about 900 million pounds of milk equivalent to come into the country, and today it is coming in at the rate of about 1,600 million, which is almost twice what the quotas allow for.

Senator MILLER. Well, do you have any specific quota legislation that you have in mind?

Mr. HEALY. Yes, sir. There is a bill before this committee, S. 612, which——

Senator MILLER. And S. 612 would meet your recommendation?

Mr. HEALY. Yes, sir. And that bill has widespread support in the Congress—260 Members of the Congress, I think 59 Members of the Senate, have cosponsored identical legislation, in the last Congress, and another 200 some odd Members of the House identical legislation. It has widespread support.

It is not a greedy bill. It is a bill which is designed to prevent subterfuge and countervention. It provides all the necessary outs for the President to take in the national interest. It is a good, sound piece of legislation and certainly should be passed.

Senator JORDAN. May I ask you a question? Are you satisfied with the quality of milk that is brought in here; that is, with the inspection from the other side?

Mr. HEALY. No, sir.

Senator JORDAN. That has concerned me considerably because I do not think we have got an adequate check as to what that milk does contain in the form of diseases and things that could be brought in here.

Mr. HEALY. There is not much milk involved in this, Senator Jordan, but just today the newest item that we are bringing in is so-called ice cream, and if that were coming in here for reprocessing, it would be stopped by the quota laws, so they say it is not coming in for reprocessing. It is coming in to be eaten as is. It is coming from Belgium. Belgium is a hoof-and-mouth country. No milk can be imported from a hoof-and-mouth country unless it is coming in for reprocessing and, therefore, pasteurization under our standards. So, to the customs people they say it is not going to be reprocessed, so it can get away from the quota laws; to the Department of Agriculture they say it is going to be reprocessed so they can get away from the hoof and mouth. These kind of things just should not exist. The legislation is——

Senator JORDAN. I can tell you our State Department is more interested in everybody else in the world than it is in the United States.

Mr. HEALY. That is correct.

Senator JORDAN. I have been trying to get a U.S. desk put in our State Department so we will have somebody to look after us. We need one.

The CHAIRMAN. Well, all of this, Mr. Healy, is special legislation. Let us try to get our testimony as to the bill before us because we could spend all the time here and go over all of these bills. We have got a lot of witnesses from other places.

Mr. HEALY. Yes, sir. The last item I want to talk about does not require legislation but is of interest to this committee. Milk produc-

tion shows every indication of declining. We need an immediate increase in the price support to the legal limit allowed by law. We have appealed to the Secretary of Agriculture. We are in communication with him on this point and we would hope that the members of this committee could find it within themselves to look into our statement on this which is included at the end of our statement, and communicate with the Secretary. This is a very, very important thing, Senator.

Senator BELLMON. Mr. Chairman, may I ask one question? I remember the days when we did not have oleo and when it had to be sold white, and then be colored, and all that stuff, and now, of course, it is pretty well taking over from butter. Also a while back I visited an approved manufacturing plant in Minneapolis and was shown synthetic meat, meat made from fibers spun out of plant protein. I was told they were making synthetic milk pretty much in the same way. Now, my question is: Is there a law or do we need any legislation to cope with this sort of problem? Or do you see it coming?

Mr. HEALY. What I have asked, Senator, is that we do not allow for the use of the regulatory authority of the Food and Drug Administration to promote this type of thing until at least we know more about it. They are about to issue a standard for imitation milk which would be used, I am sure, to promote the product really before it is on the market, before anybody—before the nutritionists of our country know anything about imitation milk.

Senator BELLMON. Did you cover this in your testimony?

Mr. HEALY. Yes, sir.

Senator BELLMON. I am sorry. I was not here.

The CHAIRMAN. Thank you.

Mr. HEALY. Thank you, Senator.

Senator CURTIS. May I ask a couple of questions?

If you get everything you are asking for here, what will it do to the price paid to milk producers, say, in the eastern Nebraska area?

Mr. HEALY. The price paid to producers now in the eastern Nebraska area is fairly good. If we got everything that we were asking for here, it would prevent that price from dropping, I would say, 60 cents by spring.

This is what we are asking for, Senator.

Senator CURTIS. I see. So, what you are proposing is this kind of thing, to prevent the seasonal drop, more than an increase for now.

Mr. HEALY. Well, no. It would prevent the seasonal drop. We would like to maintain our prices at today's level. We have a very interesting thing here. Milk is not high priced.

Senator CURTIS. No, no.

Mr. HEALY. From 1949 to today—in 1949 it took, for instance, 4¾ minutes of skilled labor to buy a quart of milk. Today it takes about 2½ minutes of that same labor. Milk is not high priced.

Senator CURTIS. Now, one other thing. How about the producer of milk who is unorganized, who lives in a far-removed corner of a State where he could not participate in the milk shed? Would he be any worse off by reason of this bill than he is now?

Mr. HEALY. No, sir. In the whole complex of material which we have presented here, he will be relatively better off.

Senator CURTIS. Notwithstanding the change in reference to support on butterfat, based on butterfat.

Mr. HEALY. No. That would not affect him because the farmer that depends upon that thing practically does not exist. We have looked in your State, Senator. We have talked to Mr. Grant out there and to the people out at Grand Island and Scottsbluff and on beyond.

Senator CURTIS. Of course, we have a few places where there is a farmer-owned creamery that operates on sour cream.

Mr. HEALY. But—you mean, down there at McCook or Orleans?

Senator CURTIS. No. There is one in Aurora, one elsewhere I believe.

Mr. HEALY. They are virtually out of business today. One and a half percent of our butter is made of——

Senator CURTIS. I am not quarreling with you. What I want to know is what is going to happen to that 1½ percent? Are they going to be any worse off than——

Mr. HEALY. No, sir. He is a very ill-advised man not to go into a cooperative anyway.

Senator CURTIS. Maybe he is 200 miles from one.

Mr. HEALY. There is one for him every place.

Senator CURTIS. Well, there are some practical questions that make that impossible.

The CHAIRMAN. Thank you.

Mr. HEALY. Thank you.

(Mr. Healy's prepared statement is as follows:)

STATEMENT OF PATRICK B. HEALY

My name is Patrick B. Healy. I am Secretary of the National Milk Producers Federation and am appearing on behalf of that organization, its member cooperatives, and their dairy farmer members.

The National Milk Producers Federation is a national farm commodity organization, formed in 1916. It represents cooperative associations and their dairy farmer members. The cooperative associations affiliated with the Federation do business in all 50 states of the Union.

The policy positions, enunciated by the Federation, are the only nationwide expressions on national public policy related solely to dairy farmers and their cooperative associations. At the last convention of the Federation, November 30–December 3, 1969, consideration was given to the need for improved legislation related to dairy farmers and their cooperatives, including those now being considered by this Committee.

This statement will reflect the desires of dairy farmers and their cooperative associations with regard to:

1. Amendments to the Agricultural Marketing Agreement Act of 1937, as amended;
2. Amendment to the Agricultural Act of 1949;
3. Extension of authority beyond June 30, 1970, to reimburse dairy farmers for losses due to pesticide residues from sources outside their control;
4. Extension of authority beyond June 30, 1970, of the Special Milk Program for Children;
5. Extension of authority beyond December 31, 1970, for the Department of Agriculture to provide milk and dairy products to the Armed Forces and Veterans' Hospitals;
6. Need for effective legislation to regulate importation of dairy products; and,
7. Need to support prices paid farmers for manufacturing milk at 90 percent of parity under the Agricultural Act of 1949.

From the viewpoint of the Federation, each proposal is necessary, serves a specific purpose and deserves consideration.

1. AGRICULTURAL MARKETING AGREEMENT ACT OF 1937, AS AMENDED

The Federation supports two measures to amend the Agricultural Marketing Agreement Act of 1937, as amended. The amendments are contained in S. 3483,

which is concerned with methods for distributing returns from the sale of milk among dairy farmers supplying a marketing area regulated by a milk marketing order; and S. 2015, which would authorize use of proceeds due dairy farmers from the sale of milk in a marketing area regulated by a milk marketing order to encourage increased sales of milk and dairy products.

Class I Base Plan

S. 3483 would amend the Agricultural Marketing Agreement Act of 1937, as amended, by authorizing as optional provisions in milk marketing orders:

(a) *Class I Base Plans* for distributing proceeds from the sale of milk among dairy farmers;

(b) *Seasonal Base Plans* for distributing proceeds from the sale of milk among dairy farmers; and,

(c) *Seasonal Adjustment of Prices Paid Dairy Farmers* for milk while maintaining prices to milk plants (handlers) for fluid milk (Class I), without seasonal adjustment.

The provisions of S. 3483 contain language identical to that in Title V of the draft of a farm bill by the House Committee on Agriculture which, at this time, has not been reported. The provisions of S. 3483 modify those authorizing Class I base plans for distributing proceeds from the sale of milk among dairy farmers supplying a milk marketing order area, as contained in the Food and Agriculture Act of 1965. The modifications were worked out by the House Committee on Agriculture as a result of thorough study and after many consultations between it, the Department of Agriculture, and the National Milk Producers Federation.

Authority for inclusion of Class I base plans in milk marketing orders was first authorized by the Food and Agriculture Act of 1965. The initial authority contained a termination date, December 31, 1969, and this date was advanced to December 31, 1970, by Act of Congress October 11, 1968.

The provisions of S. 3483 modify and improve the provisions authorized by the Food and Agriculture Act of 1965, without a termination date.

Since passage of the 1965 authority, a Class I base plan has been incorporated into the Federal order regulating the handling of milk in the Puget Sound, Washington, marketing area. This market is supplied principally by the United Dairymen's Association, Seattle, Washington.

This Association, in cooperation with all other dairy farmer cooperative associations supplying the market, developed the Class I base plan which subsequently was incorporated in the order with some modification, September 1, 1967.

Dairy farmers supplying the Puget Sound marketing area strongly favor use of a Class I base plan, but are convinced the authority must be improved if it is to reflect their desires and to provide stable marketing conditions, as is the purpose of the Agricultural Marketing Agreement Act of 1937.

Dairy farmers supplying many other marketing areas regulated by Federal orders are anxious to adopt Class I base plans, but cannot do so until the authority is revised.

Experience in the Puget Sound market in operating under the Class I base plan demonstrates that the theory of the legislation is sound, but that modifications are necessary.

As mentioned, the proposal which we support does not contain a termination date. A termination date for authority of this type makes the Class I base plan impractical. Under the procedures for developing milk marketing orders or amendments, including base plans, a span of time is required to ascertain the desires of dairy farmers, develop a workable proposal, hold a public hearing, file briefs, and to comply with other procedures required by law.

In the normal process, at least a year would be required to incorporate a Class I base plan in a milk marketing order, and it is envisioned that it would be operative for some number of years.

If a farmer is to adapt his production enterprise to the operation of a Class I base plan, he should have assurance that the plan will not cease to function, due to a termination date in the enabling legislation. No other provision of the Agricultural Marketing Agreement Act of 1937 has a termination date.

Under the Class I base plan, each dairy farmer (or producer as the term is used in a milk marketing order) supplying a market with milk is assigned a base determined from his history of marketings during a representative period of time, adjusted to relate it to the fluid milk (Class I) requirements of the market.

The purpose of the Class I base plan is to enable a farmer, within reasonable limits, to know the amount of milk he can deliver, for which he will receive a price closely related to the fluid milk (Class I) price paid by milk plants (handlers), and to know that milk marketed in excess of Class I base will return a price closely related to the value of milk used for manufacturing.

Under the Class I base plan, the price of milk received by one farmer is not materially depressed as a result of deliveries in excess of Class I base by another farmer. Any farmer, however, can market as much or as little milk as he desires. He can adjust his milk marketings to best fit his farming operation and to the requirements of the market for milk for fluid use.

The Class I base plan is designed to prevent an artificial buildup of milk production by a farmer, for the sole purpose of obtaining a base of maximum size which would determine the relative price which he would receive, as contrasted to the price received by other dairy farmers during a future period of time. This so-called "race for base" has been experienced in many markets where bases have been re-established each year during a representative period of months known in advance.

The Class I base plan is not designed to control or necessarily to reduce milk production. It is designed to remove the artificial stimulus to market milk not needed for fluid use, and it may tend to reduce deliveries of milk in excess of Class I base in areas of the country where production costs are high.

The provisions of S. 3483 modify those authorized in 1965 in certain important respects. In the first instance, S. 3483 does not contain a termination date for reasons already explained.

Another modification prescribes specific standards pertaining to the establishment of Class I bases for new producers, rather than to rely on rules prescribed by the Secretary of Agriculture after public hearing.

The new producer standards, in their simplest form, would entitle any dairy farmer entering a market as a new producer to a Class I base calculated from his marketings of milk from the same production enterprise as would have prevailed had he delivered milk to the market during the representative period used for calculating Class I bases for established producers.

This provision entitles new producers to a Class I base so that they may participate in the market in the same manner as established producers. Neither established producers nor new producers are pleased with the rigid terms of the 1965 amendment.

S. 3483 would allow established producers and new producers to share equally in the benefits of market growth.

Under the 1965 authority, all market growth is set aside for allocation to new producers and for the alleviation of hardship, before any can accrue to the benefit of established producers who have provided funds for stimulating increased sales.

On the other hand, producers who did not receive Class I bases initially are forever doomed to the status of new producers.

Although new producers receive the benefits of increased fluid milk sales, they have no assurance as to the amount of milk for which they will receive the Class I base price from month to month. This is because the amount of market growth will fluctuate from month to month and the number of new producers sharing the benefits of market growth will vary.

S. 3483 provides the mechanism under which Class I bases will be up-dated rather than being limited to experience during a rigid, fixed, period of time, as the 1965 amendment was interpreted by the Department of Agriculture.

S. 3483 provides authority for reducing a Class I base to a producer for failure to deliver fluid milk requirements allocated to him under the Class I base plan. It is essential, particularly in deficit markets, that a farmer assume responsibility to deliver his share of the fluid milk requirements if he is to be assured of the higher price for his Class I base allocation.

S. 3483 authorizes a judicial review procedure within the Department of Agriculture to rule on legal complaints of dairy farmers before such complaints are taken to the Federal courts. This review procedure is now contained in the Agricultural Marketing Agreement Act of 1937, for complaints of handlers. This modification extends it to producers, as well.

Seasonal Base Plans

S. 3483 reinstates authority for seasonal bases not adjusted to reflect the fluid milk requirements of a market. This type of base plan is used in many

markets under authority expressed by Section 8c(5)(B)(ii), clause (d) of the Agricultural Marketing Agreement Act of 1937, prior to the amendment authorized by the Food and Agriculture Act of 1965. This authority should be available for use as an order provision in areas where dairy farmers prefer this type of base plan.

The purpose of the Seasonal Base Plan is to encourage increased deliveries of milk during the time of year when production costs are high, and deliveries are short in relationship to consumer requirements.

The "Louisville Plan"

S. 3483 also provides specific authority for provisions under an order for making seasonal adjustments in prices paid farmers for milk, without making seasonal adjustments in prices paid by milk plants (handlers).

This adjustment commonly is referred to as the "Louisville Plan".

The purpose of this adjustment, again, is to encourage increased deliveries during the time of the year when production costs are high, and deliveries are short in relationship to consumer requirements.

Advertising and Promotion

The second amendment to the Agricultural Marketing Agreement Act of 1937, which we support, is contained in S. 2015. This amendment would provide authority under a milk marketing order for dairy farmers to use a fractional part of funds due them from the sale of milk to encourage increased consumption of milk and dairy products.

The program envisioned by the amendment would be developed by dairy farmers supplying a milk marketing order area, and would include means of selecting dairy farmer representatives to supervise the operation. Since the funds would be provided through milk marketing order provisions, there would be assurance of proper use of any such money, including government audit. These funds would be deducted from the total amount of money reflected by the producer-settlement-fund of an order, before calculation of the uniform price to be paid dairy farmers for their milk. Thus, there would be no deduction per hundredweight taken from funds earmarked for individual farmers.

This method of financing the program would make the cost of operation minimal, and would insure full participation by all dairy farmers supplying a market if approved by two-thirds.

Operationally, the market administrator could write a single check to the committee of dairy farmer representatives selected to supervise expenditure of the funds. This would avoid computation for each of the thousands of dairy farmers shipping milk to a market, such as would be necessary if the program were set up as a deduction from gross amounts otherwise due individual farmers.

The program, as we envision it, would simply be a cost of marketing milk under an order and would be paid for by all farmers benefiting from the increased sales.

The funds could be used to establish research and development projects, advertising (but not brand advertising), sales promotion, education, and other programs designed to improve or promote marketing and consumption of milk and its products.

To the extent fluid milk sales might be increased under the program, the results would be higher average prices to dairy farmers at any given level of class prices charged handlers for milk. Thus the program is truly a self-help effort which would involve no cost to the Federal government and no cost to handlers or consumers above those paid under the present criteria for establishing prices under Federal milk marketing orders.

The plan, when developed, would be submitted to the Department of Agriculture as a proposed amendment to a milk marketing order. Under the regular procedures, the Department would then schedule a public hearing at which all interested parties would have an opportunity to make appropriate comments. Following the public hearing, as customary, the Department of Agriculture would review the hearing record and issue a recommended decision containing the program. This would provide a second opportunity for interested parties to make comments concerning the conclusion reached by the Department of Agriculture. The next step would be issuance of a final decision by the Department of Agriculture, subject to the same referendum procedure as is

applied in the case of milk marketing orders and amendments, other than the Class I base plan. If approved through the referendum procedure, the amendment would become operative. If disapproved, the referendum would not, in any way, affect other provisions of the order.

After such a program were made effective, it could be discontinued at any time by request of more than 50 percent of the producers supplying the market or through amendment to the order.

The need for encouraging increased sales of milk is very great, when considered in light of the severe competitive position in which milk finds itself, and because of persistent efforts on the part of some to capture the market by substituting inferior products which can be sold at lower prices as replacements for nutritious milk.

The efforts of milk producers to increase consumption of milk thus far have been financed for the most part through voluntary contributions on the part of farmers. The benefits from market promotion accrue to all dairy farmers and thus an unwarranted cost is borne by those who assume responsibility for projects aimed at increasing sales.

It is for the purpose of insuring full participation among all dairy farmers supplying a milk marketing order area, if approved by two-thirds of the producers, that we seek the amendment.

Passage of this legislation may serve to reduce the cost of maintaining the price level to dairy farmers under the price support program. This is because any increase in milk consumption which the industry might realize as a result of the promotion efforts would leave less milk for manufacture into butter, nonfat dry milk, and cheese, which are purchased under the price support program to undergird the price structure.

The need for authority such as contained in S. 2015 has never been greater. Farmers desperately need higher milk prices, and a sales increase of Class I milk is the most practical means of increasing them. The sales trends for milk are not encouraging. Meanwhile, production costs continue to rise as does the cost of processing.

Furthermore, as I mentioned earlier, the dairy industry is faced with severe competition from ersatz products made to appear like milk or cream. These white ersatz products pose a real threat, not only to dairy farmers, but to nutrition, as well. With programs such as could be operated under the authority of this enabling legislation, consumers could be informed as to nutritional facts when comparing milk or cream with the inferior substitutes, a great portion of the contents of which are no more than mixtures of chemicals and water.

The dairy industry, as a public health measure, has accepted rigid sanitary controls on the farms and throughout the processing and marketing system. Quality and sanitation control is expensive and is a factor in determining prices of milk and dairy products which need not be borne by the ersatz products promoted as replacements for milk and cream.

The dairy business must exert every influence to maximize milk sales, both in the interest of dairy farmers, and because milk plays such a vital role in human nutrition, especially among children.

In our discussions among Representatives, Senators, and farm groups, we have been made aware of some conflicting viewpoints concerning this proposal.

Substantial effort is being made to resolve these differences, particularly with respect to the voting procedure under a referendum, and whether or not, and if so under what conditions, an individual farmer may claim a refund.

The Advertising Amendment was not included in the draft dairy legislation as agreed to by the House Committee on Agriculture.

We are very anxious to secure this Amendment to the Agricultural Marketing Agreement Act, but would not want controversy over this issue to delay the other legislative proposals discussed this morning. Neither would we want to change the details of our proposal at this time, since we are trying to secure agreement on these issues.

2. AMENDMENT TO THE AGRICULTURE ACT OF 1949

A legislative proposal is appended to this statement amending the Agricultural Act of 1949 by removing the mandatory requirement to support the price of butterfat. This amendment would in no way disturb the mandatory requirement to support prices paid farmers for milk within the range of 75 to 90 percent of parity. This amendment also is contained in Title V of the draft of a farm bill

developed by the House Committee on Agriculture in cooperation with the Department of Agriculture and the National Milk Producers Federation.

The present requirement to support the price of butterfat as well as milk originally was included in the legislation as a means of providing the benefits of price support to farmers marketing farm-separated cream.

Farm-separated cream is used solely in the manufacture of butter. Therefore, to support the price of farm-separated cream, it was necessary for the Commodity Credit Corporation to establish a purchase price for butter at a level designed to return the target price for butterfat in farm-separated cream.

The purchase price of butter, once established, determines the minimum value of butterfat in all milk for all uses.

At the time the Agricultural Act of 1949 was enacted, the marketing of farm-separated cream represented a substantial portion of the total available market for dairy farmers. The number of farms marketing farm-separated cream, however, has declined until today such marketing represent less than 1.5 percent of total marketings by dairy farmers.

In view of the insignificant amount of butterfat now marketed as farm-separated cream, the mandatory requirement to support the price of butterfat can be eliminated without adversely affecting dairy farmers.

The purpose of removing the mandatory requirement to support the price of butterfat is to improve its competitive position, whether marketed as butter, in fluid milk, or in any other product.

Per capita consumption of butter fell from 10.9 pounds in 1945 to 4.9 pounds in 1968, or 55 percent. The milk equivalent of butterfat sold as fluid milk and cream, per capita, dropped from 398 pounds in 1945 to 262 pounds in 1968, or 34 percent.

When considered together, the butter and the fluid milk market provide outlets for about 75 percent of all butterfat sold by farmers in marketing their milk. The decline in per capita consumption of butterfat, therefore, must be arrested and reversed if the dairy industry is to survive and prosper.

If the Agricultural Act of 1949 is amended, as we suggest, the price support program would operate as follows:

1. The price support level for manufacturing milk would be announced as at present.

2. The support price for milk, as at present, would be assured through announcement by the Commodity Credit Corporation of purchase prices for the various grades of butter, nonfat dry milk and cheese, modified only to the extent that the purchase price of butter would be established at a discretionary level, rather than at a level necessary to assure the mandatory support level for farm-separated cream. A reduction, if any, in the purchase price of butter would be offset by a compensating increase in the purchase price of nonfat dry milk.

The program has the advantage in that it would result in maintaining price support levels for manufacturing milk while, at the same time, making it possible to improve the competitive position of butterfat, whether sold as butter, in other dairy products, or as fluid milk. The program could be used to reduce the value of butterfat in milk sold by farmers which, competitively, is losing ground; and increase the value of milk solids-not-fat, which is increasing in consumer acceptance, particularly with respect to skim milk and modified low fat fluid milk products.

It is anticipated that the Government would continue to purchase sufficient butter for authorized programs, such as school lunch.

The Government would perhaps purchase larger quantities of nonfat dry milk. This is a low cost item for the Government to handle, and is readily adaptable for programs to improve nutrition at home and abroad. Consumers could benefit by more favorable prices for butter than under the current program.

3. EXTENSION OF AUTHORITY BEYOND JUNE 30, 1970, TO REIMBURSE DAIRY FARMERS FOR LOSSES DUE TO PESTICIDE RESIDUES, FROM SOURCES OUTSIDE THEIR CONTROL

Under the Pesticide Indemnity Program, farmers are reimbursed for losses resulting from milk being barred from markets because of traces of pesticides residue. This program exipres as of June 30, 1970.

Over the years, unfortunately, farmers have had milk barred from markets because of traces of residue even though the pesticides had been used according to guidelines recommended by the Federal Government, and the contamination

resulted from factors outside the control of the farmer. For example, these could include wind drifting of pesticide spray, contamination of water supply, etc.

Since the establishment of this program in 1964, approximately 400 producers have been compensated in amounts exceeding one million dollars for losses incurred through such use of pesticides. Unfortunately, farmers, even though relatively few in number, are still being hit with such losses. As long as this occurs, despite conformance with recommended government procedures, it would be inequitable to discontinue the program. Consequently, we strongly urge that this program, as recommended in S. 3411, be continued; and that such provision be incorporated in any general farm bill.

4. EXTENSION OF AUTHORITY BEYOND JUNE 30, 1970, OF SPECIAL MILK PROGRAM FOR CHILDREN

For 16 years, the Special Milk Program for Children has proven extremely valuable in helping to meet the nutritional needs of millions of children. Established in 1954, this program provides milk for children in (1) nonprofit schools of high school grade and under, and (2) nonprofit nursery schools, day care centers, settlement houses, summer camps, and similar nonprofit institutions devoted to the care and training of children.

Over the years this successful program has grown significantly, increasing from 2.5 million participants in 1955 to more than 17 million children now benefiting from the program.

Unfortunately, this program—unless new authorizing legislation is enacted—will terminate as of June 30, 1970.

On May 6, 1969, the House of Representatives—by a vote of 384 to 2—passed H.R. 5554. If enacted into law—as we strongly recommend—this program would be made permanent, with authorization for appropriations of $130,000,000 for F.Y. 1971 and not to exceed $135,000,000 annually for each succeeding fiscal year.

To terminate such a successful program on child nutrition would in our judgment, be a serious mistake. Moreover, it could handicap the nation's efforts to cope effectively with the problems of malnutrition and hunger, particularly among children. Surveys conducted by the U.S. Public Health Service indicate that the problems of undernourishment may be far greater than we previously estimated. According to Dr. Arnold E. Shafer of the U.S. Public Health Service, a nutritional survey indicates that up to one-sixth of our people, whether rich or poor, are undernourished. The problems are especially acute among children, with nutritional deficiencies ranging from anemia to physical stunting.

In the light of such evidence, it would be a grave national error to let this program die. Because authorization terminates as of June 30, 1970—making it difficult to appeal for appropriations for the program for the coming years—I would sincerely hope—and strongly urge—that this Committee (a) make it known early that it intends to act favorably on extending authorization for the program; and (b) express its firm intent to incorporate a provision for extending the program in new general farm legislation.

5. EXTENSION OF AUTHORITY BEYOND DECEMBER 31, 1970, FOR THE DEPARTMENT OF AGRICULTURE TO PROVIDE MILK AND DAIRY PRODUCTS TO THE ARMED FORCES AND VERERAN'S HOSPITALS

Under present law, authority for making dairy products purchased by the Commodity Credit Corporation under the price support program available to Veterans Hospitals and the Armed Forces expires on December 31, 1970. S. 3395 would amend Section 202 of the Agriculture Act of 1949, as amended, to extend the program from December 31, 1970, to December 31, 1973. We strongly urge that a provision for carrying out the objectives of S. 3395 be incorporated in any general farm legislation. In the House of Representatives, the Committee on Agriculture has tentatively approved such a provision for incorporation in a general farm bill.

Through this program, substantial volumes of highly nutritional dairy products are made available to the Armed Forces and the Veterans Administration. For calendar year 1969, utilization by the Defense Department totalled about 30 million pounds of butter and 1.2 million pounds of cheese. For 1968, the Department of Defense utilized about 50 million pounds of butter and 3.6 million pounds of cheese. The Veterans Administration utilized about 2.4 million pounds of butter in 1969; and 3.2 million pounds of butter in 1968. Since establishment of

the program in 1954, transfers have totalled 383 million pounds of butter, 26 million pounds of cheese, 1 million pounds of non-fat dry milk, and 5.7 billion pounds of fluid milk have been utilized.

As revealed by these figures, this program represents good management and highly effective utilization of dairy products acquired by the Commodity Credit Corporation. It is highly desirable to extend authorization for use of Commodity Credit Corporation stocks of dairy products by the Armed Forces and the Veterans Administration hospitals.

6. NEED FOR EFFECTIVE LEGISLATION TO REGULATE IMPORTATION OF DAIRY PRODUCTS

To provide adequate prices to U.S. dairy farmers and assure an adequate milk supply for consumers there is a need for more effective import control law. S. 612 was introduced to provide authority for regulating imports on the basis of total butterfat and milk solids not fat, under which quotas could be assigned to individually identified dairy and food products containing such ingredients, and under which quantities could be allocated among countries of origin. Unfortunately, no action has been taken on this legislation. Present law and its administration has not accomplished its purpose and has been disrupting to the dairy industry, depressed prices to farmers, and has been costly to the Federal government.

Under existing law (Section 22 of the Agricultural Adjustment Act, as amended), quotas on certain dairy products are established as a means of limiting imports of dairy products for the purpose of undergirding the prices paid farmers for milk, and to reduce purchases of dairy products by the Federal government under the price support program.

Presently, quotas are established equivalent to 946 million pounds of milk, but total imports in 1969 were 1,621 million pounds, thus nearly one-half came through the back door.

It should be noted that import quotas under Section 22 first were established by Presidential Proclamation 3019, on June 8, 1953, at 189 million pounds and, without regard to need, they are now five times as much at 946 million pounds.

The most flagrant disregard of the intent of the import control program was in 1966 when 292 million pounds were authorized and imports were 2,791 million pounds or nearly 10 times the amount authorized.

Evaluated in the perspective that (a) every pound of imports displaces a market for a pound of domestically produced dairy products; and (b) because of a depressed domestic market, the Federal government still is required to purchase dairy products under the price support program the adoption of more effective import control law is absolutely essential.

We strongly recommend, therefore, that this Committee favorably consider a provision along the lines of S. 612 for incorporation in general farm legislation.

Countervailing Duties

Under section 1303 of U.S. Code 19, duties on imports subsidized by foreign countries are required to be increased, in addition to the regular duty, by the amount of the subsidy.

Although the law is mandatory, not permissive, the U.S. Treasury has not imposed countervailing duties on dairy products. Senators and Representatives have supported the interests of dairying by urging enforcement of the Countervailing Duties Law.

Because of the flagrant refusal of the U.S. Treasury to effectively enforce the countervailing duties provision of law as related to dairy products, we strongly believe the Congress should take immediate action to adopt more effective import control laws. Furthermore, it should investigate the refusal of the U.S. Treasury to carry out the law now on the books.

7. NEED TO SUPPORT PRICES PAID FARMERS FOR MANUFACTURING MILK AT 90 PERCENT OF PARITY UNDER THE AGRICULTURAL ACT OF 1949

Price support levels for manufacturing milk are established by the Secretary of Agriculture within the range of 75 to 90 percent of parity.

In enacting this law, the Congress recognized the need for supporting price levels paid farmers for milk to bolster farm income and to assure an adequate supply of milk and dairy products for consumers and for other needs.

Presently, the price support level for manufacturing milk is about 78.5 percent of parity. As a result, milk production is receding and there is imminent danger of an inadequate milk supply for our growing urban population.

The difficulties faced by farmers in their attempts to maintain milk production are clearly evident. Farmers are faced with severe shortages of labor and the farm wage rate is at an all-time high. They are faced with increased costs on all items purchased which are used in milk production, as evidenced by the parity ratio itself.

Further than that, the price of beef and the prices that dairy farmers receive for cull cows encourges elimination of low producers, but this also reduces the supply of milk. Because of the cost-price squeeze, dairy farmers throughout the country are petitioning the Secretary of Agriculture to announce an early increase in the price support level for manufacturing milk to 90 percent of parity.

Such announcement is essential if milk production is to be sustained at necessary levels and if dairy farmers are to participate fairly in the economy.

There is great need to reverse the downward trend in milk production. Total milk production in 1969 was at its lowest point in 17 years. Milk production reached its peak in 1964 at 127 billion pounds and, since that time, it has receded to 116.2 billion pounds in 1969, a reduction of 8.5 percent. In addition to the decline in milk production, the reserve supply on farms, which was in evidence when great numbers of farmers were marketing farm-separated cream and feeding the skim milk to farm animals, has reached the vanishing point.

The number of cows and heifers kept for milk on January 1, 1970, was below 14 million. This is the lowest cow population reported in the last century, during which time the population has increased 5½ times, and it reached 204.3 million persons as of January 1, 1970.

An announcement that prices will be supported at 90 percent of parity is essential if there is to be an adequate supply of milk and dairy products as required by law, and if there is to be any reasonable opportunity for the Federal government to fulfill its nutrition goals.

Furthermore, there is every reason to believe that commercial market demand for milk and dairy products will improve with continuation of full employment, high per capita incomes, and the sustained growth in population of about 3 million persons per year.

The number of recipients on welfare programs is at an all-time high and there is every indication that the Federal government will increase its efforts to up-grade the diets of this sector of the population through an expanded food stamp program and other food distribution programs.

During the 1969 calendar year, CCC purchased less dairy products to support the farm price than for any year since 1960, except 1966, when supplies were extremely short. During 1969, purchases for price support were inadequate to meet government needs for the school lunch and domestic welfare programs, while great quantities of these dairy products will be needed in 1970 and 1971.

There is need for an immediate increase in the purchase price of butter and nonfat dry milk by the Commodity Credit Corporation, relative to the market price for cheese. In recent months, the market price of cheese has exceeded the CCC purchase price by a wide margin. The price of 40-pound blocks of Cheddar cheese on the Wisconsin Exchange has been 53½ cents per pound and currently is 51½ cents per pound. These prices would be equivalent to 55½ cents and 53½ cents, respectively, when compared to the CCC purchase price under the support program of 48 cents per pound for Cheddars. This strong market price for cheese resulted primarily from heavy commercial market demand, but was further strengthened by government purchases for distribution programs with Section 709 funds.

The net effect of the strong cheese market was to increase prices paid to farmers, which was necessary to stem the tide towards lower milk production, but it adversely affected cooperative associations making butter and nonfat dry milk because of the lower returns for those products. These plants cannot install cheese manufacturing operations without additional cost and, if they did convert to cheese production, they might well find the market for cheese, in its relationship to butter and nonfat dry milk, reversed. Accordingly, it is imperative that the government maintain a proper price relationship as between butter and nonfat dry milk, relative to cheese, through the price support program. This is the reason that the support price for butter and nonfat dry milk should be increased immediately, and that relative prices of butter, nonfat dry milk, and

cheese, consistent with a manufacturing milk price at 90 percent of parity, should be sustained throughout the marketing year ending March 31, 1971.

We, therefore, urgently request that members of this Committee support pleas by dairy farmers for increases in the price support level to 90 percent of parity for manufacturing milk and that you urge the Secretary of Agriculture to make an immediate announcement of an upward adjustment in the purchase prices for butter and nonfat dry milk.

Mr. Chairman, we sincerely appreciate this opportunity to express these views of the National Milk Producers Federation.

APPENDIX OF PROPOSED LEGISLATION

To make this statement complete and self explanatory I request consent to have printed at this point in the hearing copies of bills referred to in the above statement, including:

S. 3483[1] An amendment to the Agricultural Marketing Agreement Act of 1937, as amended, to extend and improve authorization for Class I Milk Base Plans, Seasonal Base Plans and The "Louisville Plan" for seasonally adjusting prices paid farmers for milk.

Draft to include producers under Subsection (15)(A) proceedings.

S. 2015 An amendment to the Agricultural Marketing Agreement Act of 1937, as amended, to provide for improved advertizing, promotion, and research relating to milk and dairy products.

(Draft)[1] An amendment to the Agricultural Act of 1949, to remove the mandatory requirement to support the price of butterfat under the price support law.

S. 3411[1] To extend authority beyond June 30, 1970, for reimbursing losses to dairy farmers due to traces of pesticides residue in milk, from sources outside their control.

S. 644 An amendment to section 3 of the Child Nutrition Act of 1966, to provide permanent authorization for the Special Milk Program for Children.

S. 3395[1] An amendment to section 202 of the Agriculture Act of 1949, as amended, to extend authority beyond December 31, 1970, to provide milk and dairy products purchased by the Commodity Credit Corporation to the Armed Forces and Veterans Hospitals.

S. 612 A Dairy Import Act to provide more effective legislation for regulating importation of dairy products.

(The bills are as follows:)

[S. 3483, 91st Cong., second sess.]

A BILL To amend the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. (a) That the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, is further amended by striking in subparagraph (B) of subsection 8c(5) all that part of said subparagraph (B) which follows the comma at the end of clause (c) and inserting in lieu thereof the following:

"(d) A further adjustment, equitably to apportion the total value of the milk purchased by any handler, or by all handlers, among producers on the basis of their marketings of milk during a representative period of time, which need not be limited to one year; (e) a provision providing for the accumulation and disbursement of a fund to encourage seasonal adjustments in the production of milk may be included in an order and (f) a further adjustment, equitably to apportion the total value of milk purchased by all handlers among producers on the basis of their marketings of milk, which may be adjusted to reflect the utilization of producer milk by all handlers in any use classification or classifications, during a representative period of one to three years, which will be automatically updated each year. In the event a producer holding a base allocated under this clause (f) shall reduce his marketings, such reduction shall not adversely affect his history of production and marketing for the determination of future bases,

[1] Included in Title V of farm bill of House Committee on Agriculture not yet reported.

or future updating of bases, except that an order may provide that, if a producer reduces his marketings below his base allocation in any one or more use classifications designed in the order, the amount of any such reduction shall be taken into account in determining future bases, or future updating of bases. Bases allocated to producers under this clause (f) may be transferable under an order on such terms and conditions, including those which will prevent bases taking on an unreasonable value, as are prescribed in the order by the Secretary of Agriculture. Provisions shall be made in the order for the allocation of bases under this clause (f)—

"(i) for the alleviation of hardship and inequity among producers; and

"(ii) for providing bases for dairy farmers not delivering milk as producers under the order upon becoming producers under the order who did not produce milk during part of the representative period, and these new producers shall within ninety days after the first regular delivery of milk at the price for the lowest use classification specified in such order be allocated a base which the Secretary determines proper after considering supply and demand conditions, the development of orderly and efficient marketing conditions and to the respective interests of producers under the order, all other dairy farmers and the consuming public. Producer bases so allocated shall for a period of not more than three years be reduced by not more than 20 per centum; and

"(iii) dairy farmers not delivering milk as producers under the order upon becoming producers under the order by reason of a plant to which they are making deliveries becoming a pool plant under the order, by amendment or otherwise, shall be provided bases with respect to milk delivered under the order based on their past deliveries of milk on the same basis as other producers under the order; and

"(iv) such order may include such additional provisions as the Secretary deems appropriate in regard to the re-entry of producers who have previously discontinued their dairy farm enterprise or transferred bases authorized under this clause (f); and

"(v) notwithstanding any other provision of this Act, dairy farmers not delivering milk as producers under the order, upon becoming producers under the order, shall ninety days later, pursuant to the provisions of section 8c(5) (D) of this Act, be provided with respect to milk delivered under the order, allocations based on their past deliveries of milk during the representative period from the production facilities from which they were marketing milk during the representative period on the same basis as other producers under the order on the effective date of order provisions authorized under this clause (f): *Provided*, That bases shall be allocated only to a producer marketing milk from the production facilities from which he marketed milk during the representative period, except that in no event shall such allocation of base exceed the amount of milk actually delivered under such order.

"The assignment of other source milk to various use classes shall be made without regard to whether an order contains provisions authorized under this clause (f). In the case of any producer who during any accounting period delivers a portion of his milk to persons not fully regulated by the order, provision shall be made for reducing the allocation of, or payment to be received by, any such producer under this clause (f) to compensate for any marketings of milk to such other persons for such period or periods as necessary to insure equitable participation in marketings among all producers. Notwithstanding the provisions of section 8c(12) and the last sentence of section 8c(19) of this Act, order provisions under this clause (f) shall not be effective in any marketing order unless separately approved by producers in a referendum in which each individual producer shall have one vote and may be terminated separately whenever the Secretary makes a determination with respect to such provision as is provided for the termination of an order in subparagraph 8c(16)(B). Disapproval or termination of such order provisions shall not be considered disapproval of the order or of other terms of the order."

(b) The legal status of producer handlers of milk under the provisions of the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, shall be the same subsequent to the adoption of the amendments made by this Act as it was prior thereto.

(c) Nothing in subsection (a) of this section I shall be construed as invalidating any class I base plan provisions of any marketing order previously

issued by the Secretary of Agriculture pursuant to authority contained in the Food and Agriculture Act of 1965 (79 Stat. 1187), but such provisions are expressly ratified, legalized, and confirmed and may be extended through and including December 31, 1971.

(d) It is not intended that existing law be in any way altered, rescinded, or amended with rsepect to section 8c(5)(G) of the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, and such section 8c(5)(G) is fully reaffirmed.

DRAFT—"(15) PETITION BY HANDLER OR BY A PRODUCER FOR MODIFICATION OF ORDER OR EXEMPTION: COURT REVIEW OF RULING OF SECRETARY

(*a*) A petition may be filed by the persons and for the purposes designated below:

(i) Any handler subject to an order may file a written petition with the Secretary of Agriculture, stating that any such order or any provision of any such order or any obligation imposed in connection therewith is not in accordance with law and praying for a modification thereof or to be exempted therefrom.

(ii) Any producer as defined in any order may file a written petition with the Secretary of Agriculture stating that a provision or provisions of such order as written or as applied, relating to the distribution among or payment to producers of the amounts required to be paid by handlers under other provisions of the same order, is not in accordance with law and praying for a modification thereof.

The petitioner shall thereupon be given an opportunity for a hearing upon such petition in accordance with regulations made by the Secretary. After such hearing, the Secretary shall make a ruling upon the prayer of such petition which shall be final, if in accordance with law.

(B) The Circuit Court of Appeals of the United States in the circuit in which such petitioner is an inhabitant, or has his principal place of business, is vested with jurisdiction to review such ruling, provided a petition of review for that purpose is filed within twenty days from the date of the entry of such ruling. Service of process in such proceedings may be had upon the Secretary by delivering to him a copy of the petition. If the court determines that such ruling is not in accordance with law, it shall remand such proceedings to the Secretary with directions either (1) to make such ruling as the court shall determine to be in accordance with law, or (2) to take such further proceedings as, in its opinion, the law requires. The pendency of proceedings instituted pursuant to this subsection (15) shall not impede, hinder, or delay the United States or the Secretary of Agriculture from obtaining relief pursuant to section 8a(6) of this title. Any proceedings brought pursuant to section 8a(6) of this title shall abate whenever a final decree has been rendered in favor of petitioner in proceedings between the same parties, and covering the same subject matter, instituted pursuant to this subsection (15)"

[S. 2015, 91st Cong., first sess.]

A BILL To amend the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, is further amended, by adding at the end of subsection 8c(5) the following new subparagraph (1):

"(1) Establishing or providing for the establishment of research and development projects, and advertising (excluding brand advertising), sales promotion, educational, and other programs, designed to improve or promote the domestic marketing and consumption of milk and its products, to be financed by producers in a manner and at a rate specified in the order, on all producer milk under the order. Producer contributions under this subparagraph may be deducted from funds due producers in computing total pool value or otherwise computing total funds due producers and such deductions shall be in addition to the adjustments

authorized by subparagraph (B) of subsection 8c(5). Provision may be made in the order to exempt, or allow suitable adjustments or credits in connection with, milk on which a mandatory checkoff for advertising or marketing research is required under the authority of any State law. Such funds shall be paid to an agency organized by milk producers and producers' cooperative associations in such form and with such methods of operation as shall be specified in the order. Such agency may expend such funds for any of the purposes authorized by this subparagraph and may designate, employ, and allocate funds to persons and organizations engaged in such programs which meet the standards and qualifications specified in the order. All funds collected under this subparagraph shall be separately accounted for and shall be used only for the purposes for which they were collected. Programs authorized by this subparagraph may be either local or national in scope, or both, as provided in the order, but shall not be international. Order provisions under this subparagraph shall not become effective in any marketing order unless such provisions are approved by producers separately from other order provisions, in the same manner provided for the approval of marketing orders, and may be terminated separately whenever the Secretary makes a determination with respect to such provisions as is provided for the termination of an order in subsection 8c(16)(B). Disapproval or termination of such order provisions shall not be considered disapproval of the order or of other terms of the order."

DRAFT—AN AMENDMENT TO THE AGRICULTURAL ACT OF 1949, TO REMOVE THE MANDATORY REQUIREMENT TO SUPPORT THE PRICE OF BUTTERFAT UNDER THE PRICE SUPPORT LAW

SEC. 502. The first sentence of section 201 of the Agricultural Act of 1949, as amended (7 U.S.C. 1446), is amended by striking the words "milk, butterfat, and the products of milk and butterfat" and inserting in lieu thereof the words "and bilk". Paragraph (c) of section 201 of the Agricultural Act of 1949, as amended (7 U.S.C. 1446(c)), is amended to read as follows:

"(c) The price of milk shall be supported at such level not in excess of 90 per centum nor less than 75 per centum of the parity price therefor as the Secretary determines necessary in order to assure an adequate supply. Such price support shall be provided through purchases of milk and the products of milk."

The amendments made by this subsection shall become effective for the marketing year beginning April 1, 1970.

[S. 3411, 91st Cong., second sess.]

A BILL To extend for three years the authority of the Secretary of Agriculture to provide indemnity payments to dairy farmers

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 3 of Public Law 90–484, approved August 13, 1968 (82 Stat. 750; 7 U.S.C. 4501), is amended by striking out "June 30, 1970" and inserting in lieu thereof "June 30, 1973".

[S. 644, 91st Cong., first sess.]

A BILL To provide a special milk program for children

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 3 of the Child Nutrition Act of 1966 is amended to read as follows:

"SEC. 3. There is hereby authorized to be appropriated for the fiscal year ending June 30, 1970, not to exceed $125,000,000; for the fiscal year ending June 30, 1971, not to exceed $130,000,000; and for each succeeding fiscal year, not to exceed $135,000,000, to enable the Secretary of Agriculture, under such rules and regulations as he may deem in the public interest, to encourage consumption of fluid milk by children in the United States in (1) nonprofit schools of high school grade and under, and (2) nonprofit nursery schools, child-care centers, settlement houses, summer camps and similar nonprofit institutions devoted to the care and training of children. For the purposes of this section 'United States'

means the fifty States and the District of Columbia. The Secretary shall administer the special milk program provided for by this section to the maximum extent practicable in the same manner as he administered the special milk program provided for by Public Law 89–642, as amended, during the fiscal year ending June 30, 1969."

[S. 3395, 91st Cong., second sess.]

A BILL To extend for three years the special milk programs for the Armed Forces and veterans hospitals

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 202 of the Agricultural Act of 1949, as amended (7 U.S.C. 1446a), is amended by striking out in subsections (a) and (b) "December 31, 1970" and inserting in lieu thereof "December 31, 1973".

[S. 612, 91st Cong., first sess.]

A BILL To regulate imports of milk and dairy products, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Dairy Import Act."

SEC. 2. No imports of dairy products shall be admitted into the United States for consumption for any food use except pursuant to authorizations issued by the Secretary of Agriculture in accordance with the provisions of this Act.

SEC. 3. No authorizations for imports of dairy products shall be issued by the Secretary which would result in total imports for consumption for any food use in any calendar year of butterfat, nonfat milk solids, casein, or caseinates, in any form, in excess of the respective total average annual quantities thereof which were admitted for consumption for any food use during the five calendar years 1961 through 1965.

SEC. 4. In the event that total annual domestic consumption of milk and milk products in any calendar year shall be greater or less than the average annual domestic consumption of milk and milk products during the five calendar years 1961 through 1965, the volume of imports of butterfat, nonfat milk solids, casein, and caseinates, in any form, authorized under this Act shall be increased or decreased for such calendar year by corresponding percentages. For the purpose of this Act, the Secretary may estimate such total annual domestic consumption and shall reflect adjustments of such estimates in the level of imports authorized in subsequent periods. In computing or estimating such annual domestic consumption under this Act, milk and milk products used in surplus disposal or in distribution programs sponsored by the Federal Government or any agency thereof shall be excluded.

SEC. 5. The President may permit, if he finds such action is required by overriding economic or national security interests of the United States, additional quantities of imports. Additional imports permitted under this section shall be admitted for consumption under special authorizations issued by the Secretary. No additional imports shall be admitted for consumption under this section at a time when prices received by dairy farmers for milk on a national average as determined by the Secretary are at a level less than parity, unless the Secretary shall, at the time such imports are authorized, remove from the domestic market, in addition to and separate from other price-support purchases and operations, a corresponding quantity of dairy products. The cost of removing such dairy products from the domestic market shall be separately reported and shall not be charged to any agricultural program.

SEC. 6. "Dairy products" for the purpose of this Act includes (1) all forms of milk and dairy products, butterfat, nonfat milk solids, and any combination or mixture thereof; (2) any article, compound, or mixture containing 5 per centum or more of butterfat, or nonfat milk solids, or any combination of the two; and (3) casein, caseinates, and other derivatives of milk, butterfat, or nonfat milk solids, if imported commercially for any food use.

"Dairy products" for the purpose of this Act does not include (1) industrial casein, industrial caseinates, or any other industrial product, not to be used in any form for any food use, or as an ingredient of food; or (2) articles not normally considered to be dairy products, such as candy, bakery goods, and other

similar articles, provided neither the butterfat, nonfat milk solids, casein, or caseinates, in any form, in any such article is commercially extractable or capable of being used commercially as a replacement or substitute for such ingredients in the manufacture of any food product.

SEC. 7. The Secretary may prescribe such rules and regulations as he deems necessary for the effective administration of this Act.

SEC. 8. Nothing contained in this Act shall be construed to repeal section 22 of the Agricultural Adjustment Act or any import limitation now in effect or hereafter established thereunder; but the respective total annual quantitative limitations on imports of butterfat, nonfat milk solids, casein, or caseinates, in any form, for any food use, prescribed by this Act shall prevail, and all imports authorized under said section 22 or any other law shall be included in computing such totals.

The CHAIRMAN. Mr. Ransom.

STATEMENT OF PAUL S. RANSOM, CHAIRMAN, COTTON ADVISORY COMMITTEE, AND R. P. "DICK" GIBSON, LOUISIANA FARM BUREAU FEDERATION, BATON ROUGE, LA.

Mr. RANSOM. Chairman Ellender and members of the committee, I am Paul S. Ransom, chairman of the Louisiana Farm Bureau Federation Cotton Advisory Committee and a cotton farmer from Ouachita Parish in northeast Louisiana. I have with me today Mr. R. P. "Dick" Gibson, a cotton farmer from Red River Parish in northwest Louisiana, and Mr. Dewell Gandy, commodity director for Louisiana Farm Bureau Federation.

The following testimony is given on behalf of the Louisiana Farm Bureau Federation which represents over 30,000 farm families in Louisiana, a good portion of which are cotton farmers—both large and small—from all parts of our State. This statement is based on policy adopted at the Louisiana Farm Bureau Federation's annual meeting held in July of 1969, and this testimony is what Louisiana cotton farmers want in legislation today. Since our annual meeting, we have had some 30 meetings in all cotton areas of the State in order to be absolutely certain that this testimony reflected the wishes of cotton farmers on cotton legislation.

At this time, Mr. Chairman, with cotton legislation expiring at the end of this year, we think it is important that certain provisions, basic and essential to any sound program, be given full consideration. We feel there are four basic areas that need careful consideration in any new legislation. These are: (1) farmer income, (2) domestic consumption, (3) export sales, and (4) farm program costs. The Agricultural Act of 1965 has been very controversial in most of these areas; however, the one point in the act that has not been subject to criticism is the parity concept. We certainly wish to commend this committee for maintaining the parity concept in the act of 1965. We feel that the 65-percent-parity floor should be the basis from which this committee begins to construct new legislation.

We believe a broad-based program to expand domestic consumption and export sales, cut costs, both to the producer and on Government programs, and provide adequate net farm income are essential to establishment of a sound farm program that will revitalize agriculture.

To accomplish these objectives, Louisiana farmers feel any new legislation adopted for cotton should:

(1) Work toward reduction of the national minimum acreage allotment from 16 to 14 million acres, recognizing that as sales increase, acreage can be expanded. We are currently operating under a 16 million acre minimum, and we propose that the Federal Government:

(*a*) Authorize for permanent retirement the so-called productivity poor acreage—about 500,000 acres.

(*b*) Be authorized to purchase for permanent retirement the acreage required to get to a 14 million acreage base on a sealed bid basis after the productivity pool acreage is taken out. We further feel that provisions to protect areas and farmers should be included when retiring this acreage.

The CHAIRMAN. How would that work, Mr. Ransom? You say the Government would buy. Buy what?

Mr. RANSOM. Buy the cotton allotment. In other words, the farmer who did not wish to plant his crop could offer to the Federal Government for sale on a competitive bid basis his right to plant cotton. If the Government accepted it, they would in essence buy the allotment and it would be permanently retired. It would be a choice up to the farmer. The farmer would be authorized to make the decision whether he did want to do this or not. It would be his choice.

The CHAIRMAN. Have you any idea what that would cost the Government?

Mr. RANSOM. We have thought a lot about it and I believe there are so many people today that are planting cotton for the payment and the payment alone, if the payment was taken out you would have a flood of people that would be willing to sell their allotment for permanent retirement. I think between $55 and $65 an acre would retire ample acreage at that time.

The CHAIRMAN. On a permanent basis?

Mr. RANSOM. On a permanent basis, yes, sir.

Senator JORDAN. Would this prevent the farmer from leasing his acres, or turning it in as it is now?

Mr. RANSOM. If he sold it to the Government for a price, it would be permanently retired as far as that farm is concerned.

Senator JORDAN. I understand that, but if——

Mr. RANSOM. As we envision it, it would not be doled out to other farmers. It would be retired. That is the way you reduce the minimum from 16 to 14 million acres.

Senator JORDAN. I mean, if he wanted to release it to some other farmers he would still have the right to do that?

Mr. RANSOM. Yes, under the regulations we have at the present time he would have the right.

Senator BELLMON. When you say retirement you mean retire from cotton?

Mr. RANSOM. Yes, but it would go to other crops. Two million acres we are——

Senator BELLMON. So, you are not retiring the land?

Mr. RANSOM. Retiring the allotment.

The CHAIRMAN. Now, could that cotton land be planted to other crops that are supported?

Mr. RANSOM. We have no real proposal on this. We envision that the farmer if he sold it, would be allowed to plant crops. Let me amplify

on this a little. Most of the people—who would want to sell their allotment—would probably choose a variety of crops. I do not think it would be any wholesale movement into one particular crop. I think this 2 million acres would be diversed. A good many of them will not do anything. You can travel through the South and see a lot of acres that produce nothing. Some of this would be in that category.

Senator CURTIS. That $50, $60 an acre would that be——

Mr. RANSOM. A one-shot deal.

Senator JORDAN. He could lose his allotment forever?

Mr. RANSOM. Right. He would permanently retire his allotment. Just like a new farm with no allotment, as we envision it. He would choose to get out of the cotton business as a farmer. Permanently.

Senator MILLER. When you say here there should be provisions to protect areas and farmers, what do you have in mind?

Mr. RANSOM. Well, this is what we have in mind. For instance, I would not say that it would be advisable to go into certain areas and just clean all the cotton out—where you would not have an economic unit, to have a compress, gins, and things of that nature. In other areas it would be more or less flexible. You have a few farmers that have to travel, 65 to 70 miles to get to a cotton gin in Louisiana. If there was anyway they could get some cash out of the allotment they would like to quit.

Senator MILLER. So, you would look upon this as a matter for the Secretary to exercise discretion on.

Mr. RANSOM. Right.

Senator MILLER. So that if in the case you put, the farmer 65 miles away put in a bid to sell his cotton allotment for the same price I did, and I was 5 miles from the gin, all other things being equal, I would not have my bid accepted but his would be?

Mr. RANSOM. This is one connotation you could put on it but really what we thought about, for instance, if a county had only enough cotton for one gin, they would have second choice. In other words, if they obviously are planting cotton under duress due to no processing and marketing facilities, these people will not get out of cotton voluntarily because they are not going to give the allotment away and they are going to plant for the payments and have some income. We think you can retire a sizable amount all over the South for a very low figure if something other than a payment program is adopted. You would have to change some other things which we will go into later but we feel that at the present time there is no way in the world that you can plant 16 million acres with any hope of doing anything but just skyrocketing the surplus.

Senator MILLER. You just do not want that million and a half acres on top of that pool to be arbitrarily picked regardless of the bidding. The bidding and these other factors.

Mr. RANSOM. Right.

Senator MILLER. Are both going to be taken into account?

Mr. RANSOM. Right.

Senator MILLER. And retired?

Mr. RANSOM. That is the way we envision it.

The CHAIRMAN. When you speak of bidding, would you take a certain area in which you would have so many acres?

Mr. RANSOM. Right. I would presume the mechanics of the thing be that if the farmer elected to permanently retire his acreage, just as an example, he could go into the county ASC committee and say I will offer my allotment at this price, put it in an envelope and seal it and then the Department would have the right to either accept it or reject it to get this reduction of the national allotment.

Senator CURTIS. At the present time can he permanently sell his allotment to another farmer?

Mr. RANSOM. That is correct, he can.

Senator CURTIS. Is much of that happening? Of course, that does not reduce production.

Mr. RANSOM. It does not reduce production. This really plays into the hands of the corporate farmers who can afford to pay this price. When a farmer buys allotment, it could increase his cost of production. I mean, on cost of acreage. What we envision is permanent retirement of this allotment and not let it go to some other farmer who wants to buy it.

Senator CURTIS. I wondered about a proposal that one farmer bought say, 100 acres, part of the condition that of his right to purchase that allotment would be that he would have to permanently turn back a third of it. In that way the burden would not have to be carried by the taxpayer but every time there was 100 acres transferred there would be 33⅓ acres go out of production.

Mr. RANSOM. Well, this productivity pool we speak of is not exactly what you have outlined but just to give you an example, here is a farmer with 500 pound projected yield and 100 acres of cotton he wants to sell. The farmer who buys it has a 1,000 pound projected yield. He only transfers 50 acres. This half million acres are the acres that are tied up in this transfer on the sale and lease that belong to no farmer. And those are the acres that we think we had better get rid of now.

The CHAIRMAN. Proceed.

Mr. RANSOM. How the Department saw fit to increase the acreage allotment from 16 million to 17,150,000 acres this year is beyond our comprehension. Such unwarranted decisions make practical and sensible solutions more difficult. In our approach, before we would force more cotton onto an already declining cotton market (both domestically and in exports), we would reestablish a sound growing cotton market and then national acreage allotment increases might be justified.

(2) We strongly support a single allotment system for producing cotton and participating in any cotton program. We strongly feel that there should be no differentiation between domestic and export acreage.

(3) Future legislation for cotton should not contain a provision for unlimited sale and lease of cotton allotments between farmers. This provision would mean that the right to produce cotton would go to the highest bidder and family-type farms are in no position to be bidding against corporate-type farms for the right to produce cotton. Farmers whom we represent are farmers who must strive for a profit in order to meet their financial obligations rather than large corporations engaged in farming, who enjoy the privilege of tax writeoffs, a subject foreign to the man who actually tills the soil.

Senator JORDAN. May I ask a question at that point? Are you saying that the corporate farmers are not farming for profit?

Mr. RANSOM. Well, in some cases they are and in some cases they are not. I think we all know cases where it is to their particular advantage in any given year to do a lot of capital improvements for tax reasons and then hope to gain it later in capital gains. This is a thing that has been going on since I have been farming. Very common practice.

Senator BELLMON. Mr. Chairman, may I ask one question?

Do you feel that a corporate cotton farmer can be more efficient than a family-type cotton farmer?

Mr. RANSOM. If you mean cost of production of a pound of lint, a lot depends on the land. Some of the most inefficient operations I know of are large corporate farms but there are others that are efficient. They do not fit into any size category.

I will say this. The backbone of the cotton industry as I know it, the people who will stay here the longest are the family-type farms.

Senator BELLMON. Well, I cannot see why you raise this point in your testimony. It seems to make it appear as if you are condemning the corporate farmer.

Mr. RANSOM. Well, just use as an example, cotton farmers—family-type, are not in the financial condition to go out and bid on allotment. We will say in Louisiana, particularly, we have tremendous numbers of absentee landlords. Oil companies, et cetera. They are buying this acreage up. They are in a pretty good writeoff position. This is what is going on in the cotton industry.

It is my understanding that cotton is in the worst position in this respect compared to crops all over the United States. The absentee landlord is one of our major problems affecting profit.

Senator JORDAN. If he buys it, he does not plant it, does he?

Mr. RANSOM. If he buys it he plants it, yes. He also collects payments on it.

Senator MILLER. Could I take you back to——

Senator CURTIS. How does he plant it, by tenant?

Mr. RANSOM. He leases it out to some farmer to farm it for him.

Senator CURTIS. He does not hire help to farm it?

Mr. RANSOM. In most cases, no.

Senator BELLMON. And loses money on this operation.

Mr. RANSOM. Not necessarily. Let me say this. He has a choice in many of these cases whether he wants to go gung ho and really give a tremendous capital improvement to the farm and charge it off against some other operation or if the farm needs to make money every third year, he can devise ways of making a little money. He has this option of juggling it around where the real family-type farmer does not.

Senator MILLER. I am just looking for a little information. Going back to No. 2, you say you strongly feel there should be no differentiation between domestic and export acreage.

Mr. RANSOM. That is correct.

Senator MILLER. Why?

Mr. RANSOM. Well, farmers in our State feel if you are going to have an allotment system it ought to be adhered to. There should be

no open-end planning. In other words, you are going to have an allotment of so many million acres. That is the allotment. The prerogative is either to plant up to your allotment or less, not to plant a certain number of acres and then overplant for export. If you are going to have an allotment system to control production it ought to be adhered to.

Senator MILLER. You would not break the allotment down between the allotment for export and the allotment for domestic.

Mr. RANSOM. No, sir.

The CHAIRMAN. Well, the amount of cotton planted for export, I think, is limited, is it not?

Mr. RANSOM. Under the present program there is a quarter of a million acres that could be planted. It is my understanding that a small percentage is applied for—it is negligible.

The CHAIRMAN. So that the law is not used.

Mr. RANSOM. Right. In other words, under the present law when you plant export acreage you have no basic price support on the other acreage. It is not financially attractive except in isolated cases. In fact, there is as much in an area in Louisiana as any place I know of.

The CHAIRMAN. In connection with your testimony, would you be able to get for us since this law has been enacted, that is, to plant for foreign sales, the amount of actual acres planted each year?

Mr. RANSOM. Yes, sir; this is available and we can get it.

The CHAIRMAN. Get the Department to put that in in connection with Mr. Ransom's testimony.

Mr. GIBSON. According to the USDA at the present time California is planting about 12,000 acres. Louisiana is the second largest in the Nation, with 6,000 acres. Those are the figures they gave me a few weeks ago.

The CHAIRMAN. Proceed.

Mr. RANSOM. No. 4. Future cotton legislation should incorporate actual yield theory instead of projected yield theory. Under the projected yield theory, much misuse of the current program has resulted. We would urge that actual yield theory based on the current year's yield be adopted since over 70 percent of cotton land today is farmed by someone other than the landowner. What I am saying is that 70 percent of the cotton land is farmed by someone else other than the owner of that land.

When a projected yield type payment program is in effect, the landlord in many cases is inclined to look to payments as his source of revenue rather than the ability of the producer to produce. An actual yield theory will stimulate the landlord to look for more efficient producers rather than to settle for payment seekers.

The CHAIRMAN. On this—the way the law works now, does that inure to the benefit of these absentee landlords?

Mr. RANSOM. Yes; there is no question about it, Senator.

The CHAIRMAN. In other words, they are paid for x number of bales of cotton.

Mr. RANSOM. Whether they make it or not. In other words, let me be real clear on this point. The allotment belongs to the landowner. Included in the allotment is a certain payment involved—all that he has to be assured of is someone who is going to get the seed in the

ground. The payment first goes to the landowner. Then he will make the decision in practice of how much of the payment he will give up for the man to farm it. This is what has happened to the cotton business under this type program. This is why national yields are going down, in my judgment.

Senator JORDAN. Is this a case where I hear them say a fellow will scratch plant, finds it does not look like it is going to do very well, then he gets his payment and puts it in soybeans.

Mr. RANSOM. We call it planning to have a crop failure.

Senator JORDAN. That is what I say.

The CHAIRMAN. Now, how is he affected the following years? Does it not decrease?

Mr. RANSOM. It may or may not, because under a projected yield program, it is up to the local committee to decide what they are going to do with his yield. He may get an increase. This has happened. We know of this. In other words, it is indirectly tied to production but it is not tied to actual production. There is a 3-year lag in this thing. In other words, you prove the yield over 3 years on the farm.

An example: Take a farmer who has done a real good job for his landlord and has upped the production. The projected yield, let us say, goes up from 600 to 750 or 800 pounds.

All of a sudden the landlord says, man, look at those payments. $85 an acre. Then he decided maybe I do not want a farmer who is going to do a good job. Maybe I have to find somebody who will give me more share of the payment because the payment belongs to the allotment holder.

I hope I make myself clear on this point. It is critical in the cotton business.

Senator BELLMON. Mr. Chairman, may I ask one question?

See if I understand what you are talking about. In the wheat business we do not get a payment until we produce wheat. Well, that is not true. We get a payment on our average wheat production. That is what happens in cotton?

Mr. RANSOM. Right. That is correct. But it has nothing to do with the current year. In other words, the payments on a cotton farm for 1970 have already been predetermined and they go first to the allotment holder and how much of that will get down to the man who is farming is the landowners decision.

Senator MILLER. Well, that would happen under your actual yield approach, too, would it not?

Mr. RANSOM. Well, our approach is not for a payment program. Let me just say this. Under the traditional price support concept that we operated under until we got one-price cotton—this was not a problem. The man who income farms should be dependent on how much he has made out of his crop. It was based on the ability of the person who farmed the land.

Now, 40 to 45 percent of the income is based on a predetermined figure that belongs to the allotment holder. In our judgment, we have shifted the emphasis much too far away from the man who is farming to the allotment holder, and I think the history of cotton yields in the last few years will prove us correct.

Senator JORDAN. The allotment holder can be the man who farms the farm.

Mr. RANSOM. Oh, certainly. And there are many. But if you look at the thing, they are getting fewer and fewer farmers who own all the land they farm, particularly the younger ones.

Senator MILLER. In the case of the one who does, how would shifting from the projected yield to the actual yield affect him?

Mr. RANSOM. If he is the man who actually farms, it would not affect him at all. He would be given the same treatment at an absentee landlord.

The CHAIRMAN. He would be paid on actual production.

Mr. RANSOM. On actual production.

The CHAIRMAN. How long does this projected yield last? Is it from year to year or——

Mr. RANSOM. Well, under the 1965 act we have had a projected yield each year, Now, the State gets this projected yield on a 5-year basis. The farmer can prove on 3 years. Frankly, it has been a real mess. I am sure you can discuss with any State ASC committee and find that this is the No. 1 headache they have, deciding how many pounds the farmer is going to get.

Let me give you an example of some of the conversations that go on. The county committee has a real tough time. Nobody can do this thing accurately. You come in and say, "How about old Jim? What are we going to do with him? We can cut him. His wife got a job driving a schoolbus."

Somebody else's neighbors, "Oh, he has been a little sick. We can help him."

The CHAIRMAN. How can they do it under the law?

Mr. RANSOM. They have flexability under the existing law to do exactly this.

Senator BELLMON. It happens in the wheat business, too.

Mr. RANSOM. What is that?

Senator BELLMON. It happens in the wheat business. For instance, I think our wheat yield is like 28 bushels. The local committees have a right to juggle these averages around. It is unfortunate, but it happens. How are you going to get away from this on an actual yield basis?

Mr. RANSON. We should have it on an actual yield basis, that is the way we feel it should work. If you are going to have some type of remuneration, base it on what a man made this year. For the 1970 crop it ought to be on his production this year.

Senator BELMON. Suppose he gets hailed out?

Mr. RANSOM. Then we will have to do like we have always done, just suffer a loss.

Senator BELMON. This is one of the good things about this program. It has helped to level out income.

Mr. RANSOM. Let me say this. It has leveled income all right. It does have an insurance feature but in my judgment, gentlemen, we have got to go back to trying to help farmers who are successful farm-

ers, and we will say later in our statement, certainly, we really need a real topflight crop insurance program.

Senator MILLER. When would you determine what the actual yield was?

Mr. RANSOM. On cotton——

Senator MILLER. In your State.

Mr. RANSOM. When we put it in the compress.

Senator MILLER. In your State what months?

Mr. RANSOM. September, October, November, December, January, as late as February, as he picked it up and put it in.

Senator MILLER. Then, you are going to have to wait until that time to complete his payments, are you not?

Mr. RANSOM. Correct.

Senator MILLER. As it is now he gets his payments well ahead of that.

Mr. RANSOM. That is correct.

Senator MILLER. What do you have to do to offset that hardship?

Mr. RANSOM. There are alternatives if you want to continue with the payment program. You could pay him one-third of the estimated county average in advance, but I want to make this real clear. We, as farmers, want it to be tied to his production each year.

Senator MILLER. Well, if you did that, and in order to get the payments to him in time you did put it on some kind of an estimated basis and you ran over, his payment turned out to be higher than the actual yield was, then you would make an adjustment in the following year, I suppose.

Mr. RANSOM. Well, this would be—this is not our suggestion but it is certainly an alternative. It could be done.

Senator MILLER. But what you are trying to strive for here is precision so that there is none of this flexibility that permits all kinds of side considerations to enter in and so that there is no question here as to what the production was. Here is the actual yield and that is what the payment is and if you got overpaid because you estimated a little higher, you are going to have it cut down a little bit in the following year. Something along that line, so that you are getting away from all of this hassle that goes on in the ASC committees.

Mr. RANSOM. Correct.

Senator MILLER. I think you have got an awfully good point there.

The CHAIRMAN. That would apply not only to cotton, but other crops.

Senator MILLER. It can apply to anything else because we have a similar problem in corn.

The CHAIRMAN. If the proposal that you are suggesting or adopting, to what extent would it reduce the costs of this program?

Mr. RANSOM. Well, we have a plan Senator, we have later on in here what we have figured out as a thumbnail situation as far as cost. It would reduce cost.

The CHAIRMAN. If you have it in your statement we will be glad to hear it.

Mr. RANSOM. All right.

Provision 5. Contains an anniversary-date-type loan done on a monthly takeover basis, which would spread out or stagger the CCC takeover of cotton. An anniversary-date-type loan where cotton would

remain in CCC loan for 1 full year would facilitate orderly marketing, which is the major purpose of any loan program. Consequently, the loan period will cover the full marketing period from harvest to harvest. Government stocks should be used to fill ashortfall or relieve shortages of certain qualities, not to flood the market with qualities in plentiful supply. Producers should be allowed to repossess loan cotton prior to the loan expiration date at a price equal to the price at which CCC is willing to sell comparable cotton from its acquired stocks.

Senator MILLER. Including exports.

Mr. RANSOM. That is correct. Under the present program there is no differentiation.

Senator JORDAN. Under the present program now, you put your cotton into loan, that is your cotton until the Government possesses it.

Mr. RANSOM. On August 1.

Senator JORDAN. August 1. You can take that out any time you want to at the price of the loan plus the interest on it, carrying charges?

Mr. RANSOM. Right.

Senator JORDAN. Now, what do you propose to do?

Mr. RANSOM. What we are proposing is instead of it all coming out on August 1, let it stay in the loan for 1 full year and the farmer have that same right to purchase it from CCC as he has now except it will be for a longer period. In other words, if I put cotton in the loan in March and it comes out on August 1, it really has not been in there but 4 or 5 months. We want it to stay in 1 full year where a farmer has the right to market it during that year.

Senator JODAN. You want it to stay in a year.

Mr. RANSOM. Right, by choice of the farmer. At the end of the year, then the Government would take over on a monthly basis.

The CHAIRMAN. To what extent would that increase the administrative costs?

Mr. RANSOM. I really would not know but I would guess with the computers being what they are today, very little.

Senator MILLER. But at that time when the Government can call the loan, what you are saying is the producer, in effect, can keep the loan?

Mr. RANSOM. That is correct.

Senator MILLER. And then, he can buy it back if it is under that, he can buy it back instead of having the CCC sell it in the open market.

Mr. RANSOM. That is correct.

Senator MILLER. What is the purpose?

Mr. RANSOM. From the month he puts it in, for 1 full year, it would be his right or his choice to redeem this cotton and pay all the charges accrued for the period cotton has been in loan.

Senator JORDAN. You understand the Government takes over this cotton at, say, 30 cents. You said the farmer has borrowed 30 cents. That is just a term to use. The Government sells it for 20, and the farmer still got his 30 cents.

Senator MILLER. I understand that but what I am getting at is why do you want to enable him to repossess that at 20 cents, to use Senators Jordan's example?

Mr. RANSOM. Well——

Senator MILLER. What is the purpose in having him repossess it at that price?

Mr. RANSOM. He would not be forced to.

Senator MILLER. No, but he can elect to.

Mr. RANSOM. Right.

Senator MILLER. You say he should be allowed. That means he should have the election. So he elects to buy it at 20 cents and the market is 20 cents, I do not quite understand what you are trying to get at.

Mr. RANSOM. In other words, it would give him further control over his product. If he is willing to accept the financial responsibility, he should have this prerogative at the same price the Government would sell it to the trade.

Senator JORDAN. Am I correct in this? The farmer has got cotton in there. Say he borrowed 30 cents on it. He has a customer. He has borrowed 30 cents.

Senator BELLMON. I do not think there is any way he can do it.

The CHAIRMAN. That is just an assumption.

Senator JORDAN. If a customer comes along and wants to buy his cotton at 32 he will take his cotton out and pay the Government 30 cents and make the 2 cents or the 3 or whatever he can make on it. That is the way they operate. You want to carry it the whole year on the same basis.

Mr. RANSOM. Right. On the due date the Government waives some of these charges when they sell to the trade. We think that a farmer should have that same prerogative to buy it back and then the charges will be on him from then on. In other words, he will accept all the financial responsibility.

Senator MILLER. Why would be want to do that?

Mr. RANSOM. Because if he felt the price was going up he would have more control over his product as I think the loan was really intended to do in this basic concept. It gives the farmer more control over the marketing of his product.

Senator MILLER. Have we ever had any provision in the law to allow this, Mr. Chairman?

The CHAIRMAN. No.

Senator MILLER. It is the first time I have heard that suggestion made. It is a novel suggestion to me.

The CHAIRMAN. Well, all of this has come about in the last several years because of the fact that domestic cotton can now be bought at world prices the same as for export cotton.

Mr. RANSOM. Senator, it might just go——

The CHAIRMAN. Now, suppose you were to be given that authority. What if the farmer could not sell that? Would that not dangle on the market and depress the prices that much more?

Mr. RANSOM. Well, I would say this. It could not depress the prices any more than it does at the persent time because immediately on August 1, the Government takeover date under the present program, cotton is all offered for sale immediately prior to cotton harvest at a price less than the current crop. So, let us be real practical about it, what we are trying to do is stop the cycling of cotton from the farmer into the loan, from the loan to our customers. We are trying to get some

mechanism to bridge this gap. This has to be done for a farmer to ever be paid for quality cotton. I think it is absolutely essential to any program.

The CHAIRMAN. Proceed.

Mr. RANSOM. CCC costs in connection with acquisition and resale of cotton will be kept to a minimum, and producers will be given an increased role in cotton market decisions. When a farmer redeems cotton from CCC, he would be responsible for the accumulated charges. Once CCC takes this to the cotton, they would be responsible for the accrued charges.

Senator BELLMON. Mr. Chairman, may I ask one question? I am not sure this is a danger. If you go to an actual yield situation what is to keep the cotton farmer from buying back the cotton he raised in 1968 and perhaps pretending at least that he raised some of that in 1969?

Mr. RANSOM. Well, a compress ticket would identify the year and the crop. I mean there could not be any hanky panky on this under a bonded warehouse sale.

Senator BELLMON. Under a bonded warehouse sale.

Mr. RANSOM. Right.

Senator JORDAN. Your cotton gin tag follows through completely to the final customer who operates it and runs it.

Senator BELLMON. The thing we get into in the wheat business is your wheat elevator operator wants to cooperate with his customer, so he will figure out a way to make it appear that the customer bought more wheat at the time than he did and I am afraid we are opening up the door to this type of thing.

Senator JORDAN. You cannot do this on cotton. The number is registered and turned in to the Department of Agriculture and the mill that buys the cotton eventually turns out that cotton bale number——

Senator BELLMON. When he pays off his loan and gets possession of his cotton back from the bonded warehouse and he has a bale of cotton, will he get any more——

Senator JORDAN. Yes.

Senator BELLMON. So, there is no way for him to take that same bale of cotton and get a—report it as a yield from the current crop? You are sure of this?

Mr. RANSOM. I just cannot envision this happening. I would not say there is not a way but I would say it would be real tough.

Senator JORDAN. He would not need to be a farmer.

Mr. GIBSON. There would have to be collusion with the gin.

Mr. RANSOM. Collusion with the compress and I just do not believe it possible.

Senator BELLMON. Does it all go to the compress?

Mr. RANSOM. In my area, yes, all of it does.

Senator MILLER. I want to make a comment to my friend from Oklahoma. If any of those elevator operators down in his State are seeking to accommodate their customers by showing more grain delivered than actually was delivered, I think the Internal Revenue Service would be most interested.

Senator JORDAN. It would be hard to tag a bushel of wheat.

The CHAIRMAN. Proceed.

Mr. RANSOM. No. 6. The new program should contain provisions for a resale price of CCC stocks at no less than 110 percent of the loan rate at which the cotton goes in, plus actual storage charges and interest except those accruing after the first 12 months. Under no circumstances should storage and charges and interest through the first 12 months ever be waived.

(7) Maintain a loan level at no less than 65 percent of parity to insure ample opportunity for adequate farm income and establish a use incentive plan to mills based upon consumption of cotton by the mill.

The proponents of the one-price system stated that the consumption of cotton would increase by 1.1 million bales with an 8.5 cent reduction in price to the consumer. We find, however, by examining cotton statistics that in 1965 the amount consumed domestically was 9.4 million bales. In 1966 consumption fell to 9.3 million bales, followed by 9 million bales in 1967, 8½ million bales in 1968, and 8¼ million bales for 1969. Now, how do you account for that? Here we were led to believe that the way to fight competition from man-made fibers was to give us a one-price system, and we could increase the consumption. Gentlemen, that has not happened and further, the program cost involved to the taxpayer is such now that much criticism has resulted in the increased cost of the program.

Direct payments to producers under the 1965 act have been a detriment from the start by continuously raising costs of production. If you will check the figures, you will find that there is a vast majority of producers who either rent or lease the land they farm. In Louisiana, over 70 percent of the cotton land farmed is rented or leased. Leases or rents on cotton land have increased tremendously under the program and have virtually eliminated any net gain in income that a producer may have obtained through increasing acreage farmed.

Louisiana Farm Bureau Federation has investigated this entire subject and without fear of successful contradiction, we say that direct payments have been the greatest contributor to the increased cost of production in the past 3 years. Further, we would urge each member of this committee to check with grassroots cotton farmers in their respective States to verify that the 1965 act has resulted in increased income to absentee landlords with very little, if any, benefits accruing to the man who tills the soil.

In our judgment, the 1965 act also has a built-in mechanism for encouraging domestic mills to use less cotton in order to maintain a cheap price for cotton. The only way to maintain a price depressing surplus of cotton is to use less cotton and use more blends in order to increase the surplus and thus maintain a cheap price to the domestic mills. We realize that this was not the intention originally in the 1965 act, but the fact is this has forced cycling of cotton through CCC and given domestic mills cheaper cotton. At the same time domestic mills have not increased their use of cotton as we were led to believe, yet they have been increasing their mill margins. One only needs to examine statistics on mill margins to see how rapidly they have increased since the act of 1965. In 1955 mill margins averaged for the year 27.78 cents and the average for the August to December period, 1969, is 43.90 cents (see appendix table 1).

(Appendix table 1 follows:)

TABLE 1.—MILL MARGINS, UNITED STATES BY MONTHS (1955 TO DATE)

[In cents]

	August	September	October	November	December	January	February	March	April	May	June	July	Crop year average
Year begin August—													
1955	26.06	27.56	28.38	28.33	29.52	29.17	28.34	27.83	27.64	27.20	26.48	26.79	27.78
1956	27.85	27.81	29.12	28.58	28.11	27.21	26.04	25.82	25.50	25.03	24.78	24.67	26.71
1957	23.64	23.58	22.43	20.67	21.05	21.61	21.56	21.48	21.07	20.22	19.82	19.96	21.42
1958	20.66	20.59	20.50	21.55	23.12	22.93	24.05	24.87	25.07	25.50	25.97	26.41	23.44
1959	28.04	29.14	30.32	30.70	30.75	31.18	31.47	31.35	30.69	30.26	30.39	30.12	30.37
1960	30.34	29.65	28.59	27.99	26.61	26.05	25.37	24.32	24.00	23.68	23.51	23.43	26.13
1961	23.94	24.62	24.97	24.99	24.96	24.85	24.94	25.09	25.38	25.06	24.90	25.10	24.90
1962	25.23	25.70	25.63	25.58	25.37	25.10	24.81	24.54	24.18	23.84	24.25	24.71	24.91
1963	25.23	25.66	26.14	26.74	26.97	26.85	26.82	26.79	26.19	25.62	24.86	25.09	26.18
1964	33.19	34.14	34.53	34.62	35.22	35.83	36.02	36.16	36.49	37.30	37.49	37.97	35.75
1965	38.31	38.57	38.62	38.58	38.77	38.78	38.77	38.58	38.71	38.72	38.72	38.75	38.66
1966	40.40	40.60	40.67	40.41	39.54	39.12	38.88	38.61	38.13	37.50	36.14	35.76	38.82
1966 [1]	41.68	42.23	42.35	42.23	41.27	40.69	40.54	40.42	40.09	39.59	38.33	37.90	40.62
1967 [1]	37.23	36.64	35.75	33.43	32.36	33.72	35.36	36.13	36.77	37.30	37.73	38.06	35.87
1968	37.85	38.10	39.03	40.80	42.02	42.53	43.08	42.92	42.71	42.73	42.81	43.02	41.46
1969	43.51	44.03	44.06	43.96	43.92								[2] 43.90

[1] Expanded series.
[2] August–December average.

Source: "Cotton Situation", January 1968, published by U.S. Department of Agriculture.

Senator JORDAN. What do you mean by mill margins?

Mr. RANSOM. Mill margins is information put out quarterly by the Department of Agriculture, the relationship between the cost of raw cotton and an average constructed fabric for the industry, as we understand it. Am I correct?

Senator JORDAN. I do not know. I know that, of course, labor and taxes and insurance and everything else is involved in your cost in between there, so it is hard to tell what that would be. I would not know.

Mr. RANSOM. No. 8. We recognize also that there is a need for a crop insurance program based on sound underwriting principles, but we do not feel that the farm bill should be cluttered up with this type of provision. It should be considered separately. I will ask Mr. Gibson to continue at this point for me.

Mr. GIBSON. No. 9. Obviously, both consumption at home and exports abroad must be increased if we as producers are going to survive. Louisiana Farm Bureau Federation feels that we can increase both through the use of incentive programs designed to stimulate cotton consumption by mills. To this end, we visualize establishment of a consumption base per mill for the domestic cotton mills, based upon each mill's immediate 5-year poundage consumption. If the mill uses up to 50 percent of its consumption base, the mill would receive a cotton-use certificate worth, say, 5 cents a pound. Further, as the mill increases use above the 50 percent base, the cotton-use certificate value could increase as follows:

(The chart follows:)

	Value of certificate (on the percent base used) (cents per pound)
50 to 60	6
60 to 70	7
70 to 80	8
80 to 90	9
90 to 100	10

Mr. GIBSON. Any mill using over 100 percent of its consumption base, and also those newly constructed mills that have no previous history, shall receive a cotton-use certificate worth, say, 12 cents a pound. This incentive plan will give the mill a blended price, depending upon their cotton usage. Under this plan mills would have to earn cheap cotton through the incentive plan by using more cotton, whereas now they just get a gift of cheap cotton due to CCC loan operation.

Let me make it clear that we are not suggesting this exact payment schedule but a similar schedule that will enable mills to acquire cotton at the same cost or lower than they are presently.

(10) It is of critical importance that our export market be restored to a reasonable level and that we begin sharing in the growth of fiber consumption abroad. In the 5-year period prior to one-price cotton, raw cotton exports averaged about 5½ million bales annually. However, from 1964 to 1968 exports have averaged just about 4 million bales. This past year exports ran 2½ million bales, and the projection for 1970 is far below 2½ million bales. Former Secretary of Agriculture Orville Freeman has stated publicly many times that cotton was a crop that must export or die. It has long been the policy of our Federal Government, enunciated both in statutes enacted by the Congress

and in statements issued by our Department of Agriculture, that effective measures should be taken to insure a strong and healthy export volume. We feel that cotton exports should be at least at a level around 6 million bales, and it should be noted that this appears well in line with the minimum objectives already adopted by our Government.

We have long recognized the need for reasonable restraints on cotton textile imports—which have shot up to alarming proportions in recent years. The trend is inexorably upward primarily because foreign mills operate in an entirely different economic climate and have major advantages in wages and other costs. In the final analysis, the textile-producing nations of the world view the U.S. market as the prime textile market of the world and appear to be determined to increase their share of this textile market.

In order for the American farmer to capitalize on the ever-increasing importations of cotton textiles, we propose that each foreign country that exports textiles to the United States be able to export an amount which will be based upon the poundage of cotton they purchase from the United States. These countries would be issued American import privileges equal to this amount for their total exports to the United States. To further stimulate export of American grown cotton to foreign countries, we urge a freight equalization fee of 5 cents a pound in the form of a negotiable certificate be issued on all cotton exported from the United States.

Senator MILLER. How would that work?

Mr. GIBSON. Would you explain that?

Mr. RANSOM. Well, the domestic mills have a freight equalization that is built in the loan program. What we are proposing is a flat 5 cents per pound freight equalization fee be issued on all cotton exports in order to give us some advantage as far as freight is concerned on exports. We think this would certainly help.

Senator MILLER. In other words, if I were exporting cotton to Japan, I would be given 5 cents.

Mr. RANSOM. Per pound.

Senator MILLER. Per pound.

Mr. RANSOM. Right.

Senator MILLER. Which would help me lower my actual costs of shipping if I shipped it over there.

Mr. RANSOM. Right.

Senator MILLER. Or if they paid for the shipping charges, it would enable me to lower my price to them.

Mr. RANSOM. That is correct.

Senator MILLER. So that they would be able to pay their shipping costs.

Mr. RANSOM. That is correct.

Senator MILLER. Do you know whether or not this arrangement would satisfy the GATT rules. I seem to recall that there has been some concern expressed that this type of approach has been used by some of our trading partners and that this may violate the GATT rules.

Mr. RANSOM. No, sir; I am not familiar with the GATT rules. The figures we have on most of the countries that import American cotton

with the exception of Canada, it cost between four and five and a quarter cents per pound to get the bale of cotton over there.

The CHAIRMAN. That would be added cost to the Federal Government.

Mr. RANSON. This would be an added cost; yes, sir. We have this broken down in the next paragraph what it would cost if we export a certain amount of bales.

Senator MILLER. Are there other countries doing this to your knowledge?

Mr. RANSOM. I am certainly not an expert on foreign trade but my understanding is that many of the countries have something that will trigger exports. They may not be this exact thing but it is always money or its equivalent.

Senator MILLER. What you are trying to do is step up our exports.

Mr. RANSOM. That is correct.

Senator MILLER. And of, course, in order to do this I think you recognize we have got to comply with the GATT rules.

Mr. RANSOM. That is correct.

Senator MILLER. And I do not know whether this would satisfy the GATT rule or not but the GATT rule is very definitely against subsidies of exports and we already had an expression here of opinion that wheat certificates for export would constitute a violation. Direct subsidies obviously do so that is why I raised this question.

Senator BELLMON. Mr. Chairman, this would undoubtedly have a tendency to weaken the position of the American miller in competition with the Japanese textile plants. If they can get their cotton 5 cents a pound cheaper and then be guaranteed a chance to ship the finished product back to the United States, the advantage they have in cheaper labor would put our textile mills at a greater disadvantage.

Mr. RANSOM. Under our proposal, Senator, actually they will be paying more for their cotton in the final analysis than domestic mills because we will just say this, that the blend price under this consumption base was 9 cents a pound, foreign mills would not get this. What we would be asking them to do in essence is to pay more for American cotton for the right to market it in this country.

Senator BELLMON. But you are also saying we are going to pay you the price of getting it over there.

Mr. RANSOM. Actually, as we envision it, it would make about a 5-cent per pound spread between the domestic mill and foreign mill in actual acquired cost with our domestic mills having the 5-cent advantage.

Senator BELLMON. Providing they use all cotton.

Mr. RANSOM. No, if they reduce their cotton use they would not get as much as those who would use more cotton. In our judgment, the blend price ought to be about 9 cents per pound in order that they could acquire cotton at no higher price than they are paying at the present time. This would do it if the intent of what we are proposing would be followed.

Senator BELLMON. What I cannot understand is why you want to provide an export buyer this 5-cent freight advantage.

Mr. RANSOM. Well, because we are not supplying him any price advantage. In other words, he would then be operating at a 9-cent price

disadvantage, the foreign mills. We hope to offset some of that with a freight equalization.

How you do it is really immaterial. We are talking about $25 a bale, reduction in price—in other words, what we envision is a higher price for export cotton over domestic cotton but sell it at a higher price to foreign mills so that they will buy the right to ship cotton goods back to the United States.

Senator MILLER. When you say higher price, you mean higher price after taking into account to the mill its reduction in price due to the cotton use certificate.

Mr. RANSOM. That is correct.

Senator MILLER. OK.

Mr. GIBSON. What we are trying to establish is more business for the domestic mills to kind of help offset this high labor cost.

Senator BELLMON. Provided they use more cotton.

Mr. GIBSON. Right.

Senator JORDAN. That will not work.

The CHAIRMAN. I tried it 4 or 5 years ago.

Senator JORDAN. I mean, talking about your subsidizing.

The CHAIRMAN. Not along the same line.

Senator JORDAN. If you use more cotton because there is a cotton mill that has been in business, say, 20 years and he has got a base where he runs half duck and half something else, and here is a mill just started up like you are talking of a new mill, 12 cents a pound. He would put the other man out of business before he got started.

Mr. RANSOM. Bear in mind we are not wedded to these exact figures at all. We just threw this out as an example. I will say this, there is going to have to be a drastic change in the approach or we are not going to have a cotton business. Something has got to be done. I think this committee will explore all of these various avenues to find the key to this situation.

Senator MILLER. Well, I want to commend you for trying to come up with an idea which does sound like it has some merit. But this is not just the only crop that has this problem. We are trying to be more competitive in exports and we are trying to improve our domestic usage of this and I agree with you, if we do not come up with something, we are going to face a lot more serious problems. I think what we need to do is to look at the alternatives if we do not come up with something, and the alternatives are not very pleasant to look at.

Senator JORDAN. I want to say something to these people here, Mr. Chairman, that they probably do not know. The drop in the use of cotton is worldwide. The Japanese have their own rayon, nylon, and polyester plants, and they are just not using cotton. They are bringing these fibers right back into this country with a small blend of cotton in them. And the same thing is true in Spain, Portugal, and elsewhere. So, it is a matter of their not using cotton.

Mr. GIBSON. Senator, in our part of the country I know that the stores are full of 100 percent cotton goods from Hong Kong and when you look and see where the cotton in Hong Kong is bought, it comes from Russia, Pakistan, all over the world except the USA.

Senator JORDAN. And they pay 5 cents an hour labor there, too. I have been there.

Mr. RANSOM. Right.

Senator JORDAN. I was there last year and looked in some of the most modern cotton mills that I ever saw and their wage scale is about 5 cents an hour.

Mr. RANSOM. But they are shipping a tremendous amount of 100 percent cotton goods to this country.

Senator JORDAN. That is where the State Department is looking after everybody but us. The gate is wide open. Just bring it in. Also we have a cotton bill about once a month being liquidated in this country.

Senator MILLER. They have come up with an approach to give a country a quota to ship into this country based on the amount of cotton they use. In the example of Hong Kong, if they are going to go around buying it from Pakistan and the Soviet Union they just are not going to ship as much textiles to the United States.

Senator BELLMON. It seems like a very sensible approach but I cannot see why you want to give them a nickel a pound.

Mr. RANSOM. We think it would help defray some of the freight. It would certainly help the situation.

Let me say this. In the wisdom of the Congress, if we could get where we want to without the 5 cents, fine.

Senator BELLMON. It seems to me that the enticement to the market here is going to cause them to want to import into this country and if they have to buy the cotton as a condition to import, you do not need 5 cents.

Mr. RANSOM. This could well be.

The CHAIRMAN. Proceed.

Mr. GIBSON. Eleven. Now, let us talk about the cost of this approach. As you know, the cotton program costs attributable just to payments have grown from $777 million in 1966 to $962 million this last year. Based on a 9 million bale estimated domestic consumption, and figuring the cotton-use certificate average value of 9 cents a pound, this would result in a cost of $405 million. Then figure estimated exports at 5 million bales times the freight equalization fee, and it would cost $125 million. This gives us a total annual cost of only $530 million for our approach as compared to the $962 million in direct payments for 1969 under the 1965 act. This results in substantial savings to the taxpayers and at the same time provides the mechanics to sell more cotton.

Mr. Ransom, will you take it?

Mr. RANSOM. General comments. During the past several months many various programs have been put forth as a solution to the problems of cotton. One such approach is the "set aside" which is in reality only a new name for the old soil bank. This, we feel, is a totally unacceptable approach as it fails to recognize the changes that have occurred in modern agriculture and will, in the final analysis, increase the unit cost of production for the man who farms. It puts the producer in a poorer economic position and reduces his ability to produce income without any reduction in fixed cost and overhead, and these expenses are the major cost items a producer has to contend with today. The efficiency of modern agriculture demands that every acre in the farm operation be an income producer.

Another approach, continuation of the present payment program, is totally impractical. With Congress having the obvious intentions of cutting the costs of farm programs, they will place the producer and the producer alone in the position of shouldering, for all segments of the cotton industry, the cost reductions of Government expenditures in the total cotton program. Finally, in our opinion, the cotton industry is not yet ready for a phaseout approach.

It has been interesting to Louisiana Farm Bureau Federation, which represents only producers, to see many so-called industry spokesmen seem perfectly content to abandon the parity concept. Let me assure you that we can find absolutely no true farmers who are willing to destroy this valuable tool as a method to protect farmer income.

As this committee begins its deliberations to devise a way to solve the problems of cotton, let me urge you to always keep in mind the fact that a majority of the cotton land is farmed by someone other than the owner and he (the farmer) is certainly due just consideration when new legislation is drawn up.

We of Louisiana Farm Bureau Federation respectfully offer the above as our official testimony and urge you to consider these approaches for putting cotton back on its feet.

Thank you, Mr. Chairman, and members of the committee.

Respectfully submitted, Louisiana Farm Bureau Federation, Inc.

The CHAIRMAN. You know that the national organization is against this program.

Mr. RANSOM. Yes, sir. They have a different approach than we in Louisiana have.

The CHAIRMAN. I brought that out in the testimony when Mr. Shuman appeared here the other day.

Any further questions?

Senator MILLER. You are very much opposed to the continuation of this payments approach.

Mr. RANSOM. It has not solved the problem, Senator. In other words, we are going down the drain fast. In my judgment, if we do not get another approach to this problem, something else in this place has to work, and we have done, for farmers a creditable job of searching out for new and better solutions.

Mr. GIBSON. If I might add to that, the problem is that the producer is not getting the money. If he was getting the money, it would be fine. But he is not.

Senator MILLER. When you say in here that continuing the old payments program would increase the unit costs of production, the set-aside program would increase the unit costs of production, does not the same thing hold true with respect to that 2 million acres that you want to retire under your approach?

Mr. RANSOM. No, sir, because, in other words this acreage would come from farmers who wanted to quit. It would leave those farmers who wanted to plant cotton with no reduction in acreage. In other words, it would keep them on an equal competitive basis. It would allow those who wanted out a way out.

Senator MILLER. Well, I can see where somebody might not want to be out entirely. I am thinking now of the landlord. He has got a

very large unit. He might decide he will take half of it out under the permanent program you recommend, and keep the other half in. He could do that, could he not?

Mr. RANSOM. What we envision is the total allotment. In other words, if he sells, he bids the total allotment. He is out of the cotton business, period. That is what we envision, total retirement.

Senator MILLER. I am glad you cleared up that point.

Mr. GIBSON. We are not talking about retiring the farm. We are talking about retirement of the cotton allotment.

Senator BELLMON. Mr. Chairman, I want to compliment these witnesses. I never heard anyone speak with more practical insight in the way the cotton program works than these men. I have been greatly helped by what they had to say.

The CHAIRMAN. Well, they are from Louisiana, you know. [Laughter.]

Senator BELLMON. They are well taught, Mr. Chairman.

I am not sure that I can agree with you that taking out 2 million acres of cotton land and allowing this land to be put into production of, let us say, Bermuda grass or feed grain or soybeans would not upset other commodity production, and since we are in a very sort of tenuous situation in cattle or soybeans or feed grains, we may be getting those commodities into the same serious condition cotton is in.

Do you anticipate that the program might require that that land be kept in a nonproductive state for some period of time?

Mr. RANSOM. I will tell you what we did. Louisiana Farm Bureau represents not only cotton but soybeans, cattle, any other crops. We discussed this with the other committees—in fact, the soybean people, and it was their thinking that just looking at the situation, this 2 million acres would not go just to one crop. They would be diffused.

Senator BELLMON. But no matter where it goes, you have got plenty of soybeans, cattle and feed grain. What can you raise on 2 million acres?

Mr. RANSOM. Well, looking at the thing factually it was a discussion at the committee—these are generally nonproductive acres and it really was a feeling that these acres would really not disturb the balance—the 2 million acres would not be enough because it would be diffused.

Mr. GIBSON. You have a half million that is really in the shape you are talking about now, that is locked up in the productivity pool.

Senator BELLMON. I am not sure I understand what the productivity pool is.

Mr. GIBSON. All right. Let us say, in other words, you are operating on a projected yield program. Here is a man over here with a cotton allotment of 100 acres and a 500-pound projected yield and he sells that cotton allotment to a man who has a projected yield of 1,000 pounds. When it is transferred he does not get it transferred on the acreage basis. It is transferred on projected yield. So that 100 acres become 50 acres on his farm. Louisiana has over 50,000 acres locked up in this productivity pool.

Senator BELLMON. Wait a minute. He gets a 50-acre cotton allotment and the other——

Mr. GIBSON. Goes into the productivity pool within the State.

Senator BELLMON. And what does he raise on that 50 acres?

Mr. GIBSON. Anything he wants to.

Senator BELLMON. So, you have actually taken 50 acres out of cotton and put it into something else.

Mr. GIBSON. Yes, under the present program. But you would have another million and a half.

The CHAIRMAN. Any further questions?

Mr. GIBSON. Senator, I have a statement from the Deep South Farm and Power Equipment Dealers Association that represents 345 dealers in Louisiana and Mississippi that I would like to file endorsing our position.

The CHAIRMAN. I had it here to put in the record.

(The statement referred to follows:)

STATEMENT OF DAVE NORRED, PRESIDENT, DEEP SOUTH FARM & POWER EQUIPMENT DEALERS ASSOCIATION, ALEXANDRIA LA.

Chairman Ellender and members of the Committee: The Deep South Farm Implement Assn., with headquarters in Alexandria, Louisiana, is composed of 345 farm equipment dealers in the states of Louisiana and Mississippi. Our Association for the past several years has been deeply concerned about the problems of cotton and cotton farmers in the area we represent. We have read with great interest many of the proposals that have been made to solve the problems of cotton. The "set aside" approach is most unacceptable because it reduces farm income. Programs that ignore the rapid changes in technology and farming practices cannot work as they are impractical.

We of the Deep South Implement Assn. have studied very carefully the Louisiana Farm Bureau Federation's proposals for new cotton legislation and consider it the very best approach for the cotton producers from the area we cover.

Outlined below are the basic points of proposal that we endorse:

(1) Work toward more permanent legislation.

(2) Adopt a 14 million national minimum acreage allotment and get to this level through the procedures LFBF outlines.

(3) Use of single allotments system for producing cotton and participating in any program.

(4) Limited sale and lease of allotments with local elections to decide these transactions.

(5) "Anniversary date" type loan on monthly basis for CCC takeover of cotton.

(6) Loan level at no less than 65% of parity.

(7) Resale of CCC stocks at no less than 110% of the current loan rate, plus actual storage charges and interest.

(8) Base program on actual yield theory instead of projected yield theory.

(9) Domestic cotton market—establish a cotton-use certificate plan for domestic mills. The cotton-use certificates should be at a rate that domestic mills will not pay more for cotton than they are paying at present and also the mills would receive price reductions for volume use.

(10) Export market—foreign countries exports to United States should be based upon the poundage of cotton they purchase from the United States. Further, we should establish a freight equalization fee in the form of a negotiable certificate on all cotton exported from the United States.

Let me urge the Committee to give full consideration to the Louisiana Farm Bureau Federation's approach and carefully evaluate each point in their proposals.

Thank you Mr. Chairman.

The CHAIRMAN. I am sorry we—off the record.

(Discussion off the record.)

The CHAIRMAN. We will recess until 1:30.

(Whereupon, at 12:30 p.m., the hearing was recessed, to reconvene at 1:30 p.m., this day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will come to order.

The next witness is Mr. Schnittker and will you proceed to identify yourself?

STATEMENT OF JOHN A. SCHNITTKER, PROFESSOR OF ECONOMICS, KANSAS STATE UNIVERSITY, MANHATTAN, KANS.

Mr. SCHNITTKER. Thank you, Mr. Chairman. I think I can be brief because I will skip through some parts of my paper, leaving it for the full committee and the record.

I am John Schnittker, professor of economics at Kansas State University, Manhattan, Kans. I am speaking only for myself today, not for any institution or association. I hope I can contribute to a stronger agricultural economy, and to a pattern of Federal spending which distinguishes more clearly than in the past, between high- and low-priority public programs.

I congratulate the chairman on his statement to the Senate a few weeks ago supporting the Food and Agriculture Act of 1965 as effective legislation, and as the base from which to consider future farm policies. The 1965 act has succeeded beyond expectations. It requires some amendments, but the basic approach is sound.

The 1965 act stands out in sharp contrast to the phantom character of the administration's farm policy.

After 1 year, we cannot be sure what program the administration wants for farmers, or whether it wants any program at all. No bill has yet been advanced to Congress over the signature of the President or the Secretary.

The failure of the administration to come to the support of farmers, and of legitimate farm price and income stabilization programs has been a calculated failure. It requires the Senate and the House of Representatives to address themselves to these questions even more seriously than in previous years.

Congress must lead the struggle to continue and to improve farm programs in 1970, since the President and the administration will not.

The Food and Agriculture Act of 1965 provides a workable base from which to begin this effort. It should be amended, however, to adapt it to future needs, to treat commodity producers in different regions of the country more equitably, and to limit total payments to individual producers.

Farm programs were once needed to help small family farmers. Most farmers were in this group in the 1930's.

It is different today. We have 3 million farms, but only 1 million are serious producers. Most of the benefits of the commodity programs now go to relatively few farmers. One-third of our farmers market 90 percent of our farm products; 6 percent market 50 percent.

Benefits from farm programs are distributed approximately in proportion to production on any farm. So price support programs help few persons on really small farms achieve the better life they want.

For the future, commodity-oriented farm policies must be designed principally for full-time farmers. We also need programs directed to

the problems of small farmers and poor people in rural areas. Some form of minimum income or family assistance plan would reach many thousands of small farmers now almost entirely missed by price support programs.

Some of the Federal funds now paid to our largest farmers would be better spent on other programs for farm or rural people. We should design and finance future policies affecting large farmers and small farmers in line with the real needs of the two groups, and in line with overall national needs.

The 1965 act. The key features of the Food and Agricultural Act of 1965 were:

1. A system of direct payments to farmers for cotton, feed grains, and wheat;

2. Revised price support loan formulas effectively setting parity prices aside and linking feed grains, wheat, and cotton to world markets; and

3. Effective acreage control programs.

Direct payments replaced high price supports, and voluntary (payment based) acreage diversion replaced (supplemented, in the case of cotton and wheat) the former rather rigid system of acreage allotments.

These features of the 1965 act should serve as building blocks for future programs for commercial agriculture.

Feed grains. The feed grain program in the 1965 act is good legislation. Price support and payment formulas are flexible. The Secretary of Agriculture has discretion to administer the program toward a wide enough range of income and cost objectives.

Feed grain payments under this act have been set at levels which encouraged just enough farmers to participate in acreage diversion, to reduce the stored surplus and later to gear annual crops to current needs. This is the kind of formula that should apply to all the commodity programs.

Existing law would permit surplus-free stabilization of feed grain supplies in the 1970's. If present price support loan levels were continued, annual expenditures would probably range from the current level of $1.5 billion a year, to perhaps $2 billion a year by 1973 or 1974, if yields rise faster than feed grain utilization, as I expect. There is adequate authority in present law, either to stabilize farm income and total program costs, to reduce them, or to allow cost increases as described above. The range in which market prices could be supported under existing law is wide enough to suit almost any point of view on farm policy for the next 3 years.

It is extremely important, however, to expand feed grain exports. To this end, it would be better if the loan level for corn were to be related to world price levels, and if feed grain payment levels were set strictly according to acreage diversion and income targets. No other amendments are needed in the feed grain program.

It is feasible, however, for Congress to set a maximum level on total payments to producers of feed grains (in fact, any commodity) in advance, and to require the payment program to operate within that authorization.

The CHAIRMAN. Before you go to wheat, your recommendation is

that under the law as it now stands, the Secretary of Agriculture has enough flexibility to deal with corn.

Mr. SCHNITTKER. Yes; he does. I think a guideline relating the Secretary's action to world market prices as we do for wheat and cotton would be useful, but the present authority is wide enough. Some would wish it to be wider but, of course, there is danger of having it too wide, also.

The CHAIRMAN. Well, some want greater support prices and some want greater loan prices. Now, it has been my experience that in order to get these—some of the farmers in, large farmers, if we have a too high loan price, they will not join the program. And my idea has been as you might know, to lower the loan and then up the direct payments and in that way——

Mr. SCHNITTKER. Yes. I recall that and there is a good deal of latitude in existing law to do that for future years. It may not do forever but it will last for some time.

Wheat: The 1965 wheat program was a constructive change from the previous approach. Wheat is now priced as a feed grain; wheat and feed grain acreages are interchangeable on farms; wheat prices in the market are required to be supported near world price levels. The Secretary of Agriculture has adequate discretion in administering most features of the wheat program.

The payment (certificate) formula is too rigid, however. Payments are tied to parity prices, which are now obsolete except as a guide to the past, and should be systematically removed from the law. Wheat program costs to the Federal Government must increase by some $30 million each year as a result of this feature.

The payment formula for wheat should be amended to provide the opportunity for the executive branch and Congress to determine payment levels in advance, on a year-to-year basis through the budget and appropriations process.

Cotton: The cotton program in the 1965 act is seriously in need of amendment. We ought to start out fresh, although the basic idea of competitive level price supports supplemented by direct payments is as sound for cotton as for the grains.

Payments of $900 million per year, mostly to large-scale cotton producers, are exorbitant by any standard. Cotton payments should be made only on the amount of cotton used in the United States, now some 8 million bales per year. This would be the same as in the wheat program. The payment level per pound should not be fixed as it is in present law. Congress and the executive branch should have the freedom to set maximum payments from year to year in the budget and appropriations process.

The present language in the law setting a minimum payment of 9 cents per pound on the domestic allotment could be retained if language requiring total payments to be the equivalent of 65 percent of parity on a fixed amount of cotton were to be deleted.

The "snap-back provision" exempting cotton from payment limitations must be deleted to make an across-the-board limitation on payments to individual farmers effective for cotton.

Acreage allotments for cotton should also be phased out or eliminated. I expect to provide the committee——

The CHAIRMAN. How would you control that?

Mr. SCHNITTKER. Senator, the people in the cotton industry, including the Department, now argue that the problem is to get enough cotton produced rather than to prevent too much from being produced. I agree that this is the basic problem. So, I do not think the problem of controlling acreage or limiting acreage is really with us any more.

The CHAIRMAN. Well, did you hear the witness this morning from Louisiana?

Mr. SCHNITTKER. Yes.

The CHAIRMAN. I wish you would take his statement and study it at your leisure, if you will, because of your past experience, and find out whether or not we can do something to eliminate these payments that are made to people who buy land, who do not cultivate it, but are paid on what might be produced on that.

Mr. SCHNITTKER. I will be glad to do that and submit it for the record, Senator.

The CHAIRMAN. I think it is a very serious problem and I am very anxious to do something about it. It strikes me that what we ought to do is to get a program that if a a large corporation, let us say, buys land to speculate on and then they lease that land, whether it is planted or not, to get payment on what the land might produce in cotton is just wrong and we are going to have to do something about that. If you have any ideas about that I will be glad to—before you leave—off the record.

(Discussion off the record.)

Mr. SCHNITTKER. I will get that, Senator.

(The information is as follows:)

MANHATTAN, KANS., *March 6, 1970.*

Senator ALLEN ELLENDER,
Chairman, Committee on Agriculture and Forestry,
Washington, D.C.

DEAR SENATOR ELLENDER: I am writing in response to your question at the hearing of your Committee on February 24, regarding benefits under the cotton price and income support programs, to persons who have not been and are not cotton producers, but who have joined the industry by purchasing land and acreage allotments.

There have been a number of proposals made to limit access to agricultural land to bona-fide farmers. Nothing like this has ever been adopted.

Farming, like any small business, is open to anyone with access to the amounts of capital required to make a start. Land ownership is equally open to anyone who is able to make a down payment and borrow money for the purchase of land. I do not believe that this can be changed in the short run of a few years, nor should it be changed.

Active farmers, and retired farmers are able to invest in non-farm businesses, in industrial or utility stocks, and in any other activity for which they have the necessary capital. Farm people share in the ownership (although not in the management) of many large and small corporations in the United States.

An effective payment limitation, at the level of $10,000 per commodity per farm, would be a useful means of discouraging large corporations and well-financed individuals who are not farmers from entering into active farming or becoming the owners of large amounts of agricultural land in competition with family farmers.

Also, reducing the very large income subsidy now required in the cotton program would limit the incentive for large operators to control major percentages of the cotton allotment in any country or state.

I do not know of any other way to approach this question. I certainly would not recommend that Congress limit cotton farming to persons who are already en-

gaged in that business, nor should farm land purchases be limited to bona-fide farmers and present owners of agricultural land.

Again I appreciate the opportunity to appear before your committee on February 24.

Sincerely,

JOHN A. SCHNITTKER,
Professor of Economics, Kansas State University.

The CHAIRMAN. Proceed.

Mr. SCHNITTKER. I expect to provide this committee and other Members of Congress with specific recommendations for amending the existing cotton program within a few days. I will make those available to the committee.

There is a question of unequal treatment under various commodity programs, Senator Bellmon. Feed grains, wheat, and cotton production are concentrated in different geographic regions. Unequal treatment of these commodities under our payment programs is, in fact, unequal treatment of the farmers who live in different parts of the country.

Rigid payment programs noted above require large direct income subsidies to cotton producers, and to a lesser extent to wheat producers. Payments to feed grain producers, however, include little or no direct income subsidy. Nearly the entire feed grain payment serves the function of production control, not income subsidy.

This is well illustrated in a tabulation made available last year by Secretary Hardin, and which is shown in my testimony.

(The table referred to follows:)

A FUNCTIONAL CLASSIFICATION OF DIRECT PAYMENTS TO FARMERS IN 1968

[Dollars in millions]

Program	Total payments amount	Supply management		Income supplement	
		Amount	Percent	Amount	Percent
Cotton	$794	$276	35	$508	65
Feed grains	1,369	1,221	89	148	11
Wheat	746	384	51	362	49
Total	2,899	1,881	65	1,018	35

Mr. SCHNITTKER. This tabulation shows that feed grain payments in 1968 were almost entirely devoted to limiting output, 89 percent in fact devoted to the function of supply-management, while only 35 percent of total cotton payments served that function.

In 1970 nearly the entire amount of $900 million for cotton payments will be an income subsidy, since the national acreage allotment for cotton has been increased, and cotton acreage is not severely limited on many farms. It certainly cannot be argued that a major part of cotton payments are for supply management.

One-half of all wheat payments in 1968 were direct income subsidies, but the 1970 figure will be lower, since the national acreage allotment has been reduced and wheat farmers must leave more of their land idle this year.

Senator BELLMON (now presiding). Do you put the certificate payments in the category of being a direct income subsidy?

Mr. SCHNITTKER. Yes; I do.

Senator BELLMON. Do you count that as money coming from the Federal Treasury or money coming from the consumers of wheat?

Mr. SCHNITTKER. Senator, it does come from the consumers of wheat but the Federal contribution and the so-called certificate contribution are lumped together administratively and the farmer, I think, does not distinguish between them and neither do I.

Senator BELLMON. If you take out the amount of certificate payments that come from the consumer, does it change this table you have shown us over here on page 7?

Mr. SCHNITTKER. The total payments for wheat would be reduced by about $400 million, from roughly $746 million to perhaps $350 million, if only the Treasury portion were counted.

Senator BELLMON. And that would then change the percentage.

Mr. SCHNITTKER. That would change the percentage to, I would say, roughly 90 percent supply-management and 10 percent income supplement.

Senator BELLMON. 90 percent——

Mr. SCHNITTKER. For supply-management and 10 percent income subsidy, income supplement.

There is no justification for unequal treatment of producers in different regions. I urge the Senate to modify the payment formulas for cotton and wheat so that this situation can be corrected.

Senator BELLMON. Do you stand by that statement in light of the change you just made over here?

Mr. SCHNITTKER. Yes; I do, Senator, because taxes as well as what people pay for bread come from the people, and so I find no justification for distinguishing except administratively, between wheat certificates payments which come ultimately from consumers and wheat payments which come directly from the Treasury. I count them all the same, so I stick with my original statement.

Senator BELLMON. I was not here when you began your statement and I do not want to cause you to be redundant but do you propose some other way of giving the American wheatgrower an American price for that portion of his production used for human food in this country?

Mr. SCHNITTKER. No. I think we have already been past that point, Senator. Two or three efforts were made in the 1960's to get the full certificate value paid by the processors and consumers. These efforts were lost and I doubt if there is any reason to go back to them. So, what I am really suggesting is that the Congress ought to give itself and the executive branch some discretion in the farm program, in the statute itself, so that from year to year if the Congress and the administration jointly decide that the Federal contribution to wheat payments should be $300 million, $200 million, or $400 million; that would be possible.

Today that amount is fixed by law and by the accidental changes in the parity formula. This requires an increase of $30 million or so each year, year after year, quite without regard to what the Congress or the President might decide national priorities would require.

Senator BELLMON. I do not believe you have answered my question. How do you propose to give an American producer of any product an American price for that share of his production when he markets a portion of it in the world market as wheat producers do?

Mr. SCHNITTKER. Well, I do not accept the concept of an American price. I do understand what people have called an American price but I argue, Senator, that it has no meaning. When a part of the return to any producer is coming out of the Treasury, the Congress and the executive branch ought to review it from year to year and not fix a formula which escalates it from year to year without an annual review. And I am not at all sure that the Congress or the country would decide that payments have to be reduced below the level of what you call an American price.

Senator BELLMON. Well, as you know, under the old farm program, the price the farmer received at the elevator, was supported at an above the world market price and that exporters were subsidized for their losses. The new concept is that all wheat prices fall to the world market price or feed grain price and that the wheat farmer in order to give him something like parity of income in theory gets a certificate payment from the Treasury which the Treasury takes from the miller who takes it from the consumer of the bread that is produced. And what I am curious about, I do not want to belabor it but I am curious how you would propose to continue giving the American wheat grower this kind of income.

Mr. SCHNITTKER. I would not necessarily propose to do that but I would open up the law so that through the appropriations and budget process, the Congress could make a decision from year to year on whether wheat payments should bring total returns up to full parity or not.

The present law requires that payments be brought up to 100 percent of parity.

Senator BELLMON. On 43 percent of the wheat.

Mr. SCHNITTKER. On the domestic portion of the crop.

Senator BELLMON. Right.

Mr. SCHNITTKER. And I would relax that formula so that the Congress and the country could review that each year.

Senator BELLMON. Review——

Mr. SCHNITTKER. And it would be——

Senator BELLMON (continuing). Review it with what in mind?

Mr. SCHNITTKER. Review it with the idea in mind of deciding whether we want to spend this $300 million or $400 million or $500 million of public money for wheat programs or something else.

Senator BELLMON. Is it public money if the Treasury continues to collect money from millers for the wheat they process?

Mr. SCHNITTKER. Senator, I would—the amendment that I would propose would deal only with the Treasury fraction. I would let the certificate part which at the moment is 75 cents per bushel on about 500 million bushels, I would let that stand. I would leave the certificate formula and its relationship to the price support loan exactly as it is in present law, but give the Congress and the executive the opportunity to review the additional payment which comes out of the Treasury.

Senator BELLMON. That is all.

Mr. SCHNITTKER. A payment limitation. One major new provision should be added to the 1965 act. I urge the Senate to adopt a limitation on payments to any producer of farm products or owner of agricultural land.

If the limitation applies to all programs together, including wool and sugar, it should not be higher than 420,000.

Alternatively, a limitation of $10,000 could be applied to each commodity program. This could be administered somewhat more effectively. I have argued on another occasion that the ceiling could be as low as $5,000 per program, but I believe the higher figure of $10,000 would be a better choice for 1970.

A ceiling of $10,000 per program would be similar on many farms to a ceiling of $20,000 per farm, since most farmers have several crops. The $10,000 figure would affect more producers, however. Approximately 25,000 farmers—still less than 1 percent of all farmers—would be affected by such a ceiling. In 1968, this included 3.4 percent (15,097) of all cotton producers with about 45 percent of total cotton acreage, 0.4 precent (5,428) of all feed grain producers with 6 percent of total production, and 0.6 percent (4,861) of all wheat producers with 10 percent of all wheat production. Payments to these farmers (not counting sugar and wool) would have been reduced by about one-half, or by $250 million a year, if a $10,000 ceiling had been in effect in 1968 or 1969. Adding sugar and wool would increase savings materially, while affecting few additional producers.

Only 10,000 producers would have been affected by a $20,000 per farm limitation in 1968. Payments on those farms would have been reduced by about one-half—from $380 million to $200 million—for a saving of $180 million. Two percent of all feed grants, 3–4 percent of all wheat, and around 28 percent of all cotton produced was grown on farms that would have been affected.

Acreage diversion programs——

The CHAIRMAN (now presiding). Before you go into that, do you make a distinction as to the Department's capability of providing for payments where you have a voluntary program in contract to a compulsory?

Mr. SCHNITTKER. Senator, I do not here but I think that distinction could be made since some of the payments serve the function of production control.

The CHAIRMAN. Well, that is the very point that I would like to stress. On these voluntary programs as I understand, the philosophy back of them all is to get out of production so many acres so that the production would be equal to our requirements, domestically and the carryover and for export.

Now, what difference does it make if you get an acre from a small farm in contrast to a large farm?

Mr. SCHNITTKER. Well, hardly any difference at all, but if I may add, Senator, the voluntary acreage diversion programs apply directly to feed grains and wheat. There are very few large farms producing feed grains and wheat. Therefore, practically none of those crops would be affected by a limitation of $20,000 per farm or $10,000 per commodity or per program, and, therefore, virtually no acreage would be set outside the program by a payment limitation applied to the grains.

The CHAIRMAN. You are saying to the committee now that the farms are of such a small size, let us say, that the production would not be easily affected.

Mr. SCHNITTKER. Yes. Only 2 percent of all the feed grains grown in the country is grown on farms that would be affected by a $20,000 payment limitation.

The CHAIRMAN. Two percent of what now?

Mr. SCHNITTKER. Two percent of all the feed grains grown nationally.

The CHAIRMAN. What does that mean?

Mr. SCHNITTKER. Well, it is 160 million tons which would be——

The CHAIRMAN. No, no. I am talking about size of the farm.

Mr. SCHNITTKER. I cannot really respond to that. It would be a relatively large corn farm and there are so few large corn farms that if you put them all together, only 2 percent of the corn is grown on farms which get $20,000 in payments.

The CHAIRMAN. Or more.

Mr. SCHNITTKER. And we can really set wheat and feed grains aside from the payment limitation question. There are so few large farms that even though a handful of farms would be affected, only a very minor fraction of the production of the entire country is on those farms. So there would be scarcely any measurable loss of effective production control in those voluntary programs.

The CHAIRMAN. I can see where it would be possible to limit payments where you have a compulsory program. You could set scales the same as you do for sugar.

Mr. SCHNITTKER. Yes.

The CHAIRMAN. And let the farmers vote for it up or down, but in the voluntary program, I am unable to see it. But since the amount as you say, is so small, that would probably make a difference as to what level you start at.

Mr. SCHNITTKER. What I am saying is that at the $20,000 level, wheat and feed grains can be just set aside. They are not in the picture so far as payment limitations are concerned.

Senator MILLER. What about the $10,000 limitation then?

Mr. SCHNITTKER. The $10,000 per commodity limitation which is the other option I presented, brings in a slightly larger amount of production but still only 6 percent of all feed grains would be on farms affected and I would estimate that 1 or 2 percent would be excluded—that is, above the amount earning $10,000 payment.

Senator MILLER. I am sorry if you went into this but I just got back from a vote. When you say the $10,000 limitation per farm——

The CHAIRMAN. You said you just came back from the floor? You will have to go back now.

Senator MILLER. So do you, Mr. Chairman.

Let me carry this on a little bit. When you say a $10,000 limitation per farm, I am not sure I understand what that means. Are you talking about a total operation which might consist of a couple of farms next to each other and another farm a half-mile down the road and another farm another half-mile in the other direction being operated as one unit? Or——

Mr. SCHNITTKER. Senator Miller, I presented two options, to review very briefly. One would be a $20,000 limitation per farm taking in all the separate pieces of land, and adding wheat, corn, cotton, sugar, and whatever else he grows, together.

The second option was a $10,000 per program or per commodity because this would be somewhat easier to administer.

Senator MILLER. All right. Now, you mentioned on that $20,000 limitation the total amount of the units being operated by the man. Suppose you have two men. They are partners. Would that mean $40,000? $20,000 for each man?

Mr. SCHNITTKER. There would have to be some determination but I would consider that farm to be an entity and would apply the limitation to the farm.

Senator MILLER. Well, I am interested in the equities here, and also the administration of it, because if you and I were partners and we had 15,000 acres of land and we were farming this as partners and we found a $20,000 limitation, I do not imagine it would be very long before we would dissolve that partnership and you would end up with two farmers with $40,000.

Mr. SCHNITTKER. This is a problem that would have to be faced and I would urge the Congress to provide the strongest kind of rules against farms splitting for purposes of evasion of the payment limitations. I think with so few farms involved it could be handled.

Senator MILLER. Well, you call it evasion but to me it would be a matter of trying to do equity, because it seems to me the number of people involved in the enterprise has something to do with the equities.

For example, I recognize that the $20,000 limitation would have very little impact on the total number of farmers in the feed grains program, but I am thinking of a corporation known as the Amana Corp. out at Amana, Iowa, which you may be familiar with, and instead of having 300 farmers operating separate units, they joined together as the Amana Corp. And to put a $20,000 limitation on them, I am just wondering if that would be equitable. I think you understand the problems that I am talking about.

Mr. SCHNITTKER. Yes, I do. There would be special cases like partnerships, corporations, societies, which would have to be treated, I think, as individual cases under the regulations. Perhaps some definition of the meanings that could be attached to the term "farm" or "person."

Senator MILLER. Well, then, you would suggest that if we did adopt one of these payment ceiling limitations that there would be some flexibility given the Secretary to avoid the inequities that could occur from the flat $20,000 per farm or flat $20,000 per farmer.

Mr. SCHNITTKER. Yes; I would agree with that, but I would want to go along with the strongest prohibition against farms splitting purely for the purpose of evading the intent of the law.

I think the Amana Society is different from a corporation owned by outside interests, for example.

Senator MILLER. If you have an equitable law you are not going to have to worry about that splitting, but if you do not have an equitable law, then, I think, we are going to have a real problem on our hands.

Mr. SCHNITTKER. Acreage diversion programs would be workable with payment limits at levels mentioned above. For the grains, such small proportions are grown on large farms that production control would easily continue to be effective.

Cotton payments, however, serve the function of enhancing income,

not of limiting production. I know it will be argued that cotton cannot be produced without huge subsidies. Some fear that our payments balance will suffer for lack of cotton to export.

I say it is ridiculous to pay cotton farmers $900 million a year to produce cotton worth only slightly more than $1 billion a year and to produce cash exports of some $300 million per year. Our Federal funds are too scarce, our public needs too great, and our balance-of-payments problems not nearly important enough to justify such payments.

It is regrettable that the argument has again been made in 1970, that limiting payments to large farmers would destroy the farm programs and hurt small farmers. This claim is absolutely without foundation, as shown earlier.

Put another way, this argues that the way to help small farmers is to pay out more Federal money to big farmers. This is a serious distortion.

A payment limitation would be difficult for some producers. Land values inflated by huge payments may come down. Some areas may produce less cotton, but many large growers, relieved of allotments, would produce more cotton.

I urge Congress to adopt a limit of $10,000 per program to apply to 1971 and subsequent crops. Congress should also provide firm directives against evasion of this provision.

THE SET-ASIDE (ADMINISTRATION BILL)

The set-aside is not so different from acreage diversion programs operating under existing law. It would give farmers valuable new alternatives in using their land, but it would also bring some problems.

The bill as it stands, however, defies analysis. It includes unnecessarily broad administrative discretion for price supports, and virtually no guidelines. Under it farm price supports, farm incomes, and farm program spending could be substantially increased, or materially reduced by executive action.

A degree of discretion is essential to good administration. But the extent of discretion in the new bill is neither desirable nor useful.

A comprehensive and sympathetic analysis of the set-aside proposal by Professor Tweeten, of Oklahoma State University a few weeks ago came to the following conclusions:

> If cotton, feed grains, and wheat program costs paid by the Federal Government were to be fixed at recent levels the set-aside would bring farmers $0.5 billion less net income in 1971 than the present program or alternatively.
>
> If total net income were to be maintained at recent levels the set-aside would cost the Government about $0.5 billion more than the existing programs would cost in 1971.

This is not a high recommendation. Even so, the set-aside idea has features leading to greater flexibility, especially for cotton, which ought to be examined.

FARM ORGANIZATION PROPOSALS

My general views on two proposals made by farm organizations are probably clear from my earlier statements.

The farm bureau bill features a 5-year transition to long-term land retirement contracts as the only means for limiting output. This will not work, in my opinion. Long-term retirement is a useful and efficient supplement, but not a replacement for annual acreage diversion programs.

I favor a long-term program, and I had something to do with developing the cropland conversion and cropland adjustment programs. Long-term contracts should be expanded and annual diversion programs reduced over time if we are to maintain reserve productive capacity in agriculture. But long-term tracts alone are not enough.

The other major feature of the farm bureau bill relates to compensation for low-income farmers, and is an idea deserving much greater study and support.

The coalition bill has good features arising out of the 1965 act. It includes, however, a number of provisions which lack merit. These include a minimum loan rate and minimum total price support for grains, an export payment for wheat, and a minimum price support level and acreage diversion program for oilseeds.

The extra annual cost of perhaps $1 billion or more each year for these features would not be a good investment, considering the distribution of farm program benefits and the clear need for greater funding of many other programs.

Present law and various bills apply to much more than cotton, feed grains, and wheat. I will be glad to respond to questions on any aspect of agricultural legislation.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Mr. Leggett.

STATEMENT OF C. HOKE LEGGETT, PRESIDENT, SOUTHERN COTTON GROWERS, HOBGOOD, N.C., AND P. R. SMITH, SOUTHERN COTTON GROWERS, WINDER, GA.

Mr. LEGGETT. Mr. Chairman, this is P. R. Smith. He is from Georgia, immediate past president of the Southern Cotton Growers, Inc.

The CHAIRMAN. You have a written statement, Mr. Leggett.

Mr. LEGGETT. Yes. We will skip a little of it.

The CHAIRMAN. I wish you would do that and I would like to suggest to the witnesses, I do not want to overlook anybody but if you can summarize, the whole statement will be put in the record.

Mr. LEGGETT. Well, I cannot very well do that, but at least we will cut out parts of it.

The CHAIRMAN. All right.

Mr. LEGGETT. I think we can get through in about 12 minutes.

Mr. Chairman, gentlemen of the committee, my name is C. H. Leggett. I am a cotton farmer of Hobgood, N.C., and I am serving this year as president of Southern Cotton Growers, Inc. My appearance today is in behalf of this organization, which maintains its headquarters in Athens, Ga.

Southern Cotton Growers, Inc., is the major cotton producer organization in the Southeast representing cotton farmers in Alabama, Georgia, South Carolina, North Carolina, and parts of Florida,

Tennessee, and Virginia. We are also supported in our testimony by North Carolina Cotton Promotion Association. Carolina Cotton Growers, Inc., North Carolina Farm Bureau Federation, and the Georgia Farm Bureau Federation.

Mr. Chairman, Southern cotton farmers salute you as one of their own—one with a broad view of the problems that beset all cotton farmers from Virginia to California and one with the will and the heart to lead us in our efforts to develop the legislative means of dealing with our problems, for our own good and for the good of our Nation. We hold deep respect and admiration for each member of this committee.

We must admit we feel sorry for all of you, as well as ourselves. The well-being of millions of Americans and the strength of our Nation are involved in what you do about cotton policy. The problem is staggering.

At this point it seems to us whatever you might do, in the way of creating a new cotton program, cannot be anything else but hit or miss unless a tried program is used for the basis of any new cotton legislation.

Our farmers are scared half to death. Accordingly, it is our judgment the best course would be to extend the Food and Agriculture Act of 1965 including the present cotton program on a continuing basis, with simple amendments to remove glaring inequities.

There was a time, not long past, when rural people could demand justice. But no more. Our own efficiency has decimated our ranks. One of us now feeds 50, where not so long ago it would have taken five of us.

Now we are so few, our political voice is exceedingly weak.

We must depend upon the understanding of the people in the cities for the justice we no longer can demand.

This Nation was built under a rural ascendancy. Congresses dominated by members from rural constituencies wrote the laws that created the climate for the development of the greatest industrial (urban) nation on earth. It is unthinkable now that the new urban domination will assign the rural sector to a perdition of poverty.

But this might happen. Indeed, this seems likely.

We are partly to blame. We never have developed an educational program to keep our city friends abreast of our circumstances and our needs. How many urban people actually realize that the farmer now gets less for the food he produces than 20 years ago—that all the added cost of food occurs between the farm gate and the retail counter, by higher rewards for those engaged in processing, transporting, and merchandising food?

Meanwhile, the farmers' cost for machinery, fertilizer, fuel, chemicals, and other supplies have skyrocketed. The net income of agriculture is substantially below 1947, even when we add the Government subsidy to farm income. How many realize this?

Those who do not understand the needs of agriculture, and their numbers are multiplying, propose now that we phase out farm programs in favor of some land set-aside policy. This, they say, will save tax money. It will not.

Unless a way can be found for the farmer to get a fair price in the

marketplace, there will be ruin in agriculture. Moreover, this Nation's economic and social disorder will be intensified by any new land set-aside which, past experience has proved, is about the best way we know to get the small and medium-sized farmers off the land.

The trend now afoot is ready-made to drive new thousands of people out of rural America into cities. The cities already are staggering under the relief cost from the influx of refugees from our farms. It is reasonable to assume that a new farm-to-city migration might be vastly more expensive to local and Federal governments than the current cost of farm programs.

A catastrophe in agriculture, such as might result from a Government withdrawal of price and production stabilization undertakings, could cause great unemployment in the industries that supply farmers annually with billions of dollars' worth of machinery, fuel, fertilizers, chemicals, and other materials essential to production.

We might see the destruction of the family farm as we now know it—and the succession to an agriculture owned and operated by corporations.

The Government, by use of around 3 billion in various subsidy payments, has held farm prices of food below prices the farmer got in 1947. The farmer generally has been able to exist, some to prosper, through use of Government payments to stabilize the farm economy.

What can the consumer expect to pay for food if the farm program is scuttled and corporations take over agriculture—with these corporations administering the prices of food, demanding and getting the price they set at the farm gate?

These are some facts and questions many urban members of Congress, and they are the majority, seem not to understand. Yet we are approaching a vote in the Congress on a new "farm program."

A deep fear prevails in the farm community of the Nation.

The present program can be a good program. It has maintained income for the producing farmer but, as it has been administered, it is killing the cotton economy of the South. It is taking the South out of cotton.

By administrative actions, various land retirements schemes have been set up to entice small cotton farmers out of production, and the present program discourages larger farmers from planting more than 65 percent of their allotted acres. This year the 10 acre or less farmer got paid whether he produced a stalk of cotton or not. Great acreages of cotton in the South's traditionally cotton producing regions were not planted to cotton.

Georgia planted only 410,000 of its 833,000 allotted acres, Alabama only 570,000 acres of its 971,000 allotment. North Carolina 190,000 of 450,000, South Carolina 345,000 of 638,000, Tennessee 415,000 of 566,000, Arkansas 1,075,000 of 1,331,000. For the whole cotton belt 16,200,000 were allotted. Only 11,883,000 were planted.

The same has been true for several years. So many acres were idled by special enticements to small farmers and by the operation of the "domestic allotments" payment that the Government removed all mandatory allotments cuts for the 1969 crop, and in 1970 the acreage allotments actually have been raised above the 16 million minimum. The South's cotton economy has borne virtually the whole burden of

bringing down the cotton surplus and of maintaining the balance between production and consumption.

The impact upon the South's total cotton economy has been devastating:

Mr. Chairman, great concern has been expressed in these hearings at the prospect that some day soon we may experience an actual shortage of cotton. These prospects are brought about by the price support running to only 65 percent of allotted acres, known as the "domestic allotment" and to the administrative gearing of the program to take small farmers almost completely out of production.

It is obvious to all that 16 million acres, the present minimum, will produce more than an adequate supply of cotton if planted and harvested. To raise the total allotment above 16 million, as the Department did for 1970, certainly will get more cotton, but this will distort the production pattern all over the belt and further depress the cotton economy of some States. We need to cure the situation by eliminating the incentives not to produce in the present program which operate through the domestic allotment plan and through the enticements of small farmers out of production.

The plantings below allotment have been especially severe in the South. We are the region of many small farms. We are also the region that suffered in 1967, the worst cotton crop disaster in history. Therefore, many of our large farmers are inclined to plant only around 65 percent of their allotted acres, the "domestic allotment" part which has price support payments.

We must find a way to handle the domestic payment so that these payments are not an incentive to plant only 65 percent of our allotment. Unless we do this, and remove the enticement to get small farms out of production, many more thousands of our farm people will become refugees in the South and many will find their way to the cities to burden relief rolls.

On February 10 of this year, the USDA submitted to the House Agriculture Committee their proposals or suggestions for new cotton legislation for theirs and your consideration. However, these proposals or suggestions would not be legislation as we in American farming understand legislation to be, but rather a delegation of authority to the Secretary of Agriculture, which if adopted would allow the Secretary among other things, at his discretion, to "modify the loan price to the point of elimination by reducing it to zero," to "adjust the established yield as he might see fit," to "sell certain qualities of cotton at prices lower than the minimum sales price," and "eliminate support price payment by reducing them to zero."

USDA officials want freedom for cotton farmers. With continued domestic allotments, payment limitations, a "land set aside," and support payments not related to parity cotton farmers will find it a freedom to dangle with a financial noose around their necks.

Cotton must compete as an industrial raw material. There is little increase in market offtake as prices go down. When cotton prices go up, synthetics can easily step up their market takeover. And these takeovers so far have not been reversible.

Unlike cotton, the alternative food, processing and feed uses for corn, sorghums, wheat and barley have an elastic relationship between

price and market offtake, both down and up. Prospective selling prices, with any reasonable balance between supply and demand, will provide reasonable profit margins above production cost for the bulk of these producers.

For these reasons program development for cotton should be taken out of the feed grain and wheat concepts. It should be dealt with in terms of the problems with which it is confronted. Rice and sugar——

The CHAIRMAN. Before you get through with cotton——

Mr. LEGGETT (continuing). We will be with cotton all the way through.

Rice and sugar are obviously to be considered in terms of those particular complexities.

If cotton is to survive in these United States as a competitor against higher and higher priced textiles, as a major earner of dollars abroad and as a profitable enterprise on 300,000 farms, then the program will have to reflect the industrial market structure of which cotton is a part.

It is obvious to all of us in cotton that the road the USDA is trying to travel is certainly no good for cotton, especially Southeastern cotton.If USDA is fruitful in convincing Congress that its plan for cotton is the answer, then certainly the coton industry will have been dealt the final and fatal blow.

Mr. Chairman, we have brought to you recommendations that we believe will help not only our region but the total cotton growing area of the United States, in the words of President Nixon referring to the whole rural America, "once again, become an area of opportunity." These are our proposals for cotton to the Senate Agriculture Committee:

1. Extend the present one-price cotton law on a continuing basis, with revisions and refinements, which would remove inequities and strengthen the program.

2. Keep the 16 million national acreage allotment.

3. Eliminate the voluntary acreage diversion feature of the present cotton law. When a reduction in acreage below the 16 mililon total allotment is needed to prevent new surplus accumulation, let the percentage of the national allotment reduction apply to each individual farm allotment, with no acreage diversion payment beyond the mandatory cut. In no case shall loan plus payment be less than 65 percent of parity on maximum permitted acreage.

4. Repeal the cropland adjustment program outright and forthwith and avoid all Soil Bank approaches to agriculture's problems, by whatever name presented. Such programs decimate the farm population, create ghost towns, and dump rural people upon the relief rolls of the cities. The cost of bloated welfare payments in the cities is far greater than any farm program which enables people to remain upon the land and in our rural towns.

5. We support the present release and reapportion provision of the 1965 act and further we propose that each cotton allotment holder must plant, lease, release or lose his allotment. Maintain adequate protections for small farmers who plant, cultivate, and harvest their allotment acres. Provide that unused allotments would return to the county committee for reassignment within the county or State.

6. Provide for no price-support payments to producers on acreage not planted to cotton. Such payments would allow producers, in effect, to sell allotments to the Government.

7. Liberalize the law as it relates to transfer of cotton allotments by purchase or lease, within a State, to encourage movement of acreage from allotment holders who do not want to produce cotton to those who do want to produce.

8. Write into the new law provisions making certain the United States regains its rightful position in the world of export markets. We further favor an extension of Public Law 480.

9. Protect the American textile industry from the great influx of cheap cotton and manmade fiber textiles from abroad. As a first step, define yarn as a raw cotton so that the yarn comes within the limitation now placed upon the importation of raw cotton. (This was done with pickerlap.)

10. Write new protections against havoc caused by natural disasters, so that farmers who are victims of such disasters may receive easier credit and may use yield records of normal production years, when all requirements and benefits under the cotton program are assigned.

11. Make available funds for the Cotton Board to be used for education purposes, product market research, development, and promotion, and also implement fully the research program now provided for in the cotton law.

12. Revise CCC regulations to allow the producer to better use loan provisions as a marketing tool. A loan maturity date based on date of loan entry interest and encompassing two marketing seasons will do much to accomplish these objectives. Let us have our cotton in the loan long enough to try to sell it.

You will note, Mr. Chairman, our recommendations embrace no proposal with respect to limitations of payments to individual producers. Frankly, we are unable at this time to present any plan for limitations that would not cause wide distortions in the cotton-producing enterprise and that will not endanger the structure of any cotton program that may be under consideration here.

Mr. Chairman, we are here to endorse the general cotton program proposal submitted by the National Cotton Council. We participated in the development of these proposals. With greater emphasis, we have come here to plead for fairness in the law and its administration. We support every proposal of special consideration for the small cotton farmer, but we vigorously oppose any scheme or gadget that takes or entices farmers out of production and off the land.

Mr. Chairman, we of Southern Cotton Growers, Inc., further stand ready to cooperate on Congressman Abernethy's bill (H.R. 15593) or any other proposal which is producer originated or which may reflect a ground swell of cotton producer backing.

Mr. Chairman and members of this committee, we have faith that you will not rush us into something new and untried. We are confident you will keep the best of the program we have, but adjust it to treat every cotton producer and every region fairly and then proceed in the direction of recapturing cotton markets and reestablishing the undisputed supremacy of cotton in the fiber markets of the world.

Thank you very much.

The CHAIRMAN. Well, how would you reduce production in keeping with our requirements?

Mr. LEGGETT. Well, I believe we suggested over here to reduce each allotment in accordance with the amount required to bring production in line with demand.

The CHAIRMAN. And what would you do with the land that is out?

Mr. LEGGETT. Well——

The CHAIRMAN. That is not planted?

Mr. LEGGETT. You have two alternatives. If it is a mandatory reduction, to pay the man the amount which he would expect to have reached from an acre of cotton in a diversion payment, or if there were other crops that were not in surplus, it might be devoted to other uses.

The CHAIRMAN. What you are really asking for is reenactment of the present law?

Mr. LEGGETT. That is right, with certain modifications, going in all probability to actual yield instead of projected yield.

The CHAIRMAN. As you know, we have been talking about the mills, how to get them to use more cotton. For the first time in our history only 40 percent—in all the cloth manufactured last year, only 40 percent—strike that.

On all of the goods manufactured last year, they contained only 40 percent cotton. The rest was——

Mr. LEGGETT. Synthetic.

The CHAIRMAN. Yes. And that is being aggravated more, not only here but abroad. That means a constant reduction in the use of cotton.

Mr. LEGGETT. We hope, Senator, this is going to turn. We have two mills—of course, I being from North Carolina, we are right in the textile mill area—two mills at home. One is a synthetic or blend. The other is 100 percent cotton. The 100 percent cotton mill is operating 7 days a week, 3 shifts a day, and the other mill is operated 4 days a week. We think this may be a beginning—some mills are beginning to uptake the use of cotton.

The CHAIRMAN. Well, when we put this program on the books, that is, beginning with 1961, I think it was, we had enacted a law which afterward was made into the 1965 act, your Cotton Council came around and provided for this one-price cotton in the hope that more cotton would be used. At the time that suggestion was made the mills used about 9,203,000 bales of cotton. Today with one price they are using only 8,100,000.

Mr. LEGGETT. We are very well aware of this.

The CHAIRMAN. I know, but the same thing is occurring abroad. And if this trend continues, what is the answer?

Mr. LEGGETT. Well, I am sure I do not have any answer and I wish that you did.

The CHAIRMAN. Well, that is——

Mr. LEGGETT. That is what we are really looking for.

The CHAIRMAN. I know, but what we ought to have is some answer from you, the producers, because you are being a little unrealistic knowing that the mills are using less, not only here but abroad, and your hope that it might change is not something that we can write into law.

Mr. SMITH. Senator, if I may say something there. Some of the shippers support this statement there. One reason our markets are down is the short crop we had in 1967 which reduced the inventory of spinnable qualities. This is one reason they give, and they tell me that if our inventory got back up, that possibly this could increase the use of cotton.

The CHAIRMAN. They have always had enough cotton on hand. Always.

Mr. SMITH. But in 1967 the price of cotton got excessively high, we lost a lot of our market to man-mades. The shortage of cotton really was not realistic but the trade thought it was.

The CHAIRMAN. If you want to start a program——

Mr. SMITH. In many places it——

The CHAIRMAN. Is that right, apparently, that ladies use cotton material rather than synthetics?

Mr. LEGGETT. We had a point in here—I assume you caught it—that this is one of the key things we think has to be done, that we have to sell the American people on the use of cotton.

The CHAIRMAN. I think it should have been done long before now.

Mr. LEGGETT. I think so, too.

The CHAIRMAN. Any questions?

(No response.)

The CHAIRMAN. Thank you very much, sir.

Mr. Scott is our next witness.

STATEMENT OF VERNON SCOTT, AGRICULTURAL COUNCIL OF ARKANSAS, TILLAR, ARK.

Mr. SCOTT. I have a very short statement.

The CHAIRMAN. You may proceed, sir.

I understand you are speaking in behalf of Mr. Norcross?

Mr. SCOTT. Yes, sir.

Mr. Chairman, and members of the committee: My name is Vernon Scott. I am a cotton farmer from Tillar, Ark., and past president of the Agricultural Council of Arkansas. Mr. Robert Norcross, our president, was unable to attend and asked me to act in his behalf.

The agricultural council has been the recognized voice of Arkansas cotton farmers for many years. Arkansas ranks as the fourth largest cotton-producing State, harvesting over a million bales in 1969. We are well acquainted with the serious problems cotton is now facing.

It is our judgment that this Nation must determine whether or not the continuation of the cotton industry is vital to the national interest. If the decision is negative, then let us not sit by and watch it decompose and disintegrate because of inadequate support through short-sighted goals.

Instead, to use an expression we sometimes hear in our part of the country, let us just "funeralize" it and all attend the wake.

Gentlemen, do not imagine there will be only farmers in attendance. It will look more like the international set. Industry, transportation, banking—every facet of the business world will be present.

Should the verdict be in favor of the cotton industry, then let us get on with the endorsement of a program that embraces these essential points:

1. An adequate supply of cotton for domestic use, exports, and carryover.

2. A reasonable return to the farmer for labor, management, and investment.

3. A pricing system that will allow cotton to be competitive in both foreign and domestic markets with all fibers.

4. A research and development program geared to lowering production costs and capturing and holding markets.

5. A long-range program that will give stability to both the producer and consumer.

Since there is much pressure for farm payment limits in the House, we feel compelled to point out that severe limits would render the aforementioned goals unattainable. For this and many other reasons, we oppose them.

Like Congressmen, cotton farmers sometimes find it hard to get together but we keep trying. The agricultural council's representatives have worked closely with other producer organizations through the National Cotton Council to reach agreement on policy. We are pleased to tell you that we support the program known as the "producer guidelines" which will be presented to you in detail tomorrow by Mr. Bruce Lynn, president of the National Cotton Council. This program, we feel, is so designed that it will accomplish the five goals for cotton which I have mentioned.

Mr. Chairman, we are cognizant of the fact that through the years you and your committee have approached with intelligence and understanding the problems of agriculture as evidenced by your excellent Senate speech of January 27. We know that you are aware of the scope and seriousness of our present situation. We do thank you for listening and sincerely hope that through your efforts and ours a healthy cotton economy will result.

The CHAIRMAN. Well, I presume what you are pleading for is to just renew the program, since you offer no specific suggestion?

Mr. SCOTT. No. What I say, we are endorsing the National Cotton Council guidelines that will be presented tomorrow by Mr. Bruce Lynn.

The CHAIRMAN. All right. And that will be your program?

Mr. SCOTT. Yes, sir.

The CHAIRMAN. Any questions?

Senator Allen?

Senator ALLEN. I would like to present to the committee, a fellow Alabamian, Mr. Edward F. Mauldin, Route 1, Leighton, Ala.

Mr. Mauldin, come around, please.

Mr. Mauldin is a lifelong cotton farmer, a partner in a farm implement dealership, a cotton gin, and a farm supply business in Town Creek. Ala.

He has been a member of the National Agricultural Advisory Commission, under appointment by President Kennedy in 1961, and of the Commission under appointment by President Johnson in 1964, and also a member of the National Food and Fiber Commission, and for many years, since the creation of the Alabama Legislative Cotton Study Committee, beginning in 1957, he has been a consultant to that committee.

He knows cotton and know the problems of cotton production and I feel that he can offer some valuable suggestions to the committee.

The CHAIRMAN. Well, I am anxious to hear him.

STATEMENT OF EDWARD F. MAULDIN, LEIGHTON, ALA.

Mr. MAULDIN. Thank you, Mr. Chairman.

It has been my privilege to have been allowed to appear before your committee several times in the past but this is the first time to be able to do since Alabama has had the good fortune to be represented on this committee by agriculture's good friend and most able advocate, Hon. James B. Allen.

Alabama farmers take considerable pride in the fact that their chosen representative in the U.S. Senate, has by his own choice elected to serve farmers everywhere as a member of your most important committee.

The CHAIRMAN. Well, I share the happiness becaue he is a very good member of this committee and I hope he sticks with us.

Mr. MAULDIN. Thank you, sir, and I appreciate this opportunity you give me to publicily express appreciation for myself and all Alabama farmers to Senator Allen for undertaking this awesome task, which you preside over along with each member of your committee of making public policy that will be both fair and equitable to the farmer and in the total national interest.

Senator Allen, as a member of the House and the Senate of the State of Alabama, and as Lieutenant Governor, you have earned the confidence and you have the support of our farmers and I salute you along with your colleagues on this committee for accepting this grave responsibility at this crucial time for agriculture and for cotton in particular.

With your permission, Mr. Chairman, I would like to address myself briefly to the cotton situation, and possibly the best approach would be to attempt to relate to the proposal which the U.S. Department of Agriculture has made to the Congress as articulated by Secretary Hardin and his deputy, Mr. K. E. Frick—namely the so-called set-aside program.

I am sure you will recall the Biblical prohibitions of the ancient Hebrews against certain acts of conduct by their number * * * "lest there be an abomination."

Gentlemen, with all due respect to the Secretary and to his associates—this set-aside proposal would be an abomination, if enacted into law as proposed.

By far the most heinous abomination contained in the Frick set-aside cotton program is the abandonment of the parity concept as a basis of establishing what is a fair and equitable price for the farmer to receive for his cotton that is consumed in the domestic market.

Unexplained is the injustice proposed by this administration to discriminately remove parity as a measuring stick for equitable cotton programs, but the retention of this concept for the other major commodities—namely, wheat, corn, and the feed grains. The question naturally follows why the double standard?

By the removal of parity as a guideline, the administration would wipe out the gains which our farmers have won in over 150 years

of struggle for equity in our Nation's economy. To do this to agriculture, would be like doing away with the right to collective bargaining in the labor sector or denying business the right to administer prices for their products. Such a thing is so unthinkable that it is beyond my comprehension.

The second "abomination" contained in the Frick set-aside proposal is the elimination of the snapback feature of the present cotton laws whereby failure of the present program would permit farmers the security of laws and programs in effect prior to passage of the Agriculture Act of 1965.

This snapback provision is absolutely necessary for the farmer to rely upon when obtaining his long-range financing. Without such a provision no financial institution in the land would have any protection against the whims of subsequent administrations, or an unfriendly Congress.

Agriculture's great and insurmountable obstacle now is the lack of ability to reasonably effect any long-range planning due to the temporary nature of national farm programs. Only the snapback feature of the present program offers cotton farmers any semblance of long-range public policy. The snapback features, I respectfully submit, Mr. Chairman, must be retained in all future programs that propose to promise equity to agriculture.

Another "abomination" in the Frick proposal would eliminate the hard fought gains contained in the release and reapportionment program. Prior to the enactment of this program, unjust regulations by the Department of Agriculture during the 1950's had caused Alabama's share of the total national cotton allotment to be reduced from more than 7.5 percent to less than 6 percent of the national allotment.

Other old Cotton Belt States were similarly affected. The inequity existing at that time was so gross, that Congress in its wisdom passed the release and transfer law. While this measure did not rectify past inequities, it did stop the trend which caused cotton acreage to flow from its historic patterns in the old Cotton Belt to new areas in the West. Any departure from this principle would restore old inequities or create new ones.

Mr. Chairman, gentlemen of the committee, with your continued indulgence I would attempt to offer a look at the economics of some of the specifics of this vague, but extremely treacherous Frick set-aside cotton program.

FORTY-FOUR PERCENT REDUCTION IN PER ACRE COTTON INCOME

According to the schedule the Department has furnished to the Congress, there would be a 44 percent reduction in per acre cotton income with a 12 cents per pound production payment, which is the minimum they use in their farms, and even with a 17 cents per pound payment (maximum) there would be a 36 percent reduction in average per acre income from each acre devoted to the cotton program as compared to 1969.

This drastic decrease in income is coupled with an equally damaging bulit-in increase in expense to the farmer caused by the fact that

for every 2 acres actually planted to cotton an additional acre must be idled for cotton with no additional compensation. By the most conservation calculations this cannot help but reduce net cotton farm income by more than $320 million annually, with a 12 cent payment.

Since these are the facts, no one knowledgeable of farm programs can honestly claim that the set-aside program for cotton would maintain farm income at acceptable levels, while insuring an adequate supply of cotton and reducing costs to the Government.

Careful study of the proposal can only reveal the obvious fact: cotton farm income will be so drastically reduced, and costs so substantially increased (as compared to the present program) that cotton production—and the cotton economy as a whole—will be relegated to poverty, bankruptcy and ultimately cotton will cease to be a major crop in these United States.

Mr. Chairman, I am sure this committee does not propose to preside over the liquidation of this important strength in our Nation's agriculture.

Specifically, using the administration's most optimistic projections, cotton farmers would have their production payments cut by at least $40 million and probably by more than $270 million.

Moreover, farmers would be required to devote an additional 6.4 million acres to the cotton program without the hope of any income whatsoever to compensate for this drastic increase in expense which is certain to be more than $200 million annually. Even the administration's own calculations project 12.3 million acres planted with an additional 6.4 million acres set-aside making a total of 18.7 million acres devoted to cotton which they claim would gross the farmer at most $1,946 million.

This compares to a gross income in 1969 of $1,938 million on 11.9 million acres. All of this means that gross per acre income would be reduced from $162 in 1969 on 11.9 million acres to, at best, $104 per acre on 18.7 million acres in 1971 if this program were effected.

Stating it another way, cotton farm income per acre on land devoted to cotton would be reduced 38 percent or $58 per acre. And this with the maximum proposed payment of 17 cents per pound.

Should the 12-cent payment be in effect the reduction in gross per acre income would be 44 percent and the gross per acre income would drop to only $91 per acre.

Mr. Chairman, cotton farmers now barely sustaining themselves would be forced into insolvency and wholesale bankruptcy by such a monstrous program.

Another undesirable feature of the proposed set-aside program is that the farmers would receive substantially less money in the market place. Administration proposals indicate a 2-cents-per-pound reduction in the loan rate for 1971, but future years could be drastically below this because netiher the loan rate nor the production payment would any longer be tied to a percentage of parity.

The abandonment of of the parity concept in the administration's cotton proposal, from the long-range point of view is the most insidious feature of the entire proposal. And, while parity would be junked for cotton by this administration—it is retained as a criterion in the proposals for establishing a fair return for the other major commodities

including wheat, corn, and the feed grains. Why the inequitable double standard?

Thirty-eight years ago America's farm families confronted poverty and foreclosure after 12 years of Republican rule. Rising from these ashes like the Phoenix of old, farmers collectively with the help of fair-minded Members of the Congress, both Democrats and Republicans, developed a farm program based on the parity concept of fair prices for agriculture.

This parity program embraced Government policies that guided this country out of the great depression and for the first time in history allowed agriculture to achieve a full parity position in this Nation's economy.

Farmers then, for the first time, had reason to believe that finally at long last they were equal and accepted partners with all Americans in the rewards of free enterprise under capitalism.

Alas, now comes this montrous proposal which, if enacted—and let us all pray that it will not be—would turn the clock back 50 years, and wipe out all the grains agriculture has made in public policy in all of history. Under the boot-heel of an inequitable proposal such as this our farmers could once again find themselves relegated to unpromising struggle and strain. Agriculture, our basic industry, will once more be on the edge of insolvency.

Mr. Chairman, as you pointed out this morning, you know better than even I that net farm income has not increased one iota in more than 20 years—currently struggling at best to top $15 billion annually as compared to $16 billion annually 20 years ago.

You know, too, that average farm prices in terms of parity are now at the lowest level since the depression years of the 1930's—but paradoxically our national income has more than doubled in this 20-year period.

Possibly Senator Allen has already had the opportunity to acquaint you with the fact that our State of Alabama has suffered a 75-percent decline in acreage devoted to cotton during this 20-year period when the Nation has prospered so greatly, Alabama has seen its acreage dwindle from near 2 million acres as late as 1949 to slightly only one-half million acres in 1969.

The consequences have already been disastrous, but here we see a proposal that would further reduce cotton farm income both total, per acre, and net—by such proportions as to render the demise of cotton as a way of life throughout the Southland. Obviously, our farmers would be much better off if no new legislation were enacted than would be the case if this proposal is enacted into law.

Certainly, simply lowering the support price will not achieve the desired increase in exports or domestic consumption as you pointed out again this afternoon, Mr. Chairman.

According to the Department's own tables, U.S. cotton enjoyed 65 percent of the domestic textile market and 15 percent of the foreign textile market when farmers received 36 cents for their cotton in the marketplace. Certain well-meaning interests at that time proposed that 30-cent cotton was the only salvation to cotton's future. Farmers accepted this mandate and the price was lowered to 30 cents. The result: cotton's share of the domestic market dropped to only 55 percent and exports fell to only 8 percent of the foreign textile market.

Again came the cry for cheaper cotton, and again the farmers acquiesced * * * the market price was cut to 25 percent and what happened? Domestic consumption and exports were again out proportionately. Then, along came some really sound thinking—the theory being that if in the light of this performance cotton's price in the marketplace were lowered to only 20 cents, all of its problems here and abroad would be solved.

Alas, gentlemen, farmers once again bowed to the wisdom of the establishment—cotton prices were dropped to 20 cents and cotton's share of the domestic market dropped proportionately to only 40 percent while exports plunged to something less than 6 percent of the foreign textile market—an all-time low.

Now comes this great panacea—the set-aside program, which would bring about further market price slashes. From the language of the proposal, who can really tell what price levels would really be?

Gentlemen, if it is true that the light of the past can serve to guide us in the future—then such a program can only mean the eventual demise and permanent death of the cotton industry in these United States.

If history has any meaning for us, then we must accept the lessons which it has taught—all our great national economic depressions of the past have been preceded by and have followed closely on the heels of a breakdown in the rural economy.

Realistically, we must understand that in the present climate of impending economic recession nationally, a disastrous depression could well be triggered by the rural insolvency which will certainly result if agriculture is forced to accept public policies which by their design once again will relegate our farmers to impoverishment as this administration's proposals would certainly do.

Although not wishing to be the harbinger of impending doom, I would be less than honest if I did not admit to you the grave situation in which agriculture finds itself today. In my humble judgment, a way must be found to restore some semblance of prosperity to agriculture or our Nation will surelly face the consequences in the form of another national depression.

Certainly, this administration's set-aside program for agriculture is not the way. For cotton, there can be a way in the proposals offered by the Southern Cotton Growers, Inc. whose officers have appeared before you during the course of these hearings.

The Louisiana Farm Bureau Mill and Exports Incentive Bureau seems to me to hold great promise as a reasonable program that could increase consumption both domestically and exports abroad at substantial reduced Government expenditures.

I urge you to give this program the most serious consideration, for the Southern Cotton Growers is indeed the official organization of the bona fide cotton producers throughout the entire old cotton belt.

In closing, I beg you, for the sake of a sound agriculture and in the total national interest, please do not allow all the gains which agriculture has accomplished during the history of our great Nation to be wiped away. Retain the parity concept of fair prices for agriculture in this and every measure that gains the approval and sanction of this learned committee.

I believe that I can say without reservation that I speak for all cotton farmers everywhere whose livelihood comes from the sale of their labors through their crops, when I say to you it is our prayer that you will always uphold the concept of parity for agriculture, in the agriculture committee and on the floor of the Senate of the United States, to the end that this policy of equity and fairness for agriculture will always be the law of the land.

With grateful appreciation for your time and consideration, I sincerely thank you for this opportunity to make these views known.

The CHAIRMAN. Well, I am glad to have had you, Mr. Mauldin.

You were here when Mr. Ransom testified?

Mr. MAULDIN. Yes, sir.

The CHAIRMAN. Have you any large corporations buying up land in Alabama and leasing it out and making money by not planting the cotton, getting a part of the payments that were made available on estimates made of cotton production?

Mr. MAULDIN. Mr. Chairman, to my knowledge there are a number of large paper concerns and timberland owners who are buying up land that is suitable for timber production and some of this timber acreage includes fields that were devoted to cotton and has a historic cotton allotment.

On occasion these timber concerns, and I am thinking of people like Continental Can and people of that magnitude, will take the acreage that is allotted to the land they buy and lease it to other farmers who wish to plant it to cotton within the county, or in some cases there are eight or nine counties in Alabama where cotton acreages can be leased across county lines.

Now, I do not think it is a substantial factor in the total allotment in this State but to that extent I know it is being done.

The CHAIRMAN. Well, do you think that is right?

Mr. MAULDIN. Well, I do not think they are buying the land for the purpose of getting the allotment.

The CHAIRMAN. I understand.

Mr. MAULDIN. I think that is incidental. They are buying it to put it in timber and hold it for long term capital gains and do tree farming with it and this program is incidental to them.

The CHAIRMAN. Well, it is my belief that something should be done in those cases, particularly where cotton is not planted as it should be by a farmer who makes his living out of it, and we will have to find some way to get around that if we can. And I thought maybe you had some solutions?

Mr. MAULDIN. Yes, sir. Well, in a sense it does help the farmer, Mr. Chairman, if he can obtain that acreage under an equitable arrangement from the allotment holder, whether it be a large corporation or another farmer, because due to the present economics of raising cotton, each year the farmer finds himself in an endless cycle of attempting to increase his acreage, increase his production, increase his operation in order to stay competitive and in order to do so, he has to go out and lease acreage wherever he can find it whether it be on the land that is adjacent to him or whether it be on the land in a distant county and bring the allotment close to his operation where he can farm it under his present situation. So to that extent it helps the cotton farmer.

The CHAIRMAN. Well, I can well understand that but these payments are made and the land is not really planted to cotton as it should. That is what Mr. Ransom said this morning.

Mr. MAULDIN. Well, I think, Mr. Chairman, I believe that he was thinking primarily in terms of a situation where these small minimum allotments were making payments—were receiving payments because of the minimum allotment situation and not actually planting them.

Now, the large holders, and I am speaking again of the corporations that you asked about, their cotton acreage would be such that I doubt that very many of them actually receive payments from the Government without doing any cotton planting.

The CHAIRMAN. Well, that may be true in Alabama but Mr. Ransom said he knew of quite a few who simply scratched the land and got payment on the basis of the production of x number of pounds when they did not—except they made a semblance of planting.

Mr. MAULDIN. Well, as Mr. Ransom pointed out, he was entirely correct, there is a built-in incentive not to produce in this program.

The CHAIRMAN. That is what I am talking about.

Mr. MAULDIN. Yes, sir.

The CHAIRMAN. And it strikes me that the committee is going to have to look at that a little more closely.

Mr. MAULDIN. It would be a desirable refinement.

The CHAIRMAN. Yes. Now, I know that the people who come before us tomorrow and who are going to present the program which you favor, I do not believe that he will suggest any drastic change in the present law, but I am just wondering how can this program continue as it has in the past unless we can increase consumption of cotton?

Now, as I pointed out today on two or three occasions, for the first time the textile mills are using more manmade fiber than cotton. It is now 60 to 40. Sixty percent man made and 40 percent cotton. And the tendency is to increase that amount of man made. And I say that because it has been the history of manufacturing textiles abroad. I pointed this out 7 or 8 years ago——

Mr. MAULDIN. Yes, sir.

The CHAIRMAN (continuing). Where in Germany as well as England who used to use a lot of cotton. I doubt that England is using more than about 25 percent of cotton at the moment in its textiles, and it is mostly man made. We have been unable to stop that trend for some reason and it seems to have taken root here.

Mr. MAULDIN. I agree, Mr. Chairman. That is the reason I think Mr. Ransom's proposal for a mill incentive holds such a worthwhile opportunity for further investigation, because it is obvious that the course we are on now, as you pointed out to others, is a point—well, it is really a course of no return. Either we are going to lose our production payment which amounts to 40 percent of producer income or more, it is going to fall of its own weight, or the continuing cycle of decreased consumption is going to kill the program.

The CHAIRMAN. Well, I wish I could say to you that it is possible that we can get such a program through, but in my view it will be hard, difficult, for us to get away from this one-price system now that it has been in operation for about 6 or 7 years.

I am certain that the Senators from the Northeast where you have

got a lot of textile mills left, and other parts of the country, will desire to keep this one-price system and the installation of the two-price system as Mr. Ransom contemplates, I doubt that we can be successful in putting that in, although we will try.

Mr. MAULDIN. Mr. Chairman, would it be possible if you cannot get away from it to assign part of the cost of the program——

The CHAIRMAN. To the mills?

Mr. MAULDIN (continuing). To the mills?

The CHAIRMAN. That is where the shoeprint is. That is why they are going to fight it. As you may recall, I fought it when it was offered here and the very thing I said came to pass. I thought I was shooting in the dark at the time, but I was standing on sound reasoning.

Mr. MAULDIN. It was actually prophetic because it happened just exactly.

The CHAIRMAN. Just exactly as I said it happened, and I am at a loss now to be able to tell you what is going to happen.

Now, it may be possible that we can maintain the program that we now have but with a reduced minimum acreage, and to me that is the only hope that lies ahead.

Mr. MAULDIN. Well, a reduced minimum acreage across the board certainly would be indicated in the light of consumption, domestic and export.

The CHAIRMAN. That is what prompts me to say that.

Mr. MAULDIN. We have to be realistic.

The CHAIRMAN. Sure. And I could see it 5 or 6 years ago and it is now just as plain as it can be. We certainly cannot continue to expect support where the cost of this program has gone up to over a billion dollars now per year. Not long ago cotton was more or less self-sustaining.

Mr. MAULDIN. Yes, sir. I made a profit for 20 years.

The CHAIRMAN. That is right, but things have changed and I agree with you thoroughly in your opening statement there where you said that where we stand now in agriculture is—it will take a Solomon or a——

Mr. MAULDIN. Moses.

The CHAIRMAN (continuing). A Moses to try to deal out some program that will be acceptable and one that will reflect more income to the farmer.

Mr. MAULDIN. Yes, sir.

The CHAIRMAN. And I do not like to say it but cotton is the worst off of any.

Mr. MAULDIN. Yes, sir, it truly is.

The CHAIRMAN. No doubt about that. Corn and other feed grains as well as wheat, well, even wheat is not—is in bad shape because the consumption of wheat instead of increasing per capita is decreasing. A lot of substitutes. The only fortunate thing is that we are getting more people every year and that is a salutary thing, but in respect to cotton, I do not like to be a pessimist, but I am sure looking for more help from the people out in the field, those who produce it.

Are there any questions, Senator?

Senator ALLEN. I believe not. We appreciate your coming up, Mr. Mauldin.

Mr. MAULDIN. Thank you, Mr. Chairman.

The CHAIRMAN. All right. Mr. Garrett?

Senator ALLEN. Mr. Walter Eugene Garrett is a member of the Alabama Legislature, Mr. Chairman, and they have a special session on school legislation, and I would like to ask leave that he might file his written statement at the conclusion of the hearing.

The CHAIRMAN. That will be done. Permission is granted to do that.

Mr. Eckles.

STATEMENT OF WILLIAM C. ECKLES, GENERAL MANAGER, PURE MILK PRODUCTS COOPERATIVE, FON DU LAC, WIS.

Mr. ECKLES. Mr. Chairman, in the interests of saving you folks time, I know how long a day you have had——

The CHAIRMAN. You mean long week.

Mr. ECKLES (continuing). Week is right. You have got more coming. I would file my statement and add a few addenda to it if that is all right.

The CHAIRMAN. Very well. Your full statement will be put in the record.

Mr. ECKLES. Fine. There is—in connection with the proposed legislation for agriculture, the matter of a class I base program that we are very much concerned with in the northern area of the United States which is the real heavy milk producing area, Wisconsin and Minnesota, Michigan, northern Illinois, that is the assurance that any class I base legislation that is introduced and we favor a type of class I base legislation have provisions in it that permit new producers moving into Federal orders that might have class I base plans an early opportunity to share in the high return of the fluid milk market.

We have worked for 3 or 4 months, worked with the House committee on developing an acceptable amendment to the proposals that were submitted there earlier and Congressman Zwach of Minnesota has spearheaded the amendment that assures new producers entering into a Federal order market that has a class I base provision that that new producer would be given a full share of the base within 90 days after his coming onto that market.

In other words, producers by the thousands in Minnesota and Wisconsin have converted to bulk tank and modern equipment for the production of manufacturing grade milk and all of them would like today to have the opportunity to share in and be a part of the production of milk for fluid use in metropolitan markets because those are the high-yielding return markets.

The CHAIRMAN. You mean outside of the State?

Mr. ECKLES. Yes, wherever they might go.

The CHAIRMAN. All over the country?

Mr. ECKLES. Right. So it would seem to use—we are very firm on our position in thinking that new producers entering a market should have an opportunity to have a pro rata share of the class I base within 90 days after they enter that market based on the production that they had on their particular farm at the time that the program was introduced into the particular market.

The CHAIRMAN. Well, would that production be made in Wisconsin, let us say, in Minnesota?

Mr. ECKLES. Wherever the farm was, yes. Say they are a manufacturing milk producer in Iowa, Minnesota, and they become a producer, say, on the St. Louis market.

The CHAIRMAN. Chicago, New Orleans?

Mr. ECKLES. Yes, and they had a class I base plan that was effective, say, January 1st, 1970, and they do not want it until, say, late 1970, but the producers who were allocated bases on that particular market would have a certain number of pounds per day as class I base and this producer coming in would have the same opportunity on the production that he has on his production unit at the end of a 90-day period.

The CHAIRMAN. Well, would that be done—strike that.

Are you saying that this should be done irrespective of what the local laws are in respect to health, and so forth?

Mr. ECKLES. No. The producer has to meet the local laws for quality, but this deals with the marketing and the value or return that he has from his milk market.

The CHAIRMAN. Well, he would obtain that, I presume, in the regular course of trade?

Mr. ECKLES. Yes. Through a Federal milk order program. That is the only place we are concerned about.

The CHAIRMAN. Yes, I understand.

Mr. ECKLES. There is only one class I base plan used in the United States at present, in the northwestern area.

The CHAIRMAN. You are speaking of—how many States are in the fix you are talking about? Wisconsin, Minnesota——

Mr. ECKLES. Well, I used the point of the large number of producers that there are in Wisconsin and Minnesota compared with other States.

The CHAIRMAN (continuing). Yes.

Mr. ECKLES. That those producers should be given an opportunity when they want to move into these fluid markets to have comparable treatment after a 90-day period of 3 months with those——

The CHAIRMAN. How many States aside from Wisconsin and Minnesota produce much more milk than can be consumed locally?

Mr. ECKLES (continuing). Oh, the States of Missouri——

The CHAIRMAN. Iowa?

Mr. ECKLES (continuing). Iowa, some of the Dakotas, eastern part of it. Nebraska has more milk production then they consume. That is sort of the milk bowl of the country. Michigan. Those supplies in many areas of the United States are dwindling off fast to the manufacturing grade milk and there is in the hopper now and is expected to be accepted before too long a minimum standard for manufactured milk that would be national in character, so most of the manufacturing grade milk producers would be upgrading the quality where it is comparable to grade A in most markets.

The CHAIRMAN. Do you think that is necessary?

Mr. ECKLES. Yes, I do. I think some States have been very lax in instituting standards for manufacturing grade milk.

The CHAIRMAN. When this program was started way back in 1937 or 1938, I envisioned that those who provided these new installations and produced pure milk that could be sold directly to the consumer,

that went to the expense of putting in equipment so as to produce this grade A milk, I thought that if that law had been followed from its inception that the milk growers, producers, would be much better off than they are now, particularly in States outside of this milk bowl you speak of.

Mr. ECKLES. Yes. Well, there are——

The CHAIRMAN. This blend price——

Mr. ECKLES (continuing). Several States that have manufacturing standards that are lower than these being proposed.

The CHAIRMAN (continuing). Yes. I was in hopes that we do deal with States like Minnesota, Wisconsin, by upping the support price for milk used in the production of butter and cheese.

Mr. ECKLES. Well, I think that we should and I think that it would take the pressure off of the desire on the part of producers to move to fluid markets and probably overburden them. In my opinion in just a short time, it is probably 3 to 5 years until you move to a point where the milk production in manufacturing levels is comparable in quality to the grade A that we have now. That will come about from improved equipment and breeding and management practices and regulations dealing with water supplies and equipment that are instituted by several States, but there are a few that do not have them.

The CHAIRMAN. This blend price that grew out of the program I think did a lot of harm to the original purpose of our—of the bill in that in some milk sheds we found, for instance, that only 41 percent of the milk produced is under conditions dictated by the law was suitable, I mean was sold.

Mr. ECKLES. Used or utilized.

The CHAIRMAN. Utilized directly for milk—for direct milk consumption.

Mr. ECKLES. It ranges now from 40 to 90 percent.

The CHAIRMAN. Sure.

Mr. ECKLES. Depending on what area it is in.

The CHAIRMAN. And in my opinion the law was bypassed.

Mr. ECKLES. It might have been well to set forth to each farmer on each payday the amount of dollars that he gets for the class I portion and the amount that he gets for the excess or milk going into the manufacturing uses. That would clarify it some.

Well, we will be glad to supply suggested amendments here to S. ——

The CHAIRMAN. I wish you would do that in connection with your testimony and——

Mr. ECKLES. I just do not have the language with me at the moment.

The CHAIRMAN. I wish you would do so.

Mr. ECKLES. I will be glad to send it.

The CHAIRMAN. You will be given time, a couple of weeks at any rate, to send the amendments to carry out the proposals that you are suggesting.

(The information is as follows:)

FOND DU LAC, WIS., *February 25, 1970.*

Hon. ALLEN J. ELLENDER,
Chairman, Committee on Agriculture and Forestry, Washington, D.C.

DEAR SENATOR ELLENDER: As we discussed in my appearance before your Committee hearing yesterday (February 24, 1970) we strongly feel that the following language should be added to Title I Dairy: Class I Base Plan of S. 3068 or any other Class I Base legislation enacted by Congress.

"Notwithstanding any other provision of this Act, dairy farmers not delivering milk as producers under the order, upon becoming producers under the order, shall 90 days later, pursuant to the provisions of Section 8c(5)(D) of this Act, be provided with respect to milk delivered under the order, allocations based on their past deliveries of milk during the representative period from the production facilities from which they were marketing milk during the representative period of the same basis as other producers under the order on the effective date of order provisions authorized under this clause: *Provided*, That bases shall be allocated only to a producer marketing milk from the production facilities from which he marketed milk during the representative period, except that in no event shall such allocation of base exceed the amount of milk actually delivered under such order."

Again, we urgently request that the above language be included in any Class I Base legislation re-enacted by Congress.

Our experience shows that this is necessary to establish without question that a dairy farmer entering a federal order regulated market with a Class I Base Plan has full access, within 90 days to the higher returns on an equal with those producers shipping at the time a Class I Base Plan was put into an order. Without such language being specifically set forth established dairy farmers would be economically barred by low prices from entering a Class I Base Plan market.

Sincerely,

PURE MILK PRODUCTS CO-OPERATIVE,
WM. C. ECKLES, *General Manager.*

Mr. ECKLES. Just so that is understood, a producer who has been in the milk business for years wanting to move to the other type of outlet has the opportunity to get in there without undue penalty and opportunity to share in the higher return use.

The CHAIRMAN. But he would produce it at the area where he now is.

Mr. ECKLES. Oh, yes. It would be the same farm.

The CHAIRMAN. Where he has his plant?

Mr. ECKLES. Yes. Now, we are favorable to an advertising and research provision in the Federal Milk Order programs if such legislation can properly be incorporated, but we do want to go on record as saying this, that we have carefully checked with our some 15,000 members over the past year and a half on the matter of voting. I know that was quite an issue this morning. Our producers feel very strongly that they should have individual votes on the matter of deductions from the pooling proceeds to be used for advertising, research, and promotion. We had the occasion in the past year in the State of Wisconsin to vote on a State order that would have provided for such to be taken off mandatorily from producers and it lost.

The CHAIRMAN. Well, instead of waiting for a year or two to get everything smoothed out and then come to Congress to enact legislation to carry out proposals that we discussed this morning, don't you think it is best to have something in the law now which might be workable?

Mr. ECKLES. Yes. I agree with that.

The CHAIRMAN. And if you have any suggestions to offer——

Mr. ECKLES. I agree with you.

The CHAIRMAN (continuing). We would certainly appreciate them.

Mr. ECKLES. I agree the provisions should be there. The question I was raising here is the opportunity for producers to vote individually on that matter and I think specifically that if the vote does not carry, that the orders should not be terminated. There is a provision in the act now that says if an amendment to the order is not voted for by two-thirds of the producers, the whole order goes out.

The CHAIRMAN. I think we can refine that and that is what I am hopeful we can do rather than wait until the matter is smoothed out and then come to Congress, that they all get together. I think that is a loss of time.

Mr. ECKLES. We strongly support an extension of the School and Children's Milk program and think a minimum of $125 million a year should be provided and should be on a permanent basis. I think it is about the most popular program in a nutritional way that has been instituted at school levels. It is particularly significant that school children in schools in which milk programs are available and day care centers, et cetera, can have milk other than at lunchtime. They can have it at recess breaks and in the morning prior to starting their classroom activity.

We are very sympathetic to that program being extended and well funded and believe that it is probably one of the most acceptable and best nutritional devices——

The CHAIRMAN. I think Congress has been very liberal in that, fairly liberal in that.

Mr. ECKLES. They have. Quite reasonable. It does expire.

Another provision that we think is important in our legislation is that producers have an opptrunity of direct access to the courts instead of going through the 15–A procedure, to challenge any provisions of the milk order that they may have. Presently the milk buyers who want to challenge provision of a Federal Milk Order have an opportunity to go to a 5–A proceeding, they call it, which is an administrative proceeding before the Department of Agriculture, before they may move to court. The present language is ambiguous with respect to producers in that Agricultural Marketing Agreement Act of 1937. We have had occasions ourselves to challenge a decision of the Secretary of Agriculture and were given an opportunity to go directly to the district court by the courts in Milwaukee and moved clear to the Supreme Court. Although we lost the case, it did establish a precedent of producers having a—and a producer organization having a right to challenge the legality of a decision of the Secretary.

The CHAIRMAN. Were you able to do that under present law?

Mr. ECKLES. Yes, we did.

The CHAIRMAN. Why do you want something to change it?

Mr. ECKLES. We do not want to change. There is a proposal to change it in S. 3068.

We are opposed to splitting off, as was suggested this morning, a support on butterfat. I do not see how you can establish values for milk under a support program and disregard the most valuable component of the product that you are pricing. The skim milk powder purchase program and the butterfat purchase program have been working in tandem to establish minimum prices under support programs, or the cheese purchase program, and in some instances some evaporated milk. We believe that truly the skim milk powder problem is more serious than the butterfat problem even though there is declining consumption of butterfat. It looks to us like it would have to be kept together.

Now, if you are talking just about the farm separated cream pur-

chase program, that is one issue. There is a smaller and smaller quantity of it being marketed off the farm but farm separated cream makes butter just like sweet cream out of whole milk that is delivered to a processing plant and is separated out, makes butter, and it is a commodity on the market in competion with each other. So we do not see how you can feasibly separate them.

The CHAIRMAN. I am wondering, how could it be administered if you separated them?

Mr. ECKLES. I do not know. I think the only way it could be administered would be the Government decides they are going to purchase only cheese that uses both the skim milk component and butterfat component of milk or probably evaporated whole milk, probably those two items.

If you put too much of a price on the skim milk to try to keep the levels that are being paid at present or the price levels that we think should be paid under the support program, I think you would have a much more serious problem disposing of the skim milk powder than you have at the present time.

We, of course, are strongly in favor of increasing support prices to the full 90 percent of parity, and incidentally, I do not know that the figures have been given to you here in the hearing yet, but 90 percent of the parity equivalent on manufactured milk now would be $4.90 per hundredweight as of the first of January and the current support price is $4.28. It has been at that level 2 years. The Secretary has the responsibility under existing law to announce prior to April the first for the coming crop year the level at which he will support prices, and that could range anywhere between $4.09 and $4.90 per hundredweight based on figures available to date.

We think that with the decline in milk production that is occurring in the United States and continuing and the decline in dairy farm numbers and the growth in population that we have occurring that the Secretary would be fully justified in moving to the 90 percent of parity. He has legislation under which he could do that now but I know it is of concern and interest to all of us in this field.

The CHAIRMAN. Well, milk producers are the only ones that have retained the original formulate, 75 to 90 percent of parity. All the rest have lost it, except of course tobacco where it is fixed at 90, and I think milk is very fortunate. You have such a fire lobby here that you were able to maintain it.

Mr. ECKLES. Well, the question is merely what the Secretary does under the existing legislation. We think there is full justification for moving to the 90 percent.

The CHAIRMAN. You would not want to fix it at that, would you?

Mr. ECKLES. No, not premanently. I do not think it should be.

The CHAIRMAN. I do not either.

Mr. ECKLES. On the matter of payments for indemnities to producers who lease their production as a result of pesticides, we have had some experience with that in the State of Wisconsin. In those instances where the farmer has no control over it at all, where it has drifted as a result of separating from operations that are continued from neighbors' operations on fruit or weedkilling or whatnot——

The CHAIRMAN. Fruit orchards.

Mr. ECKLES. It has served a purpose. It has not been an expensive program. We think the reenactment of that is very much in order.

The CHAIRMAN. Does this law apply to a situation where the farmer buys feed for the cattle away from his farm and the poisoning is not done by the neighbors? In other words, if I should buy hay or corn or any feed for the cow that has been produced, let us say, in Missouri instead of Wisconsin, does the law obtain to that situation?

Mr. ECKLES. The law now says if the contamination is not due to negligence on the part of the producer or his family, that he is eligible for reimbursement for the loss of milk production during the period his farm is quarantined. That can be from various sources.

We had one instance this summer where a Government installation was doing some spraying operations.

The CHAIRMAN. That is nearby?

Mr. ECKLES. It drifted onto the farm.

The CHAIRMAN. That is nearby.

Mr. ECKLES. It does not make any difference what the source of it is as long as it was not negligence on the part of the farm. If he buys feed——

The CHAIRMAN. I see. No matter where he bought it.

Mr. ECKLES. We had a case 3 years ago where a farmer bought a bunch of sweet cornstalks and stubble and made it into feed that was off several miles from his farm and it has been sprayed with insecticide, the sweet corn——

The CHAIRMAN. He did not qualify, did he?

Mr. ECKLES. Yes, he did not know that.

The CHAIRMAN. I do not think he should.

Mr. ECKLES. He did not know it had it in there when he bought it.

The CHAIRMAN. That is stretching it a little too far. He is trying to get cheap feed, you see.

Mr. ECKLES. Well, it is a standard practice. There is a lot of heavy sweet corn growth in Wisconsin and Minnesota and they salvage the green fodder for livestock feed.

The CHAIRMAN. Well, don't you think he knew in advance that——

Mr. ECKLES. No; I do not think so.

The CHAIRMAN. Had been sprayed?

Mr. ECKLES. I think what alerted us to it was getting buyers of that type of thing now from others to get a certification from the buyer that it does not contain any. It was a marginal case.

And we would support continuation of availability of Commodity Credit supplies of milk and dairy products to the Armed Forces and the armed services, very strongly.

The CHAIRMAN. All the present program I suppose you are for?

Mr. ECKLES. Right. We think they are quite successful and propose that they be continued and some improvements be made in them. We appreciate your time.

The CHAIRMAN. All right, sir.

Mr. ECKLES. I am glad we had the chance to visit with you about this.

The CHAIRMAN. Fine. At this point we will place your prepared statement in the record.

(The prepared statement of Mr. Eckles is as follows:)

Mr. Chairman and Members of the Committee, my name is Wm. C. Eckles, I am general manager of Pure Milk Products Cooperative with offices at 500 N. Park Avenue, Fond du Lac, Wisconsin. Pure Milk Products Co-operative is a dairy farmers' barganing and marketing association with some 15,000 active members living on farms located throughout Wisconsin, Northern Illinois, and the Michigan Upper Peninsula. About one-half of our members are producing Grade A milk, while the other half produces manufacturing grade milk, mostly under the high Wisconsin minimum quality standards.

The milk produced by our members goes to more than 200 dairy companies, plants and intakes. The greater part of the Grade A output is consumed in the nearby federally regulated markets of Wisconsin, Illinois, Indiana, and Michigan, but substantial quantities are also used to supplement the needs of other fluid milk markets throughout much of the Nation.

Pure Milk Products Co-operative strongly supports the general objectives of S. 3068, to make permanent existing agricultural programs for the protection of farm income and the maintenance and improvement of living standards of farm people. It is absolutely essential to both farm and nonfarm people to maintain that part of our population who must be depended upon to provide the food requirements of our rapidly growing consumer population. Farmers must be given assurance of financial returns sufficient to keep adequate competent labor in agriculture.

Although much attention has been given to the increasing cost of living, we must call attention to the fact that very little of this increase has gone to farmers, even though their production costs have increased equally with most nonfarm expenses. USDA, in its "Agricultural Handbook No. 373" published in Nov., 1969, shows that in 1969 consumers used only 16.5 per cent of their disposable personal income for food expenditures, the lowest percentage on record (p. 32). The same publication also shows the 1969 retail food prices were 44.6 per cent above 1950 levels and wholesale prices of all foods were up 27 per cent (p. 33). However, prices received by farmers for food were up only 16 per cent (p. 33). Obviously, farmer returns from food items have not kept pace with marketing cost. Most of the increase in food costs have been in the cost of getting it from the farm to the consumer, and not in higher returns to farmers.

Other phases of our National economy have been favored with many Government measures to help them maintain a favored or improved economic level in our society. Included have been minimum wage measures, unemployment assistance, subsidization of many activities such as transportation, information, and the granting of many Government contracts to numerous industries.

USDA also has reported in its February, 1970 "Farm Income Situation" disposable personal income per capita to our farm population from all sources in 1969 to be $2,375, or only 75 per cent of the $3,317 from all sources for our nonfarm population. The same publication also reported that the farm population showed another decline in size, down about 2 per cent in 1969 from 1968.

We believe a permanent program to give assurance of a better living standard for farmers is a must if we are to stem the exodus of population from food and fiber production and maintain a large enough farm sector in our economy to meet future food and nutritional needs. It may look as though we presently have an abundance of farm products to meet the needs of our present population, but we cannot expect to reverse a trend at exactly the right time to match supplies and needs. We must keep our farm population, and not reduce it with the expectation or hope of rebuilding it promptly in time of needs. It is definitely better to have extra production, than to reduce supplies immediately to match needs, only to result in severe shortages in the years ahead.

For these reasons we believe it imperative that we have a well balanced, permanent agricultural program to maintain an adequate output and reserve of all necessary foods and fibers.

With regard to the dairy provisions of the Bill relating to Class I base provisions, we wish to reiterate our past position. Dairy farmers should be allowed to tailor their output to their fair share of a particular market which they wish to supply. However, *new producers coming into a market having a Class I base program must be given equal protection with old producers in that they too must be given thier proportionate share* of returns from Class I sales promptly and *certainly no later than 90 days after entry into the market.*

Wisconsin, Minnesota and Michigan differs from many other parts of the Nation in its agricultural adaptability. While some parts of the United States are adaptable to a wide variety of agricultural production, our areas' alterna-

tives are limited by climate, weather, soil topography, and other conditions. We cannot produce or compete in the production of such commodities as cotton, citrus fruits, and numerous other "warm climate" farm products, but we are the best suited states in the Nation to dairy production. We produce an abundance of high quality forage and roughage and are especially adapted to the feeding of dairy cattle and milk production. Our farmers are dairy specialists, and we have a highly developed procurement and processing industry. In Wisconsin agriculture is dependent upon dairying for more than half of its income, but also the existence of many of the villages and smaller cities throughout our State is dependent upon the dairy industry both through the sale of the many products necessary to the farm operations and family livelihood and through the dairy procurement, processing, and transportation industry.

It is imperative to our members that markets be kept open to both interstate and intrastate movement of good, high quality milk and dairy products. We have fostered and supported the free movement of approved Grade A milk between markets within the State of Wisconsin, and we must be ever watchful to protect our right of entry into markets beyond our State lines.

Unless there is specific provision for giving new producers a blend price equal to the average returns paid those producers receiving the initially allocated bases under the program to be established under this Bill, the so-called Cass I base program could in fact become a tool for the exclusion of new producers from a market to the detriment of both consumers and those producers who are excluded.

In conclusion we recommend that Class I base legislation:

1. Provide terms for orders under which new producers shall be assigned bases representing an equal percentage of the Class I proceeds as that represented in payments to all of those producers in the market who had previously acquired bases.
2. Provide that such bases or allocations to new producers entering an order market be made within 90 days of their entry into the market, and
3. Provide that all bases be wiped out and reassigned at least once every four years.

With adequate protection, we would support, including in milk order legislation a provision authorizing funds for promotion, research, and advertising to develop, build, and maintain markets for dairy products. This should be handled in a separate vote by producers that does not jeopardize the other provisions of the order if it fails to carry.

We feel that this committee while considering farm legislation, should consider including provisions for extending the School or Children's Milk Program on a permanent basis. This program has been extremely popular in all areas of our Country. We think it contributes materially to the health and nutrition of our children and youth. With the emphasis there is on better nutrition, the permanent extension of the School Milk Program would be in order. It has been a broadly accepted program at nominal expense to taxpayers.

We oppose legislation which would force producers to go through channels of appeal to USDA before being given any right to appeal to the courts. Our experience with "15 A" appeals to USDA has been that they involve needless and drawn out delay. Frequently, the action being appealed has been a controversial point in hearings, and has been the subject of exceptions previously rejected by USDA. Appeal is to the agency already thought by the appealant to be in the wrong. To force producers to go through such channels is to delay action until the small operation is often bankrupt and out of business. Thus, a court decision, even if won would then be too late to help the person making the appeal.

We oppose excluding butterfat from coverage under the support programs. We do not believe that milk can be effectively supported by purchase of only one fraction of the product. We cannot support whole milk by placing the entire support value on the nonfat or skimmed portion. This is particularly true when nonfat dry milk has been in greater marketing difficulty than butterfat.

I wish to thank the members of the committee for the opportunity of presenting our views. We certainly hope they will be given consideration when drafting new farm legislation.

The CHAIRMAN. This being the last witness, the committee will recess until tomorrow morning at 10 o'clock.

(Whereupon, at 3:55 p.m. the committee recessed, to reconvene at 10 a.m. the following morning, Wednesday, February 25, 1970.)

AGRICULTURAL ACT OF 1970

WEDNESDAY, FEBRUARY 25, 1970

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to recess, at 10:10 a.m., in room 324, Old Senate Office Building, Hon. Allen J. Ellender (chairman) presiding.

Present: Senators Ellender, Holland, Talmadge, Jordan of North Carolina, Young of North Dakota, Miller, Curtis, Dole, and Bellmon.

The CHAIRMAN. The committee will please come to order.

We will continue our hearing on the farm problems, and today we have as a first witness Mr. Bruce Lynn.

Will you please step forward, Mr. Lynn?

STATEMENT OF BRUCE N. LYNN, PRESIDENT, NATIONAL COTTON COUNCIL, GILLIAM, LA., AND DR. C. R. SAYRE, CHAIRMAN, INDUSTRY PRACTICES AND POLICIES COMMITTEE, NATIONAL COTTON COUNCIL, GREENWOOD, MISS.

Mr. LYNN. My name is Bruce N. Lynn. I am a cotton farmer of Gilliam, La., and this year serve as president of the National Cotton Council. My appearance here today is in behalf of that organization, which has its headquarters in Memphis, Tenn. The council is the central organization of the American cotton industry, representing cotton producers, ginners, merchants, warehousemen, cooperatives, cotton textile manufacturers, and cottonseed crushers.

Others in our delegation are Dr. C. R. Sayre, of Greenwood, Miss., who is chairman of our industry practices and policies committee; Mr. C. L. Denton, of Tyronza, Ark., who is chairman of our producer steering committee; Mr. Joe B. Pate, of Lubbock, Tex., vice chairman of the steering committee; Mr. Jack G. Stone, of Stratford, Calif., secretary of this committee; and Mr. Wesley K. Wannamaker, of St. Matthews, S.C., committee member and southeastern regional producer-director. All members of delegation are available to the committee for comment.

In beginning, I would like to pinpoint one of the key questions involved in shaping a Government cotton program for the future. This is the question of whether the whole Nation has a vital stake in maintaining a strong, vigorous cotton economy.

In searching for the answer, we cannot limit our concern to the 1,300,000 Amercians who live on cotton farms or the 5 million Americans who depend to an important extent upon employment involved in producing, marketing, and processing cotton and cottonseed. We must

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consider what is important to all citizens in every town, farm, and city throughout this country.

Let's remember that American's great textile industry depends vitally upon cotton as its leading raw material. This industry employs nearly a million workers. Beyond that, nearly 1.5 million more are employed in the manufacture of clothing. The retail sales of clothing alone now total $50 billion a year, not to mention the textile home-furnishings and industrial uses. Cotton, the leading raw material of all this enterprise, is a basic and vital ingredient of the Nation's employment and stability.

Consumers want the comfort and reliability of cotton products in many uses. But they also need to keep cotton alive as a strong competitor in the U.S. fiber market. If cotton is destroyed and our textile economy becomes dependent on a few manmade fiber companies, the whole comeptitive drive to serve the consumer with abundant, low-cost, constantly improving fiber products will surely suffer.

In the drive to hold down inflation, we cannot afford to give up the competitive influence of cotton. The price of cotton in the first half of this season has averaged just about 20⅓ cents a pound. This is 13¼ cents lower than the average price of the 1950's. When Government payments are added, the total is still only 4 percent more than the market price alone 15 yaers ago.

During the same period, average wholesale prices went up 23 percent and consumer prices by 41 percent.

And what about the impact on the rest of agriculture if cotton is destroyed? Our resources would make a great deal of trouble for all of agriculture if we were forced to convert our rich land to other crops and enterprises. Instead of competing with other farmers for their markets, we think our soundest course is to solve cotton's problems and build cotton's markets.

Cotton is a great international commodity. We have long been the world's leading cotton producer and exporter, and this is one source of our national strength. Cotton is a very important earner of foreign exchange.

If all these things are understood, it seems clear that our country needs its cotton economy. It seems clear that our Government can afford to act in partnership with cotton producers to insure adequate supplies at stable and competitive prices and to have forward-looking programs of cost-cutting and product improvement.

Before getting into our cotton policy recommendations, I want to emphasize that they are the result of exhaustive study and work by the council's producer steering committee, which is elected by our producer delegates and which represents all 14 of the major cotton States. The committee started its policy development job in the fall of 1968. Earlier this month, in Atlanta, the council's entire delegate body, representing all cotton industry segments, unanimously supported the producer committee's recommendations. There are 14 of them. They are attached for the record, and provide the basic framework for the remainder of my statement.

We urge that cotton legislation be placed on a continuing basis. The temporary program of recent years has kept us under a cloud of uncertainty. It has confused our customers. It has encouraged our com-

petitors. It has discouraged producers and all others in the cotton industry and retarded the investments needed to increase efficiency and reduce production and handling costs. We need to eliminate uncertainty about anything as fundamental as the cotton program. We urgently need a continuing program which will build confidence in cotton's future.

Under any program, we have to be competitive in price on a one-price basis. The requirements of price competition are just as severe today with synthetic fibers in the domestic market as with synthetics and foreign cotton in the export field.

Being competitive in price does not mean simply that the price should be low. A reasonably stable and dependable price is fully as important in modern fiber competition as the level of the price. Our customers at home and abroad must be made to feel that they can count upon getting all the required qualities of our cotton at prices that will fluctuate only within a reasonable range—let's say a few cents a pound. Otherwise we put ourselves at a terrific disadvantage against the manmade fibers, which tend to be pretty stable in price.

Our experience in the fall of 1967 affords a vivid illustration of how not to be competitive. We never ran out of cotton or came close to it. What we really had was just the fear of a shortage, but that fear took hold of the market and ran the prices up very sharply and very briefly. Any good that the farmer got out of it was offset many times over by long-lasting damage to his markets both at home and abroad.

This experience underlines the critical need for Government policies aimed at assuring the adequacy of our cotton supply in the future. This means that a whole range of problems should be dealt with most carefully. The production goal of any year, as set by the Federal Government, should be large enough to assure an adequate supply even in those years when the weather proves unfavorable for the belt as a whole. The carryover at the end of the season on August first should start with a minimum base of 50 percent of the average offtake for the previous three seasons in order to continue serving the market for many months until the next crop is fully available. And it should contain an additional amount to cover quality imbalances in our cotton stocks and uncertainties of demand caused by poor growing weather abroad, the textile cycle, and changes in foreign cotton stocks. We simply must have a supply of cotton sufficient to meet any eventuality.

If the needed cotton is to be produced, the grower must have a reasonable incentive to produce it. We will come back to this subject later. But there are other considerations as well.

The cotton grower needs more adequate crop insurance. It takes a very big cash investment just to get a crop produced today. If the lending institutions are to go on financing cotton production, and if the farmers are to take the risk involved, better and fuller safeguards against disaster in case of a crop failure must be provided.

We need firm guidelines spelled out in the law itself as to the influence which the Federal Government will have upon the price of cotton.

We recommend that the loan be set by law at 90 percent of a world price determined by actual market experience over the preceding year or years and that the method of computing such price be a matter of public record so everyone concerned will know in advance exactly how it is to be determined.

Likewise the method of releasing cotton out of Government stocks should be firmly governed by the law itself. With a truly adequate supply policy, there will be some seasons when good weather or a downturn in the demand cycle will bring excessive stocks. Such stocks should not be allowed to depress the market because of fear of what the Government might do. Rather the excess stocks should be liquidated under rules defined clearly by the Congress itself, certainly at not less than 110 percent of the loan price plus carrying charges.

Enormous progress has been made over recent years in improving cotton production efficiency. Since the end of World War II the labor required to produce a bale of cotton has been reduced from 175 manhours to 25, and yields have been increased more than 100 percent. Had it not been for this great progress cotton production costs would be more than double the present average cost of about 30 cents per pound and competition would have run us out of business long ago. Despite these gains, manmade fiber producers and foreign cotton growers have brought down their costs even more, until today our cotton has to sell far below average production cost to compete with them in price.

Obviously, our greatest need is to reduce our cotton production costs still further. And we do have a real potential for doing so. We have the assurance of the top research people in USDA, the State experiment stations and private industry that cotton production costs can be reduced by the full amount of our present cost-price differential, if the research attack that has already been blueprinted is promptly carried out. The inclusion of this cost-cutting research operation and the extension activity to get results quickly into practice is an absolute essential in a successful cotton program—and thankfully this is one of the least expensive items in the program.

Another important factor in reducing costs is to permit the movement of cotton production into more efficient hands and areas. The present law provides for sale and lease of allotments but imposes restrictions that experience has shown to be undesirable. We recommend: (A) That no limit be placed on the acreage allotment which may be transferred from farm to farm; (B) That transfers be permitted between any farms in a state; (C) That the period during which transfers are permitted be as long as practicable; and (D) That history credit on a cotton farm be denied a farmer who fails to plant, lease or release 90 percent of his domestic allotment.

The problem of getting cotton produced is counterbalanced by the problem of building up the demand. On the demand side, the overtowering problem is that of meeting synthetic fiber competition at home and abroad. The synthetic producers are organized to use all the strategic tools of market penetration. We must be realistic in converting those very same tools to the service of cotton. Research to develop new and better products is one of those tools and promotion to sell more cotton products is another. Cotton producers themselves, through the CPI, are now financing a big part of this kind of market development work for cotton.

But much more is needed to meet synthetic competition. The council supports the producer effort to obtain adequate funds for cotton market development—including the use of governmentowned cotton to encourage commercial application of research findings and other product development work.

Market development is very much involved in improving our exports, which last year were down to no more han half of what we could possibly consider normal. We must maintain a competitive price in the export field, and we must stress research and promotion to meet the synthetic threat in foreign markets as well as domestic. Except for the very recent foreign cotton production increases caused by the price gyrations of 1967–1968, our main losses in the export market in the last five or six years were to synthetic fibers rather than foreign cotton. This points toward a special need in foreign consuming countries for more emphasis on market development work of the kind our manmade fiber competitors have used against us so effectively.

Ironically we have encountered serious losses through imports as well as exports. The imports which concern us are in the form of manufactured products. Virtually all the upland cotton used by our domestic mills is grown by American producers, but the preponderance of the imported cotton textiles are made from cotton which is grown in other countries.

In 1969 our imports of cotton in manufactured form were up to more than a million bales. This occurred right in the face of a decline in domestic mill consumption. Our Government urgently needs to provide effective and reasonable restraints on cotton textile imports, as well as those made of wool and manmade fibers.

All the problems which I have reviewed here are important, but underneath all of them is the fundamental question of whether cotton producers are going to have the return which permits them to stay in production. For the immediate future, until costs can be lowered by means of technology and the economies which come with an expanded market, a very substantial cost adjustment will be necessary to make up the difference between what cotton has to sell for to compete in the market and what farmers must have to produce it. The very first requirement of a cotton program is that it provides such a cost judgment. It must be sufficient in amount and paid on a sufficient number of bales so that, in combination with other program provisions, it will result in the production needed for domestic and export requirements and a carryover adequate for future market expansion.

If needed production is to be obtained, there must be no limitation on the cost adjustment payments. They must be recognized for what they are and in no sense confused with payments that may be made additionally to supplement the producer's net income. These cost adjustment payments would be made solely for the purpose and only in an amount necessary to make up a deficit in production costs which is required to reach the national cotton production goal. If it is in the national interest (1) that this country have a cotton industry, (2) that it produce the cotton needed to supply its markets, (3) that it make a cost adjustment payment to get that cotton produced, then certainly there can be no justification for the Government imposing a limitation on that payment that would nullify its own policy and its own efforts to get adequate production.

Net income from cotton production is low even from the present program. Certainly the Government's cotton program should go as far as possible in improving producer's net income with supplemental payments, after it has met the first requirement of achieving its production goals.

The cotton industry is opposed to limitations because of size on any type of Government program, but it does recognize that some form of limitation might be imposed on payments to supplement producer's net income without destroying the cotton program or the U.S. cotton industry, whereas any limitation on production cost adjustments would be fatal to both.

In conveying these recommendations to this committee, I want to emphasize that the cotton industry is firmly committed to but one principle—and that is to work for a program which will permit cotton to survive and go forward. In saying this, we fully understand that there often is more than one way to achieve a basic objective. It is in this context that I review our reservations about some of the cotton proposals which have been advanced by the Department of Agriculture. These reservations do not imply any lack of appreciation of the Department's objectives. We feel that their objectives for cotton are identical to our own, and to those of the Congress.

Our reservations center primarily on one thing, and that is the uncertainty as to how the Department's cotton proposals would work out in actual practice. There are so many broad discretionary authorities in the Department's proposal that we can't know how the program would operate from one year to the next. We simply cannot afford a continuation of the uncertainty which has plagued us in recent years. If we are to make the forward plans and heavy investments required for improved efficiency, better quality, and market development, we must be able to proceed with assurance of how the program will operate. If our present and prospective customers are to make plans on the basis of using cotton, they must have assurance of reasonable price stability and fully adequate supplies.

Consider the all-important question of how adequate production can be assured. The Department would basically rely on a true domestic allotment as the paying base, with open-end plantings beyond that. No one can know whether this would get the production that is needed. Most of our people do not believe that it would.

In 1969, growers were free to plant beyond their paying domestic allotment up to their full allotment, but about 3.4 million acres were left unplanted. The Department originally estimated a 12 to 13 million bale crop under the 1969 program. But discouragements to production built into the program, plus adverse weather, reduced the crop to 10 million bales.

With this experience still fresh in our mind, we feel that the new law should spell out how adequate production will be achieved—not only with respect to acreage allotments, but also the other factors having an important influence on production.

Under the Department's proposal, the loan could be set at any level up to 90 percent of the estimated world price. The Department has already stated that it favored lowering the loan by 2 cents at the start of the new program.

The payment rate on the domestic allotment could be set at any level between zero and 80 percent of the estimated world price. Such payment would not be related to actual production.

The proposal would provide for payment limitations. The adverse effect of such limitations on production has already been discussed.

The Department further proposes that Congress would have to make an appropriation each year for payment purposes. This certainly does not meet the test of establishing a continuing cotton program. It would leave us wide open to great changes from one season to the next. It would compound the uncertainty that already exists.

Another big unknown is where the set-aside might be established from one season to another. The Secretary would have authority to set it at zero to 100 percent of the domestic allotment. While the council has no specific position on the set-aside, I do want to point out that it is of great concern to cotton producers—especially those whose cotton acres represent a high percentage of their total cropland.

Many producers also are concerned over the Department's proposal to eliminate leasing of allotments. Leasing is important in most areas of the Cotton Belt and its termination would not only cause hardship to many individuals, but could have a serious adverse effect on cotton production generally.

Still another concern is over the proposal for the Secretary to have authority to sell "certain qualities" of Government-owned cotton at less than 110 percent of the loan. We feel that the release price level should be clearly defined by legislation.

These are some of our reservations about the Department's cotton proposals. There are some honest differences of opinion and judgment between the industry and the Department. But we hope and believe that these differences can be worked out, because all of us share and support the same objectives for cotton and for agriculture.

Before concluding, let me comment briefly on the cotton situation generally. Today, U.S. cotton faces the gravest crisis of its entire history. Two short crops in 1966 and 1967, in combination with a Government program that did not allow for that contingency, have given us the sharpest market losses that we have ever sustained in a comparable period. Our imports are up and our exports are down. Our costs are up and our selling prices are down.

And for the future, cotton—an agricultural industry including 300,000 producers spread over 19 States—faces an ever-increasing competition here and abroad from two of the world's most formidable industries, chemicals and petroleum, the producers of manmade fibers. Against such odds, the obvious question is: Can cotton make it?

I can assure you that this is a question most of us in the cotton industry are looking at long and hard. At the moment, it is our considered judgment that we have a fighting chance to make it. We can make it if we: (1) Mount a research attack adequate to achieve the reduction in production costs that we know are obtainable; (2) build market development programs for cotton products here and abroad adequate to meet synthetic competition; and (3) get the help needed from our Government in accomplishing these first two essentials and in sustaining our production during the time period required to modernize and strengthen both our production and marketing systems to meet the new industrial competition cotton now faces.

This is a job that can be done by the cotton industry and the Government working together. Furthermore, as the research program brings reductions in cotton production costs, the Government's expense will be reduced proportionately until cotton is able to meet its price competition without Government assistance.

The cotton industry is ready to pledge its best efforts to this job. We believe the preservation of the U.S. cotton industry is sufficiently in the national interest for the Government to do the same.

Thank you.

The CHAIRMAN. All right, Mr. Lynn. This committee, I believe, acceded to the suggestion made by the council back in 1965 by setting up a one-price system, and the supposition was that cotton used for domestic purposes would be increased from 8.8—I mean from 9.2 to around 10 million bales. I am sure you remember that.

Mr. LYNN. Yes, but instead the use of cotton today has gone down to 8.1 million bales and mills are now using about 40 percent cotton and about 60 percent manmade fiber.

The CHAIRMAN. Now, that was on the program that you and the Cotton Council advocated, and I want to be frank in saying that I don't see anything changed in your statement here by way of change.

And I just am wondering if under your suggestion that we can change the law in order to make cotton survive.

Mr. LYNN. Well, at the time that the change was made to one-price cotton, one of our big competitors was foreign cotton and textile imports. Now our big competition is synthetic fibers, both here and aboard.

The CHAIRMAN. I know, that was the competition at the time, and this was one reason you gave to make this one-price system. Your proposal was to let the cotton mills of the country buy cotton at that world price, and that would increase the consumption of cotton by the local mills.

That was to increase it by at least a million bales, 1,100,000 bales, I remember. But instead this has gone down, instead of the program costing anywhere from 3.5 to 500,000, the cost today is a billion dollars or more.

How can you justify and extend the program along the lines you are suggesting?

Mr. LYNN. May I ask Dr. Sayre to respond to that question?

Mr. SAYRE. Mr. Chairman, my name is C. R. Sayre.

The CHAIRMAN. That is the only question I am going to ask.

Mr. SAYRE. To be price competitive, a single price is essential. Imports of textiles have built up to where they are now roughly 15 percent of our total U.S. consumption of fibers and they are continuing to climb.

New product development is one of the big factors in the synthetic industry. These are very strong firms, they are towers of strength in the chemical and petroleum industry.

Their new product development has now gone so far that they are competitive with us even under a single price system, both in this country and around the world. But their taking over our historic markets have not been done with price alone. It has been with the new dimensions of the fibers produced. It has been with the use of technical talent to the textile manufacturing concerns to take over our markets. It has been through price concessions during the trial period, and it has been with heavy subsidies by them on the promotion of products made with their fibers.

Now, in dealing with this competition, we feel that we must continue to be price competitive on a single price basis, but we must be

able to use with cotton the same tools that our competition has used so successfully against us. If we were to get away from a single price, in my own view we would probably drop from the current 40 percent, Mr. Chairman, that you mentioned as our share now of the textile market, to something like 25 percent of the U.S. domestic consumption of fibers. And at the same time, gentlemen, I must point out to you that in the last 12 years, per capita consumption of all textiles in this country has gone up from 35 pounds per person to over 50 pounds per person. What we have is an increasing total textile market, but we are not effectively putting cotton into those markets because we are not doing enough product development and furnishing technical services to textile mills.

But eliminate single price and I think we will go to 25 percent.

The CHAIRMAN. I am not suggesting that. I am simply saying you had a program in 1965, you said it would work. Now you are not offering anything new.

Mr. SAYRE. Yes, Mr. Chairman, we intend to have, hopefully, the continued partnership with the Government, particularly in the area of market development. The markets are here, but price competition alone won't keep our share of this expanding market.

The CHAIRMAN. The Government is doing research and you want them now to help you sell your goods?

Mr. SAYRE. I think there is ample evidence that this Government, this committee, this Congres has recognized the need for vigorous agricultural programing. That would be both in research and in marketing aspects. To me, with its investment, the Commodity Credit Corporation through its charter powers, does have authority for the development and participation in product development and promotion.

The CHAIRMAN. To what extent would it increase the cost?

Mr. SAYRE. We suggest that 100,000 bales of CCC-owned cotton be made available for new products. This would be about $10 million in value. This goes back to the Commission for Industrial Uses, which you know I served upon and you helped with.

Additionally, though, we are expending, as you know, $1 a bale from each farmer on market promotion, market product development and research.

We think that this amount has to be tripled one way or another.

The CHAIRMAN. For the farmers who respond, you think they would want $3 a bale collected from their meager receipts now?

Mr. SAYRE. No, sir, I don't believe at this juncture. In your State and in mine, farm income is particularly tight, particularly cotton farmers.

On the other hand, having CCC to participate on a 2-to-1 ratio would be a sound investment on the part of the Government.

The CHAIRMAN. Now, Mr. Lynn, on the matter of price limitation, that it is not feasible, have you studied the matter to find out whether or not we can put a price limitation on payments?

It strikes me with the situation on the outside that there would be very little chance to pass a farm bill until we impose some kind of payment limitation.

Mr. LYNN. Senator, the way we look at it, paying farmers a cost-of-production adjustment on the difference in the 20-cent market price

and the average cost of about 30 cents can be justified without limitation. Then an income supplement could be paid on top of that. Then if considered necessary, this income supplement could be limited. But the cost of production payment would not be limited since this is what it takes to produce a commodity that is essential to the national economy. We feel that there would be likely that a limitation would be imposed on the cost adjustment payment. This is our analysis of the situation.

The CHAIRMAN. Yesterday we received some testimony which in my opinion is a little damaging, about a large corporation buying a lot of land and listing the land and getting payments in some way without going out, without making an all-out effort to plant it. That is, to collect it from the Government without making an effort to plant it.

Are you familiar with that situation?

Mr. LYNN. No, sir.

The CHAIRMAN. I wish you would look at it and let us know whether or not the people who gave it to us are giving us all the facts. We will make available to you the testimony received yesterday.

Are there any questions?

Senator HOLLAND. Yes. On the top of page 8 of your statement, Mr. Lynn, I noticed that you do apparently favor or think that the industry, the cotton industry, can accept some sort of limitation.

I want to go into that. You say—meaning the cotton industry:

> It recognized that some form of limitation might be imposed on payments to supplement producers' net income without destroying the cotton program or the U.S. cotton industry, whereas any limitation on production cost adjustments would be fatal to both.

You seem to indicate there are two kinds of limitation, one which you could live under and one you couldn't. Would you make this quite clear?

Mr. LYNN. This is what I meant in my statement to Senator Ellender a minute ago. This is what we consider a payment to absorb the difference in what it costs to produce cotton and what you get. And this is a cost adjustment.

Now, this is the part that would be guaranteed to a farmer so he would get his cost back. Now, an income supplement payment could be; if you wanted to, you could have an income supplement on top of that which might be subject to limitation.

Senator HOLLAND. That isn't clear to me. I think you know I carried a good portion of the defense against limitations in the last 3 years in spite of the fact I did not support the 1965 act because I thought the limitations, as voted in the other body, would be destructive, very badly.

Now, I want you to spell out, please, what you mean by this statement which I have read, because apparently you do, speaking for the cotton council, think that some kind of limitation would not be fatal. You haven't given us any clear picture of just what you mean, and I think you should make a clear picture, because I think we are up against a practical situation which we should not ignore, and we should be ready to suggest and maybe accept some type of limitations, no matter how disagreeable they may be.

You have indicated here there is some kind of limitation which you could accept. Would you spell that out in some detail?

Mr. LYNN. Mr. Sayre?

Mr. SAYRE. This is a fundamental question in the climate which all of us recognize as one in which limitation is a very practical matter. Our proposals are these. The USDA figures with the 1970 level of inflation indicates approximate costs of producing cotton is about 30 cents per pound. Being competitive in price means that we are going to be selling cotton in this country and abroad in the neighborhood of 21 cents per pound. If we continue on the domestic allotment approach, this means we have a gap, and these allotments, as you know, are roughly 70 percent of our total allotment.

We have a gap that would require about a 15- to 16-cent-a-pound payment on the domestic part, or what we call paying base or production base, in order to bridge that gap between our production costs, which are up here, and our selling price down here.

Senator HOLLAND. You mean instead of 21 cents for the domestic, just about 70 percent of it, you think the total payment should be something like 37 cents?

Mr. SAYRE. No, sir. When you recognize that it costs about the same to produce beyond the domestic allotment as it does on the domestic allotment, if we are going to maintain income to that extent we have to spread the 15 or 16 cents per pound which is paid on the 70 percent of the total allotment across the 100 percent of production to get about 10 cents on the total, that is the way my books work.

Senator HOLLAND. How big a payment would you have in mind to assure cost of production?

Mr. SAYRE. If it is calculated on 70 percent of the total production, it takes somewhere in the neighborhood of 15 or 16 cents.

Senator HOLLAND. What would the total per pound be?

Mr. SAYRE. The cost per pound over the total, about 30 or 31 cents.

Senator HOLLAND. That would not be applied to the 70 percent, but the 100 percent?

Mr. SAYRE. When you apply to 100 percent, it covers the cost of production.

Senator HOLLAND. Where would the limitation come?

Mr. SAYRE. There are small- and medium-sized farms that would cover a cost of production on market outlays; over and above that, if that is not adequate, then we think income supplement payments should be added and they could have a limitation on them at whatever level Congress decided upon.

In other words, we are proposing two types of payments.

Senator HOLLAND. And the limitation on only that part of the payment that would assure profit?

Mr. SAYRE. We don't believe you can go very far in guaranteeing profits, and we don't want to recommend that.

Senator HOLLAND. You have heard discussed the possible limitation by having a sliding scale of payments such as applied in the sugar industry. I am sure you are familiar with that. And there the payment per 100 pounds is 80 cents to the small producer, and that goes down to the 30 cents per 100 pounds to the very large producers, and they don't have to be very large to have a good bit of that production come under that payment, and it seems to work.

Would something of that kind work in the cotton industry, so as to assure the small cost of production and a small profit as to the very

large that would cause the trouble, to cause the trouble to cut down the payments?

Mr. SAYRE. Senator Holland, I agree with you, the sugar program has been effective. I would draw to your attention, however, that any sliding schedule of payments to me would have to be attached to the whole of the production of the commodity, and not just a production base such as we are proposing here, or the domestic allotment which we currently have in the act of 1965.

Senator HOLLAND. I think that you people would have the greatest concern about this whole thing, and you have properly got that concern, and you should work out something that is specific for this committee. We are reluctant to vote any limitations, and we have shown that on the floor repeatedly.

At the same time, we are confronted with a practical dilemma and the fact that the big payments that have excited the public's hostility have been in the cotton industry. I think you people should suggest something specific.

Mr. SAYRE. Here, this cost of adjustment payment is our suggestion. This actually could be made in the form of a marketing certificate attached to the bale of cotton, and this is an alternative which I hope the committee will consider.

We do recognize that the response to the public interest, the income supplement payment may have to be limited or some graduated schedule applied.

Senator HOLLAND. That is general, and you don't suggest anything specific. Now, what this committee is faced with is the necessity to have some specific suggestions and they would come from the people affected. It is not pleasant.

Mr. SAYRE. I understand. We are perfectly willing to put before the committee and for the record what we feel would be required in production adjustment payments or marketing certificates to get a stable supply produced, and this we will do in the cents per pounds, if this would be helpful.

Beyond that, on the income supplement part of the farm program, I obviously—whatever the limit should be as a matter of judgment, and here I don't know whether our judgment qualifies us to say what the amount ought to be.

Senator HOLLAND. Speaking only for myself, I think it would be very helpful to make some specific recommendation.

(For the information above, see p. 590.)

Senator HOLLAND. The next thing is on page 9, Mr. Lynn, of your statement. You object to the fact that Congress is required to make, for the Department, and has been required to make year after year, an appropriation each year for payment purposes. And you suggest that should not be the case.

What do you mean by that, do you think that Congress should appropriate in advance for more than the year which we have provided for in the annular appropriations bill?

Mr. LYNN. We feel if payments are to be financed directly from an appropriation it has to be made on time so that the program payments would not be delayed. The appropriation should be made early enough. You might say on a continuing basis, so that the programs would work

effectively without delaying so that farmers would not be put in a bind on payments.

And while the Congress has tried to get the money appropriated——

Senator HOLLAND. Well, the continuation of the present program under which the CCC has set up its loans under general legislation, it would operate at this time continuously and would not impose any threat.

What are you suggesting, is the program by the present administration that would require the annual funding without providing for funding in advance?

Mr. LYNN. That is right, sir.

Senator HOLLAND. I know of no attitude on the part of this committee to do away with the CCC or the program of having the CCC empowered to carry on continuously with whatever program the law sets up. I know of no such intention, and I would agree with you if that is what it is designed to do away with, the CCC support of whatever basis the legislation requires. I don't believe this committee would go along with that recommendation at all.

One more question: What is the total amount now being spent out of the CPI, or the Government program, either or both? I understand they merged together. What is the amount being spent each year?

Mr. LYNN. What is the total figure?

Senator HOLLAND. That is for sales promotion?

Mr. SAYRE. For sales promotion it is roughly $7 million from CPI, sir. There is in addition to that some moneys spent by the National Cotton Council which would add up to something like $400,000 additional.

Could I comment on something which you were very instrumental in, which I recall your helping get in the act of 1964, and that was $10 million for addition cost-cutting research?

You have been very helpful in working with us through the years, but as you will recall, even though we have not had appropriations to enable us to develop that program fully, we are getting in the neighborhood of $4 million currently. But with the inflated costs the $10 million authorization needs to be escalated to $13.5 million, and another $2.5 million is needed for extension efforts to get these results widely adopted on cotton farms.

Senator HOLLAND. As you stated, the Appropriations Committee, and particularly the Senate subcommittee, has been active in setting up this cost-cutting experimentation, but we have been disappointed with the amounts requested each year since it was set up.

I think we have raised the appropriation some each year since it was set up, and still the appropriation does not approach the total which we set on, as I recall it. Have you made your case before the Budget Bureau on this?

Mr. SAYRE. We have attempted to, the $13.5 for research and $2.5 for extension, a total of $16 million.

Senator HOLLAND. I think every member of this committee knows the dire situation in which you are confronted, and would want to help you meet it in any reasonable way. But neither would we want you to be blind to the fact that we are confronted with a very rough program

this year, particularly in the field of limitations, and we want all the help by way of specific suggestion we can get.

Speaking only for myself, but I think every member of this committee knows that the problem is there and that we would be very foolish if we didn't recognize it.

Mr. Miller?

Senator MILLER. I am troubled by a lack of specifics in another portion of your statement. At the top of 7 you say:

> Our Government urgently needs to provide effective and reasonable restraints on cotton textile imports, as well as those made of wool and manmade fibers.

What specifically do you have in mind, what specifics do you have with respect to reasonable restraint?

Mr. LYNN. Well, as you know, Senator, we are up to better than a million bales of imports.

Senator MILLER. You mean a million? In other words, the textile imports control a million bales?

Senator TALMADGE. And more of manmade fiber.

Mr. LYNN. And each bale of anything that comes in is a potential threat to our cotton market.

Senator MILLER. I understand the program, but I want to know what specifics you have in mind for these restraints.

Mr. LYNN. How the law should be written?

Senator MILLER. What is your recommendation? There are all kinds of combinations of restraints, some say no textile imports, others say limited, let them bring them in in a certain quantity. We had a recommendation yesterday which I would like your comment on.

The idea was advanced that there would be quotas for given textile producing countries, and those quotas would be based on the amount of our own domestic cotton they used in making those products. So if a country which is exporting textiles to the United States is buying its cotton from the Soviet Union or from some other country instead of from the United States, it will end up with none, as far as cotton imports into the United States is concerned.

In other words, if its uses a substantial amount of our own domestic cotton in making those textile products, it will have a good chance for our import market. There is nothing specific in our statement on this, and I think this committee needs something specific.

I would like to know if you have anything specific in mind, and also get your comment on this idea I just told you, which was advanced to us yesterday.

Mr. LYNN. On the comment on your observation that was made yesterday——

Senator MILLER. That was a specific recommendation given to us yesterday.

Mr. LYNN. I don't argue with this personally. I think personally it would be fair if they used our cotton.

Senator MILLER. Well, that was my reaction, but there is nothing specific in your statement.

Mr. LYNN. Mr. Sayre, do you have any specific recommendation on this?

Mr. SAYRE. The Senator has certainly put in sharp focus the major

thinking. We realize that in the trade atmosphere around the world that we should not attempt to shut off our markets entirely. We have the world's best markets. The basic principle that we believe is sound is that imports should be permitted to share in some of the expansion in this market, but not to absorb all of it.

Under the existing pattern of restraint on imports we have, as you know, what is termed the long-term arrangement for cotton only. It does not apply to noncotton textiles. I have to say we had these long-term arrangements and these are country-by-country agreements. We have had them for many years. They had not been carefully attended, in my opinion, and we had this accelerated buildup under the long-term arrangement for cotton.

Consequently, if we adopt the principle of import sharing in some of the growth, we must find either one, a long-term arrangement approach that can be administered effectively or quantitative quotas probably through legislation.

We hesitate again to say that quantitative quotas are the only way, but our experience in the long-term arrangement type of restraint has been very bad.

Senator MILLER. What have you been doing in the last year or so with the administration in trying to implement and see that they are enforced, or improved upon?

Mr. SAYRE. Just as Senator Jordan has said, we have been pleading and our pleas have been along this line, and this is true for the administration, as you know, by Secretary Stans.

He has done a very intensive job of trying LTA's that are workable, sir. We find great reluctance on the part of some of the major countries to develop an effective LTA with us.

Senator MILLER. Mr. Lynn says in his statement that our Government urgently needs to provide effective and reasonable restraints, and I am familiar with the fact that Secretary Stans is doing all he can do, and we don't seem to be getting off the ground.

I am in sympathy with the general proposition you advanced, but we don't have any specifics and your answer indicates to me that these long-term arrangements aren't working, this forces us to come to Congress and ask for import quota legislation.

Yet one witness laid it on the line and said we want import legislation and quotas established on the amount of the domestic cotton they used. If they want to go over to the Soviet Union, all right, but then don't ask for as big a share of our market as if they used our cotton.

These are the specifics we need, and we would like to know what you would like to put in the lawbooks, if we go that route.

Mr. SAYRE. We would be glad to provide that for you.

Senator MILLER. Would you? And I would like, particularly, to have your comment on the proposition advanced by your fellow Louisiana cotton producers, Mr. Lynn.

And also one thing I failed to get from him, but I think perhaps the Cotton Council is better able to provide, is just how this idea that was advanced yesterday would work out in connection with all of the textile export countries sending their exports to the United States.

I think it would be very valuable.

(The information is as follows:)

Question. Should quantitative controls on cotton textile imports to the United States be related to the cotton which individual countries buy from us?

Answer. This thought-provoking question deserves to be answered in two parts: First, a direct discussion of the question itself; and second, a further look at the two-fold problem which the question raises.

THE QUESTION ITSELF

The idea is a very interesting one, and in fact it has been suggested at times by some highly respected leaders among cotton producers. It attempts to cope with the two-fold problem of cotton producers in international trade; namely, maintaining raw cotton exports and keeping reasonable restraints upon the increase in cotton textile imports. It raises the hope that by tying the two problems together on an individual country basis, progress can be made in solving both of them.

When this concept is applied to individual countries, problems arise which seem insurmountable. It would necessitate a vast shift in the pattern of our textile imports. Highly industrialized countries (particularly Japan and Hong Kong) account for a high percentage of our textile imports; but since they are unable to grow any cotton and must import their total requirements, their permitted exports to the United States would rise a great deal further from the present high levels. On the other hand, a very substantial fraction of our textile imports are now coming from countries such as Mexico, Brazil, Pakistan, and Colombia, which grow their own cotton and buy virtually none from us. It would seem difficult for the United States to consider cutting off all imports from cotton-growing countries, many of which are in the less-developed category and have serious balance-of-payments problems already, while Japan and others in a strong payments position would see their portion of our market increased further.

In the aggregate our raw cotton exports are still much greater than the cotton content of our textile imports, although the ratio is far smaller than in years past when we exported five or six million bales and imported only minor amounts of textiles. Nevertheless it seems conceivable that the concept underlying this question might be twisted into a spurious argument for allowing great further imports of cotton textiles. Actually our policies toward cotton exports and toward textile imports should and must be considered on their separate merits.

The approach implied by this question would leave unsolved the problem of getting quantitative controls on the imports of textiles made from man-made fiber and wool. The man-made fiber products, which have had the greatest rise of all in imports during recent years, compete very closely with our own cotton products on the domestic market. The need for control upon these imports is now critical from the standpoint of cotton, as well as the rest of the economy.

THE TWO-FOLD PROBLEM

American cotton does indeed have two great problems in international trade: that of restoring exports to a more fair and normal level, and that of restraining textile imports to a reasonable and tolerable level. The whole future of our cotton economy is vitally at stake. Moreover the strength of the whole country is seriously involved in many ways. As just one example we might mention the balance of payments. Until quite recently our cotton exports were earning at least $500 million annually in hard foreign currencies, but this figure has now been sharply reduced. It needs to be restored. At the same time our international trade deficit in textile products has increased from approximately zero twelve years ago to approximately $1.5 billion in 1969. If serious progress is to be made in solving the Nation's balance-of-payments problem, both of these adverse trends must be remedied.

The export problem.—Our cotton exports have declined because cotton production in foreign lands has expanded and because synthetic fiber competition has held back the growth of foreign demand for cotton. The synthetic expansion must be met with an effective, modern program of research, sales promotion, and competitive prices. The leadership of this effort must rest upon the United States, the only large cotton-growing country of the free world which has the capacity to give leadership in the modern use of capital and technology. At the same time our long-run survival in competition with foreign cotton-growing countries depends also on the fact the we have superior potential for the use of

capital and technology in reducing the costs of growing and marketing high quality fiber.

Our survival in exports (and in the domestic market as well) depends in part upon the kind of sound federal government program which the National Cotton Council and various producer groups have proposed. In the future the costs of this effort will repay our country many times over as we exploit our unique advantage as a highly industrialized country which also has the natural endowment for growing cotton.

The import problem.—The rising flood of textile imports springs from the fact that textile products are characterized by very high labor content and that textile plants are relatively easy to establish in virtually any country of the world. Since World War II, colonialism has collapsed and countless countries have launched ambitious programs of industrialization. In the aggregate the quantity of cheap-labor textiles seeking export markets has been in excess of what importing nations could possibly absorb without unreasonable damage to their own economies. Our country has accepted a far greater share of these imports than other industrialized nations.

To accept this influx of textiles without more realistic restraints would sap all the strength from our domestic textile industry, which is the chief market through which our domestically produced fiber must flow. Our country needs a strong and dynamic textile industry, not only to provide markets for our fiber and employment for our labor, but also to provide constantly improving products to consumers and a dependable arsenal of supplies for our defense establishment. Cotton people depend especially on a strong domestic industry for their market. If our textile industry is to maintain strong long-range programs of research and capital investment, it must have more assurance that cheap-labor imports will not continue to swamp its markets. A reasonable level of competition is desirable, but the flood of imports which it faces today is enough to destroy the strength and progress of the industry.

A reasonable basis for quantitive restraints on all textile imports is now a national imperative. This is not to say that we oppose a high level of international trade. We have already accepted an enormous expansion of textile imports, which has carried them to a very high level. It would now be a reasonable and moderate solution of the problem if a base should be established, representing the level of imports in some recent year or period of years, and if the percentage of further increases in textile imports should be held in line with the increase in our domestic markets. Such a plan, of course, should apply to various categories of textile products. This plan would by no means close the door on further expansion in our over-all imports of textile products. It would merely say that in the future the foreign exporting countries must be limited to their share of the expansion, if any, in each category of our domestic market.

The CHAIRMAN. Senator Jordan?

Senator JORDAN. In 1964 there were 158 million yards of cotton cloth imported into this country. In 1969 there were 1,724 million yards.

In 1964, the manmade fiber amounted to 328 million yards. That is a lot of yards, and last year there were 1,812 million yards of manmade fiber.

In 1964 there were 134 million yards of wool cloth, and last year, 183 million yards.

That comes to 3,719 million yards of cotton; or 18.5 yards for every person in the United States.

Looking at some of the miniskirts, it is doubtful that that much is used. That amount would clothe them all four or five times a year. You give everybody in the United States 18.5 yards of imported cloth and I don't care what kind of cloth it is, it replaces the yarn, and you have taken a big bulk of the market and you don't get it back, unless you slow down that flow.

We are doing nothing to slow it down.

The CHAIRMAN. On the other hand, Senator, I am not saying this now because I don't know definitely. I was informed, and I think

the record speaks for itself, that with the one price system, instead of lowering the price of cotton in the United States, they went up, and that invited more competition. I don't mean to say you can't compete with Japan; the higher the price in the United States the more chance you have of competition from abroad, it strikes me. Under the one-price system as a matter of fact, you pay less, I am told, than the people abroad.

If the price structure had been lowered because of the fact you had to pay more for cotton, then competition might not have been as keen.

Senator JORDAN. Mr. Chairman, the tremendous increase in production in the United States and abroad has been in the manmade fibers. You jump from 328 million to 1,028,000,000. That is imports that are competing with the same kind of thing produced in the United States. Nylon and rayon are all good, and they are cheaper today. Rayon is 25 cents.

The CHAIRMAN. You don't use much rayon.

Senator JORDAN. Billions of pounds of it a year.

The CHAIRMAN. You mean——

Senator JORDAN. In American consumption in textile mills.

The CHAIRMAN. I thought we put rayon out of business?

Senator JORDAN. It hasn't done this.

The CHAIRMAN. Anyhow, the testimony given when that law was changed, something happened, and there is nobody on this committee that would like better to get cotton going and make it a crop. I know what will happen unless we do something about it to the economy of the South and the West.

But we are faced with a situation that we have got to find new ways, and that is what I am anxious to give or have presented in this committee for us to continue this same program. I doubt if we can put it through Congress. We will do all we can, but what we need at the moment for cotton is a Moses.

Any further questions?

Senator JORDAN. I would like to have his comments.

Mr. SAYRE. Actually, on the rayon, acetate rayon has been gone, some other rayon has gone up.

Senator TALMADGE. The polyester fibers.

Mr. SAYRE. They are in that family that you mentioned.

The CHAIRMAN. That is what I had in mind, as a rule.

Senator JORDAN. May I tell you what this rayon is? Back in the old days when it was considered an inferior fiber and it wouldn't stand any washing or heat, that was true. But they established this new rayon that is stronger wet than dry, so it stands up to laundry conditions without any problem. It has replaced the other type rayon, and it is cheap.

The CHAIRMAN. You can see what we are faced with.

Mr. SAYRE. I do hope we have not failed to put before you the emphasis we felt must go in the direction of market expansion for cotton.

The CHAIRMAN. Your motive is, if you have Uncle Sam saddled with that, you are going to have the manufacturers of rayon and others say that if you give it to cotton, you should give it to us, too. That is what bothers me, and that would be aside from the cost that now prevails, to keep cottongrowers afloat.

Mr. SAYRE. Five or six very large companies predominate in the synthetics; 300,000 cotton farmers, and the fragmented structure we have can't work without the Government providing the capital.

The CHAIRMAN. What you are suggesting on top of all that, on top of the price supports, on top of the billion dollars that it is now costing, you want to add more. I am saying if some proposal was submitted to the Congress, I just think you would have some opposition. I am just speaking frankly with you, and I don't mean to take issue.

I know you know the cotton business much better than I do, but we are facing facts today. And there is quite a lot of opposition from what I can understand with the bills suggested by all of the associations, other than the Bureau, the coalition, because that bill will increase the costs for corn and other feed grains, and wheat, as I recall, in excess of $500 million, and there is a lot of objection to the present cost to carry these two programs.

Now, to add to that would make it more difficult for us to obtain a bill that can be passed by both houses.

Mr. SAYRE. Mr. Chairman, I think there is widespread support for the idea that what would be added for product development, market expansion should probably come within the total costs of the cotton program, rather than be added on over on top of it.

Any further questions?

Senator TALMADGE. I will try to be very brief, Mr. Lynn. I want to compliment you on your statement. I read it and listened to it, and I read your 14 point recommendation here. I think it is an excellent program, and I see little with which I can disagree.

With that comment, I want to direct a question to Dr. Sayre, and of course, the chairman first raised it and Senator Holland subsequently.

We are confronted with the problem here that a great many people in America and in Congress, particularly the House, want the farmers to raise their commodities to give them away to their constituents. That brought on this fight about limitations of payments. I heard your answer to both the chairman's question and your remarks to Senator Holland.

The best I can ascertain is that your reply advocated the payment in one form for domestic production and payment in another form for the export production. As you know, if these payments are made to the individual farmer they will be attacked. Twice in recent years we have been confronted with hard conferences in committee, in the Agriculture Committee and also in the Appropriations Committee.

There the House firmly attached the limitation of $25,000 per farmer. I think it is a mistake, and I think it would do grave harm to the economy of our country and to our farmers, but the Congress seems determined to put on some sort of limitation of some kind.

How can we approach that? Your answer to date hasn't been satisfactory to me.

Mr. SAYRE. Well, first, I must apologize that I misled you in having——

Senator TALMADGE. We are talking about payments to individual farmers, and that is what we will be faced with on the floor of the Senate. On one occasion we have had great trouble on the Senate floor. and on more than one on the House floor. This is the principal problem I see in trying to get that farm bill.

Of course, we have problems on any farm bill, but particularly on this limitation. You can't pass any bill without a limitation. I don't care whether it is wise or unwise, you can have wisdom and justice on your side, but you can't pass a bill unless you have the votes.

Mr. SAYRE. First, I think we are asking only that limitations be held off of these cost adjustment payments.

Senator TALMADGE. Let's get specific. Farmer A produces 1,000 bales of cotton. What is your recommendation?

Mr. SAYRE. I would recommend that Farmer A be able to get from CCC negotiable marketing certificates equal to the difference in his cost of production, or his cost of production as established by USDA, and the market price as related by the 12 markets averages.

If they be tenderable through banks or county officers, and redeemed by Commodity Credit, and the payment would not be to Farmer A but would be in the channels of trade, first, in this instance——

Senator TALMADGE. In other words, processing?

Mr. SAYRE. No, sir.

Mr. TALMADGE. How would you finance?

Mr. SAYRE. From the capital structure of the Commodity Credit.

Senator TALMADGE. Who is going to issue the certificates?

Mr. SAYRE. You have indicated that man has the production of 1,000 bales. He would have his marketing certificates attached to his bales of cotton with a duplicate of warehouse receipts; it wouldn't be charged to Farmer A. And over and above that, this deals only with meeting production costs, it doesn't have built-in profits of any degree. If in the mind of Congress income supplements are desirable over and above this.

Senator TALMADGE. You wouldn't get production unless you guarantee a farmer a profit. You testified production costs 30 cents per pound, and I think this is right. What is the world market price?

Mr. SAYRE. Twenty cents.

Senator TALMADGE. So you have 10 cents differential between the farmer's costs. You are going to have to give him a profit. In 1965 we had a 17 million bale surplus. Now we have a shortage, as you know. We have to have some emphasis on production, and I wish you would give that serious consideration and make suggestions. I would like to have complete details, so that this committee can consider them. The biggest obstacle, as I see it, to writing the farm bill is limitation on payments. We might be able to write it, but in the House you don't have but 25 to 30 Congressmen who have a rural constituency of 25 percent or more to put it bluntly, most Congressmen are interested in free food, not farmers.

(The information is as follows:)

ADEQUATE COTTON SUPPLIES, FARM INCOME, AND PAYMENT PROBLEMS

It is clear that the whole Nation has a vital stake in the continuation of a strong, vigorous cotton economy.

This requires production of adequate supplies.

Farmers will not produce cotton with costs averaging within the range of 30 to 31 cents per pound against prospective competitive market prices in the 21 cents per pound area.

A two-way partnership with the Government is required. One is research to offset rising costs of production items and to reduce costs in the future. The second is cost adjustment assistance and income supplement through payments.

Obviously, production costs must cover out-of-pocket expenditures, overhead and reasonable returns to land resources, capital and to the farmer.

Taking 31 cents as the national average cost as a starting point, the cost adjustment would need to be 10 cents per pound if the market return is 21 cents per pound. Under the Act of 1965, Government assistance is tied to the domestic allotment (65 per cent of the farmers total allotment). For 1970, the total domestic allotment is 11,100,000 bales and the payment is 16.80 cents per pound projected yield.

If the grower has 100 acres total allotment, his domestic allotment is 65 acres. His county ASCS committee has established a projected yield for his farm. Let's assume that to be 600 pounds lint per acre. The payment for the farm is calculated as follows:

Domestic allotment (acres)	65
Projected yield (pounds)	600
78 bales farm poundage for payment (pounds)	39,000

39,000 times 16.80 cents (1970 payment rate) equals $6,552 is the farm payment in this example.

By law (Act of '65) the payment on the domestic allotment has to be large enough that when added to the 20.25 cents per pound non-recourse loan that the total will not be less than 65 percent of parity (now 48.31 cents per pound for cotton) on his full allotment. This has helped, substantially, to maintain farm income.

The 16.80 cent payment on the domestic allotment spread over his full allotment comes to 10.92 cents per pound. When considered in terms of full allotment and for farmers planting their full allotment it has 10 cents per pound cost adjustment making up between 31 cent average production costs and 21 cent competitive market price. It includes almost 1.00 cent of income supplement.

For the grower planting only his domestic allotment the 16.80 cent payment has 10 cents production cost adjustment and 6.80 cents of income supplement.

Beginning in 1971 and beyond it is proposed that production costs adjustments and income supplement payments be separated.

It is proposed further that production costs adjustments be made through the use of marketing certificates attached to the bales of cotton produced on the portion of the allotment upon which payments are to be made. In the above example that would be 78 bales.

When this farmer sold or put his 1971 crop in the loan, marketing certificates would be attached to 78 bales of it. The buyer, either in a spot market or when buying the cotton out of the loan, would pay the farmer the market price plus the amount that he (the buyer) would obtain for the 78 marketing certificates by tendering them to the Commodity Credit Corporation through his local bank or the local ASCS office. Competition among buyers and from farmer-owned cooperatives would make it necessary for the buyer to pay the redemption value of the certificates to the farmer just as it is necessary for him to pay the farmer a fair market price for his cotton.

Marketing certificates would be redeemable by CCC at 10 cents per pound or $50.00 per bale. Funding would be from the capital structure of CCC and would be at the minimum necessary to get adequate supplies of cotton produced in this country.

Income supplement payments, to be made direct to farmers, would be essential to bolster farm income and to offset higher than average costs on many small and medium sized farms.

As noted above, there is approximately 6.80 cents per pound income supplement in the 1970 program payment.

This could be handled in 1971 and beyond with a schedule along these lines:

1st 100 bales at 8 cents	$4,000
2d 100 bales at 7 cents	3,500
3rd 100 bales at 6 cents	3,000
4th 100 bales at 5 cents	2,500
5th 100 bales at 4 cents	2,000
6th 100 bales at 3 cents	1,500
7th 100 bales at 2 cents	1,000
8th 100 bales at 1 cent	500
9th 100 bales at 0 cents	0
Total income supplement to any farm	18,000

Limiting the income supplement would offset some inequities of across the board payments, it would not mean a "death blow" to cotton farmers and the industry and it would probably be more acceptable to members of the Congress who believe that payments should be limited.

As outlined, the combination of the redemption costs of the marketing certificates and the graduated schedule of income supplement payments would reduce the total costs to the government.

The CHAIRMAN. Any further questions?

Senator TALMADGE. I stand corrected. The Senator from Nebraska says there are 59 Congressmen who have a rural constituency.

The CHAIRMAN. Yes.

Mr. LYNN. I have the producer recommendations adopted by the National Cotton Council which I would like to submit for the record.

The CHAIRMAN. It will be in the record.

(The document referred to follows:)

PRODUCER RECOMMENDATIONS ADOPTED BY NATIONAL COTTON COUNCIL, FEBRUARY 3, 1970, AS BASIS FOR NEW COTTON LEGISLATION

1. Place cotton legislation on a continuing basis;
2. Maintain competitive one-price cotton;
3. Develop experimental programs that will lead to new products at home and abroad for the purpose of achieving full utilization of U.S. cotton, to be marketed under the one-price system;
4. Provide for a loan level of 90 percent of the world price with the determination of such price being made in a manner which will accurately reflect market conditions for the immediately preceding year or years;
5. Provide for dependable supplies of American cotton which are fully adequate to meet the requirements of modern competition at home and abroad;
6. Provide that the release of government stocks may occur only at price levels, clearly defined by legislation, which will allow the marketing system to function effectively in adjusting supply-demand relationships between the different qualities of cotton, and which will permit farmers to make maximum use of normal trade channels in selling their current crop;
7. Establish an acreage allotment system aimed at providing the production actually needed each season for domestic consumption, exports, and a carry-over adequate for an expanding offtake;
8. Facilitate the sale and lease of allotments by urging: (a) that no limit be placed on the acreage allotment which may be transferred from farm to farm; (b) that transfers be permitted between any farms in a state; and (c) that the period during which transfers are permitted be as long as practicable;
9. Recognize that the industry's most urgent problem is to reduce production and marketing costs; and place maximum possible emphasis on a crash program of research and education to overcome that problem and permit the industry, within a reasonable time, to achieve self-sufficiency in meeting price competition;
10. Recognize that in the immediately foreseeable future, some form of cost adjustment must be provided in order for producers to sell at a competitive price and receive a reasonable return for labor, management, and investment;
11. Provide that such cost adjustment be made to the commodity rather than to the producer;
12. Strengthen the crop insurance program to provide adequate protection for high-cost, high-risk crops such as cotton;
13. Strengthen to the greatest extent possible industry advice and participation in the administrative decisions made with respect to the cotton program;
14. Reaffirm previous Council resolutions which: (a) oppose limitations on any farmer's benefits from a price support or payment program; (b) recognize the necessity of quantitative restraints on the expansion of textile imports; and (c) recognize that an adequate export market is vitally dependent on product development and promotion together with dependable supplies and competitive pricing.

The CHAIRMAN. The next witness is Mr. B. F. Smith.

STATEMENT OF B. F. SMITH, EXECUTIVE VICE PRESIDENT, DELTA COUNCIL, STONEVILLE, MISS.

Mr. SMITH. My name is B. F. Smith. I am executive vice president of Delta Council, an organization supported by the agricultural, business, and professional leadership of the Yazoo-Mississippi Delta area and by boards of supervisors representing the 18 delta and part-delta counties.

Delta Council is authorized to represent the common interests of the more than 600,000 people who live and do business in this area. Cotton is the principal source of income of the delta and Delta Council represents the cotton farmer's viewpoint.

The cotton industry is an extremely important segment of our national economy. An estimated 1,300,000 people live on farms that grow cotton. An additional 5 million people depend to an important extent upon employment concerned with producing, marketing, and processing cotton and cottonseed. The total investment in the production and processing of cotton in the United States is estimated at more than $24 billion, with about $11,750 million represented by farm real estate.

In our State, cotton is even more important relatively. The number of people living on cotton farms amounts to 233,000 individuals. Returns from the cotton crop in 1968, even with reduced acreage, amounted is $343 million.

I am sure that each member of the committee is fully aware of the fact that the cotton industry today faces a supply situation that is vastly different from that which prevailed when the Agricultural Act of 1965 was enacted. Cotton is not now a surplus crop. In fact, the carryover is at a level that is considered to be minimum safe. There is now a great need for Government policies and a program that will permit cotton farmers to produce the supplies and qualities needed for domestic consumption and for export in an efficient manner and with the objective of market expansion.

While cotton must be relatively competitive in price and quality, one of the most important requirements of such a program is that it be aimed at producing an adequate supply. Time was when a short supply of cotton could result in higher prices to farmers with no long-range adverse effects on markets. This is no longer true. Shortages are quickly reflected in market losses. Simply stated, you can't do business out of an empty wagon.

Another important requirement is to produce and maintain an adequate supply; farmers growing cotton must receive returns from cotton that will exceed their costs of production. Once it was a commonly accepted fact that farmers would grow more cotton to make up for lower prices and, given the opportunity, farmers would plant from fence row to fence row. Risks are now too large. With the prices that farmers must pay for production items and equipment reflecting inflational pressures which are continuing to push them upward, lower per acre costs for alternative crops make them increasingly attractive in comparison with cotton.

Delta Council has been working for more than a year now with other cotton producer organizations and, through the cotton producer steer-

ing committee of the National Cotton Council, toward the development ment of a long-range cotton program.

The criteria the Delta Council has used in developing our recommendations are as follows:

1. Provide for an adequate supply of cotton.
2. Maintain farm income.
3. Minimize the threat of limitations on participation in the program by individual farmers.

We believe that the basic components of a program that will fill these requirements are as follows:

1. The establishment of an annual production goal to provide dependable supplies of upland cotton to maintain and expand domestic and export markets and carryover stocks at a safe level.

2. Coupled with the establishment of such an annual goal, there should be an acreage allotment system that will provide the production needed to fill requirements. If a domestic allotment approach is deemed more feasible under the circumstances, steps should be taken to assure enough production over and above the domestic allotment to provide adequate supplies.

The CHAIRMAN. Would that mean more acres?

Mr. SMITH. Yes, sir. Some mechanisms to find out in advance what farmers would plant above their domestic allotment to make sure they didn't short this market.

The CHAIRMAN. The minimum is 16 million; do you think that ought to be upped?

Mr. SMITH. This need not be upped, but they are not planting this amount. The domestic allotment, the paying base with the cost structure as it is now is the limit for many farmers. And it has been brought out in earlier testimony that last year there was more than 3 million acres.

The CHAIRMAN. Surplus, that would have meant it would have extended our surplus?

Mr. SMITH. If they planted that this past year, I think we would have been much better off if we had a good year, because our supply situation today is very precarious.

3. Provide for a nonrecourse CCC loan at 90 percent of the average of the world price for the two preceding seasons. This is needed for orderly marketing, a measure of price stability and also as an aid to farmers in arranging for production loans.

4. If the cost of producing cotton is appreciably more than it will sell for in the market, as is now the case, provide for a production cost adjustment in the form of a convertible certificate that will have a per pound value equal to the difference between the average price received by farmers for their cotton and the average cost of production as determined by USDA studies. This cost of production adjustment certificate would be cashable by the first buyer. It would be attached to the commodity in the channels of trade. It is important that this production cost adjustment be recognized as necessary to bridge the gap between prices received by farmers and production costs. It should not be confused with profits or income supplements.

The CHAIRMAN. How would you figure the value of that certificate? You say in that year you have farmers who produce cotton more cheaply than others?

Mr. SMITH. It would be on an average; and very briefly, the value of the certificate would be the difference between the average price received by farmers, their cotton, say in the 14 spot markets for a period of months before; say it is 21 cents per pound and say the cost of production determined by USDA is say 31 cents per pound. It was 27 in 1966 and we had some big price cost increases since that time.

Last year 6 percent increase in production costs alone. Say that spread could be 10 cents.

Now, this 10 cents could mean——

The CHAIRMAN. This is $50 a bale?

Mr. SMITH. Yes, this is cost of production adjustment. This is what it takes to get the cotton produced.

The CHAIRMAN. What is the profit? How would you provide for that?

Mr. SMITH. Yes; this is cost of production adjustment. This is what that would permit some measure of stability in farm income, especially for small and medium size farmers. The amount of the income supplement payment should be such that when added to the loan and the cost of adjustment payment, farmers would receive at least 65 percent of parity for their cotton.

If there has to be any kind of limitation on program participation, the income supplement payment could be limited or based on a graduated scale without totally destroying the cotton program and the cotton industry.

6. Provide for both the cost of production adjustment certificate and the income supplement payment to be based on actual yields, rather than on projected yields.

The CHAIRMAN. What is the difference in the costs, if you know, in your area between farmers? Those who, let us say, cultivate as many as 1,000 acres in cost, as compared to one who produces on 50 acres, or 100 acres? There is a lot of difference?

Mr. SMITH. No, sir. There is some added efficiency because of size, up to a certain point. But such a high percentage of our production costs are composed of manufactured items that these costs are high.

The only way we can reduce this is to get higher yields per acre, but you have these fixed costs that are the same.

We have the table, I am sure you have seen it, of the average costs. I think what we would have to go on the average cost of production. It couldn't relate to the individual farmer and it would have to be national average.

The CHAIRMAN. Well, I don't know whether that would work or not. I know in some areas in Louisiana, for instance, you have areas where they produce cotton cheap. In other areas it is costly.

Mr. SMITH. Yes, sir.

The CHAIRMAN. If you average all that out, some is going to lose and some is going to make money.

Mr. SMITH. The more efficient will make more than the inefficient.

The CHAIRMAN. Would you cut back on this profit that you provide for?

Mr. SMITH. Let me say this about the profit: This income supplement payment would be aimed at bringing everybody's income up to 65 percent, but if there is going to be a limitation, and it seems to me the

conclusion that this is a very pressing problem we are facing, then this income supplement could be limited.

We wouldn't produce the entire allotment, but it could on a graduated scale, and a flat basis without totally destroying the cotton program. We would at least maintain a chance to stay in the business; if they put a flat limitation at a low level, we are out of business.

The CHAIRMAN. Have you tried to figure out what the cost of such a program would be? That is, in comparison?

Mr. SMITH. I have, but there are some unknowns. Let's assume, passing on this domestic allotment, and we have one that will produce say 11 million bales, and your cost per payment on the domestic allotment, 11 million bales at $50, this is $550 million.

This is the cost, and then the cost of the income supplement payment would be determined largely whether or not they limited it or not. I would think a program of this kind would be operated at less cost than the current program, certainly not more.

The CHAIRMAN. All right.

Senator JORDAN. May I ask a question?

The CHAIRMAN. Surely.

Senator JORDAN. On this certificate that would do away with the limitation of payment, if I understand, a man raised five bales of cotton and he would get the certificate plus a certain amount. He knew he would get the same amount per bale, and it would be up to him how many he wanted to raise, how many he would get in his payment. Is that what he would do?

You are talking about this, assuming that would be for the small farmer if you wanted to get him on the 5 acres, because we do go down that low. The small farmers are disappearing today, but there are some in 10 or 5 acres. Maybe they should have a little adjustment to help them.

Mr. SMITH. I think actually the income supplement pay for this is important to all cotton producers, certainly what we are advocating is only the difference between the average cost the farmer received and his cost of production.

The CHAIRMAN. What you are doing is a guaranteed income?

Mr. SMITH. Well, this is a guarantee, you at least get your cost of production, and then above this, income payments can be flexible enough. We would like to see them enough to make up the costs plus the income.

The production cost of adjustment, plus this cost of income supplement should equal 65-percent parity. This is in the current law, but recognize the fact that this base is subject to limitations and has been distorted, I think, because false information has been put out.

The general public thinks that the present payment is all profit, and it is not.

Under the program we suggest there are two payments—one payment is profit, then only the part that represents the actual profit could have some limits on it, but certainly not the production cost supplement payment that is required to keep the people in business and produce the commodity needed, and this is the difference.

The CHAIRMAN. Thank you.

Mr. SMITH (continuing). 7. Eliminate the 100-acre limit on cotton

acreage that may be transferred within States from farm to farm by lease or sale.

8. Safeguard the sale of CCC stocks to prevent disruption of the marketing system. Sales should be made at not less than 110 percent of the loan plus commercial carrying charges.

9. The crop insurance program should be strengthened and modernized to provide adequate protection for high-risk crops such as cotton.

We believe that a program built around these recommendations would provide needed supplies of cotton at lower costs to the Government, as I indicated. Production shifts could be made on a long-range basis without violent disruption and dislocation of individual farmers or to the income of farming communities.

Such a program would be market oriented in that the value of the certificates would reflect average prices received in the market. Also, the value of the certificates could be reduced as market prices strengthen or as production costs are reduced.

If there are measurable reductions, these values, the value of these certificates could be reduced.

The CHAIRMAN. What would be the situation at the present time, what do you think they would have to amount to?

Mr. SMITH. I think the cost-of-production certificate would be around 10 cents per pound on the domestic allotment.

The CHAIRMAN. It would be in the neighborhood of 30 cents, the cost of production, or more?

Mr. SMITH. Around 30 to 31 cents per pound.

The CHAIRMAN. Sixty-five percent of parity at the present would give you 31.4 cents per pound.

Mr. SMITH. That is on our entire production, that would be on the entire amount.

The CHAIRMAN. Whatever it is, if you follow your formula, at 65 percent of parity, you would just about reach the cost of production.

Mr. SMITH. I was not advocating, Senator, that the cost of production certificates be issued except on the low domestic allotment of cotton, and then you have cotton that you produce above this just as we have today. Today we are only paid on the domestic allotment. We don't get any payment on the cost, because the cost would not be issued on the overplant, so to speak.

The CHAIRMAN. Is that over and above——

Mr. SMITH. The domestic allotment.

The CHAIRMAN. And over and above your allotted acreage?

Mr. SMITH. No, sir; as we visualize that the Secretary would set up a goal, say we need 13 million bales of cotton, say the domestic need is such you only need to plant 90 percent of your domestic allotment, so you have people that cut back. This would produce 10 million bales, or 10 or 10½, or take any figure. But just in illustration we would need 3 million bales above it.

See, now, if we continued to produce only 10 or 10½ million bales, this is the surest way I know to make sure that our markets are going to erode out from under us because of the uncertainties of the future, and the mills can't plan, and all these kinds of things. But the domestic allotment payment would be made. I mean, the cost of production payment would be made on the domestic allotment.

Then they also have people that need some additional help. As you indicated, some people can't produce as efficiently as others, and that is where the income supplement would be made. It added to these others hopefully, and would come up to around 65 percent of parity on their entire production. The supplement payment would remain only for domestic use, and not on what is produced over and above that which would be exported.

The CHAIRMAN. All right, proceed.

Mr. SMITH. It is our view that the cotton recommendations that have been submitted by the USDA fall short of providing the kind of program that cotton must have in order to maintain and expand domestic markets and exports.

This also holds true to a substantial degree to the Agricultural Act of 1965, our current program, unless it is modified. In the interest of time, I will not go into detail but would like to comment that the most obvious defect of the USDA program is that, in our opinion, it will not produce the needed cotton. Without an adequate supply, we cannot hope to even hold markets, much less expand offtake.

Also, the set-aside proposals for cotton at levels proposed would have a severe adverse impact on farm income. We are willing to accept the set-aside concept provided that reasonable limits are placed on the percentage of cropland that will be taken out of production as the price for program participation. Set-aside acreage will be costly—in terms of land rent, in terms of fallowing costs, and in terms of income lost from nonproduction.

When a commodity is not in surplus supply, we do not think that a farmer should be required to idle an acreage representing more than about 10 percent of his domestic allotment, when it is not in surplus supply.

We are willing to provide more latitude to farmers in determining their production levels in keeping with individual capabilities. We do not, however, subscribe to the Department's proposal to eliminate quotas and penalties altogether. Instead, we would recommend that current allotment holders be offered the opportunity to plant without restrictions provided that such extra acreage would not be reflected in their acreage history. In any event, we recommend that farmers who might be penalized by limitations, if such are imposed, be allowed to have the opportunity to produce cotton out from under the program without penalties.

The CHAIRMAN. Does that mean that a farmer could plant any amount of acres that he desires, over and above the quota alloted for him for domestic use?

Mr. SMITH. Yes, it would.

The CHAIRMAN. That would become over the cotton, this overage cotton would take care of it. Suppose we produced 6 million bales for export and we only can export 3 million?

Mr. SMITH. Well, if that happened, of course, the Commodity Credit Corporation would have to insure it, but let me hasten to add, Senator, in my judgment and in the judgment of a lot of other people that I respect highly, this question is rather academic, because under the present cost structure we are not going to get this type of production, even in the most efficient production areas. Farmers will produce over their

allotment, of their domestic allotment, to the point they will stretch out a price to the point where they can make a profit, and they will stop.

You cannot produce something that costs one price and sell it for less than that and stay in business.

The CHAIRMAN. He may do that, and the government would be holding the bag. This is what I feel.

Mr. SMITH. We don't think this is likely to happen. I don't have this spelled out here, but we would like to see, say the announcement of domestic allotments in early November, then the Secretary announces to the farmers the amount of payment, and then proceeds to have a signup period where farmers could go to the county committee and state their intentions, and ask for as many acres they wanted to plant above their domestic allotment.

This would be simple, and we would see if this would exceed this production goal. If it did, their requests for overplant acreage could be prorated back. Say if I had a 100-acre domestic allotment and I asked for an additional 100, and they say it is too much, they might say you might have to take 90 acres. If it is the intention of the farmers to not plant up to the amount, to fill the goals, then the Secretary could increase the production base by enough acres to assure the production goal.

We need some sort of arrangement to take out this guesswork, to us it is deadly. Either way we don't think you can get overproduction, but certainly something could be done if you have to bring it back under control.

Mr. Chairman, I will not comment further on payment limitations except to say that the imposition of arbitrary limits on program participation would be disastrous to many farmers and to the cotton industry. The entire question of farm payments has been grossly distorted. We are grateful to you and to other members of this committee for the efforts that you have exerted to prevent limitations from being imposed.

We are convinced of the fact that substantial gains can be made in reducing the cost of producing cotton. These gains will depend, however, upon additional research, and we respectfully request the all-out support of this committee in implementing fully the already authorized cotton research program. This should include provisions for experimental commercial uses of cotton with new or extended properties. We specifically recommend that up to 100,000 bales of Government-owned cotton be turned over to the cotton board for use in encouraging the commercial application of research findings and other product development work.

While not directly related to cotton program legislation, we wish to again emphasize the need for quantitative controls to provide reasonable restraints on cotton textile imports. These imports, consisting largely of textiles made from foreign-grown cotton, represent the equivalent of more than 1 million bales annually and they are trending upward.

This represents a serious problem to the U.S. cotton farmer whose biggest market is being undermined by foreign textiles. We do not believe that voluntary restraints are either practical or possible unless

they can be implemented more effectively. From past history, this does not appear likely to happen.

I would like to agree that in the program presented yesterday by Mr. Ransom in terms of quotas, country by country, based on some percentage of U.S. cotton they use, should be explained; it seems this offers a practical solution to a very difficult program.

Mr. Chairman, we are grateful to this committee for your sympathetic consideration of cotton's problems.

Thank you.

Might I add for the record, since the discussion might come up in terms of extending the Agricultural Act of 1965, some changes we think would be necessary to be considered?

The CHAIRMAN. Without objection, it will be put into your testimony.

(The information referred to follows:)

CHANGES NEEDED IN THE AGRICULTURAL ACT OF 1965

The Agricultural Act of 1965 is basically a plan to reduce cotton supplies. It was passed during a period of high carryover (approximately 16 million bales). The situation today is quite different from that which existed during the mid-1960s. The cotton carryover has been reduced by nine million bales and the industry today actually faces the problem of maintaining an adequate supply. The production of enough cotton to fill domestic and export needs and to permit market expansion is a major problem. If the Agricultural Act of 1965 is to be used as a vehicle to achieve this objective, a number of changes will have to be made. Some of these changes are as follows:

1. A provision to permit an increase in the domestic allotment to provide for production needed to fill demand and provide for adequate carryover stocks.

2. Set up a system under which the Secretary of Agriculture could predetermine whether or not plantings above the domestic allotment would provide sufficient supplies to meet domestic and export needs and enable cotton farmers to supply market increases when obtained.

3. It should be recognized that a very high proportion of Government funds expended on cotton are necessary to get the cotton produced under present cost and market price relationships. Therefore, a production adjustment certificate or a marketing certificate (if we are going to have cotton to market) should be attached to the product and redeemed by CCC. Supplement payments to achieve a combination of market prices, marketing certificate values and income payments to reach the 65 percent of parity minimum should be separated and identified as income supplements. Then, if limitations are unavoidable, they could simply be placed on the income supplement payments.

4. A loan should be provided at 90 percent of the average world price for the preceding two seasons.

5. The 100-acre ceiling pertaining to transfer of allotments within states by sale or lease arrangement should be removed.

6. There should be a specific market expansion provision which would enable cotton to maintain and regain lost markets both in this country and around the world.

7. Payments should be based on actual yields rather than projected yields.

The CHAIRMAN. Mr. Jack Stone will be our next witness.

STATEMENT OF JACK G. STONE, PRESIDENT, WESTERN COTTON GROWERS ASSOCIATION, STRATFORD, CALIF.

Mr. STONE. My name is Jack Stone, from Stratford, Calif. I am also president of the Western Cotton Growers Association.

I want to say that never since I started farming have cotton growers

been in such desperate financial condition as they are today, with a growing number of auction sales of farms and foreclosures.

We want to work with this committee, the House committee, the Department and growers' organizations, to get the best possible programs for the growers from the financial point of view. They are having a tough time making it.

We want growers to have the greatest freedom of choice possible in their plantings. We want each to be able to do what is best on his farm.

Accordingly, we present for your consideration the few following proposals:

1. Adequate supply, which is a great worry of the people. The Secretary of Agriculture should be directed to set the base allotment at a level, considering the planting beyond the base allotment, which would provide for sufficient production for, one, domestic use, two, exports, and three, to maintain a 7-million bale carryover, directing also that not less than 11 million acres be set for 1971 and 1972 and thereafter not less than domestic consumption plus about 25 percent.

2. Set-aside.

I am worried, because I see so many auction sales and some of them around the community are some of my friends. Some are selling out before they actually go broke, and this is a rough break. I didn't make any money last year.

The CHAIRMAN. How many acres?

Mr. STONE. 1,300 acres.

The CHAIRMAN. All mechanized?

Mr. STONE. It is the best farm.

The CHAIRMAN. Irrigated?

Mr. STONE. Yes.

The CHAIRMAN. And you lost money?

Mr. STONE. Yes.

The CHAIRMAN. Proceed.

Mr. STONE. The set-aside acreage should be as low as possible. Naturally, we are having trouble paying bills. We want the set-aside to be as low because it is going to cost us money.

3. Quotas: No quotas or marketing penalties; open end plantings should be allowed, because I do not like to ask the taxpayer to put up hundreds of millions of dollars to get enough cotton produced and at the same time deny those who want to produce it for no payment the right to do so.

I think we should have the right to go ahead and try.

The CHAIRMAN. Where do those people live?

Mr. STONE. I don't know if there is any in existence.

The CHAIRMAN. All right.

Mr. STONE. Farm income: Growers' income should be maintained through some assurance along the line of the Ellender amendment in the present legislation. I usually say, "God bless the Ellender amendment" when I talk about that.

5. Loan rate: The loan rate should be tied to the world prices. If there is any drastic reduction, it should be accompanied with a like increase in the payment in order to guarantee grower income.

6. Voluntary underplanting: If a grower wishes to go out of cotton and take his payments on a reduced scale over a period of years, he

should be allowed to do so if he feels he will be better off by having gone out.

7. Research and market development: Research and marketing development is the only big hope; when I talk about cotton, it is research on production.

The CHAIRMAN. I have been hearing this for 15 years.

Mr. STONE. And we haven't done enough. When I say "we," I will talk about that in a minute.

We feel that no less than $30 million should be made available to the cotton board for research and market development.

You might ask me right now where I intend to get the money. I don't know; if we are going to maintain a cotton industry we have got to do it. We have got to do something about it. I don't know who else is going to do it but the farmers. And I speak, as Jackson would say, that if you want to get $30 million out of the subsidies, I would rather see $30 million of it going for research and production.

The CHAIRMAN. How much would you put on a bale of cotton in order to obtain your goal?

Mr. STONE. I couldn't set that again. I don't know how we sold the $1 a bale.

The CHAIRMAN. You have to take it out of his hide if you take it out of his payment.

Mr. STONE. Yes, sir. I would hope that in the bill this would be some of the farmers' subsidy; it would go direct to the cotton board.

The CHAIRMAN. You have to take it out of the farmers' pay.

Mr. STONE. I want to get it before he gets to it. He might not get it back. This is a tough one.

The CHAIRMAN. I know.

Mr. STONE. I am looking for some way to help promotion.

We oppose limitation of payments as being destructive of land values and the farm programs and me.

If we have to get some kind of graduating program, we would like it to be as adequate as possible. There are a lot of people besides me, and I didn't make any mony last year, so there weren't any profits.

9. Commodity Credit Corporation: We believe that the present method of financing and operating the program through the CCC should be maintained in order to have a continuing cotton program and an assured supply that the farmers and the textile mills can rely on.

That is it, and I thank you very much for letting me get in here.

The CHAIRMAN. You are welcome.

You say you planted 13 acres?

Mr. STONE. 1,300 acres.

The CHAIRMAN. I mean 1,300 acres. What was your production per acre?

Mr. STONE. 2.94.

The CHAIRMAN. Three bales per acre?

Mr. STONE. Yes.

The CHAIRMAN. What caused you to lose with such a large acreage? What is your cost of production?

Mr. STONE. To farm in California it costs a lot of money. It costs about $275 an acre to farm there. The water, taxes, everything I do

costs more. Of course, I have to add to that, cotton isn't the only thing we raise, we raise about 10 other crops, and we can have some bum luck.

The CHAIRMAN. What is your total acreage?

Mr. STONE. About 8,000 acres.

The CHAIRMAN. And did you lose on cotton or the other crops?

Mr. STONE. We lost on the other crops. But we often do.

The CHAIRMAN. You don't want to attribute that to cotton. You come in here to get relief on your cotton acres, but it seems you lose on other crops.

Mr. STONE. I came in here because I am a farmer and I want to pay my bills, and I am sure a lot of other subsidies pay the bills.

The CHAIRMAN. What else?

Mr. STONE. Wheat, barley, alfalfa, tomatoes, cantaloupes.

The CHAIRMAN. I guess you lost on tomatoes?

Mr. STONE. I think the tomato had a real demand in California, and in 1 year we knocked it down to nothing.

The CHAIRMAN. Thank you.

Our next witness will be Mr. Jack Tipton.

STATEMENT OF JACK H. TIPTON, PRESIDENT, MISSOURI COTTON PRODUCERS ASSOCIATION, CARUTHERSVILLE, MO.

Mr. TIPTON. My name is Jack H. Tipton. I am a cotton farmer of Caruthersville, Mo., in Pemiscot County. I own 1,575 acres, of which 375 acres is my cotton allotment. I live on this farm and farm it myself.

I am president of the Missouri Cotton Producers Association, which represents cotton producers and allied industry in southeast Missouri.

My appearance here is in behalf of the Missouri Cotton Producers Association, which has headquarters in Portageville, Mo. The Missouri Cotton Producers Association was chartered May 11, 1949.

The Missouri Cotton Producers Association represents cotton producers, ginners, banks, warehouses, cooperatives, cotton merchants, implement and fertilizer dealers, and cottonseed crushers.

The Missouri Cotton Producers Association is a nonprofit organization, therefore, we do not market commodities.

The CHAIRMAN. Is Mr. Heinkel attached to this?

Mr. TIPTON. No, sir. No, sir.

Here with me in behalf of the Missouri Cotton Producers Association is the organization's executive vice president, James N. Conner, Kennett, Mo.

It is indeed a great privilege for me to have this opportunity to submit to you the Missouri Cotton Producers Association recommendations:

1. Maintain competitive one-price cotton with flexibility and supplemental programs that would increase offtake and eventually achieve full utilization of U.S. capacity to produce.

2. Provide for a loan level of 90 percent of the world price, with the determination of such price being made in a manner which will accurately reflect market conditions for the immediately preceding year or years.

3. Provide for dependable supplies of American cotton which are fully adequate to meet the requirements of modern competition at home and abroad.

4. Provide that an anniversary-type loan be adopted and that the release of Government stocks may occur only at price levels, clearly defined by legislation, which will allow the marketing system to function effectively in adjusting supply-demand relationships between the different qualities of cotton, and which will permit farmers to make maximum use of normal trade channels in selling their current crop.

5. Establish an acreage allotment system aimed at providing the production actually needed each season for domestic consumption, exports, and a carryover adequate for an expanding offtake.

6. Maintain the language in the present law as it pertains to the sale and lease of allotments.

7. Recognize that the industry's most urgent problem is to reduce production and marketing costs; and place maximum possible emphasis on a crash program of research and education to overcome that problem and permit the industry, within a reasonable time, to achieve self-sufficiency in meeting price competition.

8. Recognize that in the immediately foreseeable future some form of cost adjustment must be provded in order for producers to sell at a competitive price and receive a reasonable return for labor, management, and investment.

9. Provide that such cost adjustment be made to the commodity rather than to the producer.

10. Strengthen the crop insurance program to provide adequate protection for high-cost, high-risk crops such as cotton.

11. Strengthen, to the greatest extent possible, industry advice and participation in the administrative decisions made with respect to the cotton program.

12. Our board of directors at the last meeting, Friday, February 13, 1970, recommended we endorse H.R. 15593, introduced in the House of Representatives on January 28, 1970, by Congressman Abernethy and Congressman Montgomery, as this bill would provide for the production of an adequate supply of upland cotton to meet domestic and export requirements, and for other purposes, and does, more or less, incorporate our—the Missouri cotton producers—basic conception of a cotton program. We highly recommend this program to the Senate.

13. Reaffirm previous Missouri Cotton Producers Association resolutions which:

(*a*) Recognize the necessity of quantitative restraints on the expansion of textile imports;

(*b*) Recognize that an adequate export market is vitally dependent on product development and promotion together with dependable supplies and competitive pricing; and

(*c*) Oppose limitations on any farmer's benefits from a price support or payment program.

I would hope to go at length on limitations.

The CHAIRMAN. We will. It is a very important question, because there is going to be the stumbling process.

The whole statement will be put in the record, and if you have any-

thing to add, I wish you would give it to us. The most important problem you have to solve would be limitations payments.

Mr. TIPTON. Yes; unfortunately. I have listened with great interest to all of the comments made. I have nothing to add to the comments of Dr. Sayre and the other statements.

The rest of my statement comments on payment limitation.

The CHAIRMAN. We will put it in the record.

Mr. TIPTON. Mr. Chairman, I would like to thank you for letting me have this opportunity to make my recommendations to the committee.

(The remainder of the statement follows:)

I would now like to discuss the probable results of limitation of payments. Officials in the USDA apparently are saying that the effectiveness of the cotton program would not really be hurt by limitations of payments. To prove their claim that the effectiveness of the program *would* be hurt, cotton producers representing the entire cotton belt have prepared a list of 13 reasons.

1. Payment limitations would strike especially hard at larger cotton growers, who in most cases are the most efficient and are the industry's leaders.

2. Limitations would reduce or eliminate profits from those farmers who are innovators and pioneers in new growing and farming methods. The very group of farmers who are quickest to adopt new technology and therefore perform a valuable service to the thousands of growers who adopt the new methods later with little risk because of the groundwork laid by the innovators.

3. Limits also would seriously affect grower participation in self-help programs for cotton, such as Cotton Producers Institute.

4. Limits would interfere greatly with the ability of growers to produce enough cotton to meet domestic and overseas needs. This, in turn, would lead fabric makers into still further use of synthetics, drying up more and more cotton markets beyond the possibility of ever gaining back these markets for cotton.

5. Limits would cut land values in the Cotton Belt, where land is valuable because cotton is valuable. Land prices in cotton-producing areas are tied to cotton. This is in addition to the harm that would be done by the difficulty of getting adequate financing. Questionnaires were sent to Banks, Production Credit Associations, crop financiers, and other agencies that lend money to cotton farmers. They said that they would not lend beyond the payment limit level, at the time of the questionnaire the House of Representatives had passed a $20,000 limit. The lending agencies said a strong net worth on the part of the farmer would qualify him for a bigger loan, but otherwise, the limit would be the limit. Although this policy was expected by the cotton growers it was a very strong answer. It means except in the case of a very few farmers who have a high net worth, you could get a loan only up to $20,000 if that was the legally established limit, regardless of how much land you wanted to farm.

6. A ceiling on payments that could be received by any one farmer would also cause great upheavals in the total agriculture system forcing growers to switch out of cotton into alternate crops. This imbalance would be widely felt and would demoralize markets all over the country for these alternate crops affecting areas far from the Cotton Belt.

7. Payment limitations would remove much of the incentive for farmers who are community leaders to participate in programs of benefit to the overall community.

8. Limits on farm programs payments would cause widespread unemployment of persons with limited skills, forcing even greater migration of these persons to cities already overcrowded and unable to care for such persons.

9. Limits in any amount would set a precedent that would lead to still further payment reductions until cotton would be a minor crop.

10. Limits also would cut competition among the various fibers now available, tending to raise consumer prices, cut research funds, and serve the American consumer less efficiently.

11. Limits would have their effects upon a host of agricultural suppliers, such as those who furnish chemicals, machinery, seed, and other production items, as well as lending agencies, and would in many cases seriously cripple the economics of big sections.

12. Payment limitations would reduce the incentive for young men to go into farming, and

13. Payments limitations would tend to encourage evasion of law.

Gentlemen, I would like to thank you for letting me have this opportunity of presenting the recommendations made by the Missouri Cotton Producers Association in the interest of the Missouri cotton farmers.

Thank you.

The CHAIRMAN. We will recess until 3 o'clock this afternoon.

(Whereupon, at 12:15 o'clock p.m., the committee recessed, to reconvene at 3 o'clock p.m., the same day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will come to order.

Mr. Pate, will you step forward, please? Will you kindly identify yourself for the record?

STATEMENT OF JOE B. PATE, JR., CHAIRMAN, TEXAS ASSOCIATION OF COTTON PRODUCER ORGANIZATIONS, LUBBOCK, TEX.

Mr. PATE. Thank you, sir.

I am Joe B. Pate, Jr., a cotton farmer in Lubbock, Tex. I am the chairman of the Texas Association of Cotton Producer Organizations.

Chairman Ellender and distinguished Senators of the committee, it is a pleasure to meet with you here today. I have with me as official representatives of our member organizations five of our group:

Joe G. Hanson, El Paso Valley Cotton Association; Roy Cramer, El Paso Valley Cotton Association; Donald A. Johnson, Plains Cotton Growers, Inc.; Charles Bragg, Rolling Plains Cotton Growers, Inc.; Robert W. Heard, South Texas Cotton and Grain Association; and J. B. Kirklin, Trans Pecos Cotton Association.

Texas Association of Cotton Producer Organizations is an affiliation of the six cotton-producer organizations holding charters under the Texas nonprofit corporation law. Member organizations of TACPO are:

Blackland Cotton and Grain Association, El Paso Valley Cotton Association, Plains Cotton Growers, Inc., Rolling Plains Cotton Growers, Inc., South Texas Cotton and Grain Association, and Trans Pecos Cotton Association.

Texas produces about one-third of the cotton grown in the United States. The six organizations that comprise TACPO have memberships encompassing every major cotton-producing area in the State. Their members produce in volume a full range of U.S. cotton qualities under growing conditions which duplicate those across the belt.

Gentlemen, we are seriously concerned with the ability of the cotton industry to survive in a multifiber world.

Two major acts which deal with this problem have been passed by Congress in recent years. They are the Agricultural Act of 1965 and the Cotton Research and Promotion Act of 1966.

In general, these laws have served the industry well. At this time, however, we will not dwell on accomplishments under this legislation, but will discuss adjustments which experience has shown to be in order.

Under existing legislation, there are three major problems:

Our industry is not yet self-reliant. Because of this, Government costs are high—and mounting. And, many of our efficient farm units are threatened by a crippling payments limitation.

Today we will discuss each of these topics in turn, and present our recommendations.

A self-reliant industry must be based on adequate production, a competitive price, and a market-building program.

An adequate supply of cotton for our markets, both domestic and export, is a primary concern of all serious cotton producers. To secure an adequate cotton supply in this country, we must have a Government program which provides effective production incentives to growers. The world price for cotton is several cents per pound below our cost of producting the crop, so for the present at least, the needed incentive to produce must be included in the cotton program. Congress has recognized this fact in the act of 1965 by authorizing price support payments on production from domestic allotments.

If such an incentive is necessary for domestic production it is equally essential in order to provide production for export. It costs just as much to grow cotton for export as it does for domestic use.

We are told that a program with payments on domestic production, coupled with provisions for unlimited plantings, will provide necessary supplies for all our customers. We do not agree.

In our judgment, such a program will not get the cotton produced for both our domestic and export markets. This considered view is based on experience with the domestic allotment system during the last 4 years, on prospective unlimited plantings calculated from production cost figures developed by USDA, and experience with the export acres program since 1965, and on our careful assessment of this matter in Texas, where four of the seven low-cost production areas are located.

Without program incentives to produce cotton for export, we believe our foreign market will be lost forever. Attachment A summarizes some of the consequences should this occur.

We therefore recommend that an effective incentive to produce cotton for export be included in the legislation now under consideration. We will support any reasonable plan whereby this is accomplished.

COMPETITIVE PRICE

Some believe that U.S. cotton has been priced too high under the act of 1965. We do not agree.

Production under the act is expected to total about 37 million bales through this crop year. Sales are expected to be about 47 million bales in the same 4-year period.

During these 4 years, we will sell a quantity of cotton equal to total production, plus 10 million bales of reserve. And we expect cotton stocks to be dangerously low by next summer.

This record does not indicate that prices have been excessive.

Therefore, we recommend no major departure from the pricing mechanism established by the act of 1965. But we do suggest certain adjustments in establishing the loan level and related policies.

As broad criteria, the loan level should be established at a level high enough to provide market incentives to encourage adequate production

and to facilitate crop financing; to provide market stability so essential to successful textile manufacturing operations; to provide price stability vital in our competition with manmade fibers; to reduce the need for high government payments to bridge the gap between market price and the producer income objective.

Yet the loan should be set at a level low enough to allow a competitive price in the domestic and export market; to discourage commitment of resources to the production of competing fiber; to stimulate marketing through trade channels with minimum cotton acquisition by CCC.

We believe an acceptable compromise between these somewhat conflicting objectives would be a loan level at 90 percent of the average market price of the two preceding years. We cannot recommend a loan level that changes within a crop year. Experience indicates the flow of cotton into CCC ownership may be influenced as much by the duration of the loan, redemption cost, and CCC sales policy as by the level of the loan itself. A recent study of this subject by grower groups across the belt resulted in conclusions described in attachment B to this statement.

We believe the proposals contained in attachment B should be adopted and clearly defined in the new legislation under consideration to remove market uncertainty and encourage development of a healthy merchandising industry.

Of the three essentials for a self-reliant industry—adequate production, competitive price, and a market building program—we now only have a competitive price. We still need a way to encourage production of cotton for export, and we still need a market building program to meet competition for our domestic markets.

HIGH GOVERNMENT COST

To reduce Government cost we must establish a self-reliant industry. This can be done through judicious adjustment of Federal legislation to encourage an effective self-help program by the industry, and by incentives to provide an adequate volume of production until self-help measures become totally effective. In no other way can Government expenditures be lowered without drastic repercussions within the cotton industry, rural America, and our Nation's economy.

LIMITATIONS

Limitation of payments to producers of agricultural commodities would have serious consequences. Limitations are incompatible with the American economic system, would disrupt most phases of agriculture; would deny many agricultural producers a just return on their labor and investment; and would nullify much of the effectiveness of the farm program.

Imposition of limitations would be nothing less than land reform forced by Federal economic pressure.

We wish to commend those members of this committee and of Congress who have taken a strong stand in opposition to limitations. You have shown a true concern for the economic well-being of agriculture and the Nation.

We urge continued efforts to prevent adoption of limitation of payments.

We recognize that sincere individuals hold views contrary to our own. But as Congress moves toward resolution of this issue, we hope a consensus will support our contention that a payment earned under legislation enacted in the national interest is a payment earned and a payment due, whether it be large or small.

PRODUCER INCOME LEVEL

We feel the loan and price support payment structure for cotton should be tied to an index related to the general level of prices within our economy, such as the parity system used in the past.

Cotton production involves substantial capital expenditures which must be amortized over a long period of time. Unless cotton producers have assurance their returns from cotton will remain at a reasonable level for several years, many will be unable to secure necessary financing. We cannot build a stable industry when producer income is wholly dependent on administrative decision.

Using parity as a base, since we are all familiar with this index, we recommend the return to the cotton producer be set at not less than 65 percent of parity. We believe this minimum income level, based on whatever index is selected, should be a part of the legislation under consideration.

Sixty-five percent of parity is another way of saying 65 percent of a fair price, and we do not think this is too much to ask.

I would like to add, Mr. Chairman, we are very grateful for the successful efforts you have made for us in the past in retaining 65-percent parity in the present legislation.

In 1964, Congress authorized a $10 million research program to reduce the cost of cotton production, but that program has not been fully funded. There is a great need for this effort. We ask that it be implemented as rapidly as possible.

Some believe that any increase in research financed by producers will be nullified by reductions in federally funded projects.

It is essential that the Federal research program for cotton be fully adequate to refute this supposition.

We recognize that textile imports pose a serious threat to American mills and to our domestic cotton market. We recommend that steps be taken to alleviate this problem.

Concurrent with the resolution of the textile import issue, we recommend that a way be found to increase domestic market income to producers without jeopardy to exports.

We stand ready to work with all groups to accomplish these two related goals.

Stability is important to our industry and all agriculture, therefore we urge that the agricultural program be made permanent.

The present cotton program places almost total emphasis on balancing production with consumption and on maintaining a competitive price. Both these factors are important to the industry and both must be a part of new legislation.

We have been given concrete evidence under the Agriculture Acts of 1964 and 1965 that balanced production and competitive prices

alone are not enough. They have not prevented the rapid loss of cotton markets to synthetic fibers and foreign growths. Nor have they offered any hope that cotton producers are getting any closer to the day when they can depend on markets, not Government, as the source of income to offset production costs.

It is reasonable to assume that a new cotton program, however, successful in providing adequate supplies and competitive prices, will not significantly aid cotton in the retention of markets or help the industry to become self-reliant unless it does something more.

Cotton's basic problem is its lack of comprehensive, systematic, adequately funded merchandising that will take and hold raw fiber markets in the face of severe competition from other fibers.

The economic and political climate being what it is, a solution to this basic problem is cotton's only hope. And there is little or no chance that an effective merchandising plan for cotton can be activated unless provisions for its development and financing are included in Federal legislation.

The Research and Promotion Act passed by Congress in 1966 was a step in the right direction. But it merely scratches the surface of cotton's need. The $10 million it generates each year for research and promotion is not adequate. It falls far short of providing the forward integration needed in the industry if cotton is to compete with manmade fibers.

If cotton is to survive, it must have a new plan or a revised plan which will put to work on a greatly expanded scale all of the marketing tools used so successfully by its competitors—production research, market research, product development, advertising, brand promotion, technical assistance, and other customer services.

Development of such a plan requires a realistic look at the present structure of our industry and its resources in comparison with the structure and resources of our chief competitor—the manmade fiber industry.

The cotton industry is composed of more than 300,000 independent producers, scattered from the Carolinas to California, and considering the belt as a whole, almost totally lacking in unity and cohesiveness. In addition, the distribution of our product from farm to mill involves ginners, warehousemen, and merchants, each primarily concerned with maximizing short-term profits in his own operation. No producer or group of producers, no handler or group of handlers is large enough to carry out an effective marketing program.

In contrast, the lion's share of manmade fiber is produced by a handful of large, diversified corporations, with each manufacturer retaining complete control over his product through all phases of merchandising, including production and utilization research. This gives the synthetic fiber manufacturer a tremendous advantage over the highly fragmented cotton industry.

Resources currently available for carrying out a cotton merchandising program are pitifully small beside those available to synthetic fibers. While cotton promotion funds total about $10 million annually, manmade fiber promotion funds are estimated at $100 million annually. Total research effort on cotton comes to around $27 million, as compared to approximately $150 million spent each year for technical research and development by the manmade fiber manufacturers.

Another important advantage enjoyed by our competitors lies in the fact that they market their fiber as industrial raw materials while cotton is marketed as a commodity. Manmade fibers are engineered to mill specifications, produced on schedule to meet mill requirements month by month, and they maintain a relatively stable price. Cotton, on the other hand, must be produced within the bounds of varietal capability on a seasonal basis. Cotton fibers is not now classified in a system oriented to the buyer's production requirements, but in a system oriented to the producer. Cotton is also saddled with uncertain supply and the constant possibility of unstable prices.

These disadvantages, under the weight of which cotton's share of the fiber market has declined drastically over the past few years, cannot be overcome without a market building program that covers the full range from producer to consumer. Such a program is possible for cotton. But it is possible only if we are willing to commit.

Meeting this challenge will require a single producer organization, or board, to coordinate and direct all efforts on behalf of cotton and its producers. Insofar as possible, it should provide the structure under which 300,000 cotton producers could operate as a single unit in all areas of market development.

The board, composed solely of producers, should be given the authority and the responsibility for developing programs that would lead to a self-reliant industry. It should determine, well in advance of planting time each year, the funds needed for effective implementation of its programs and its findings submitted to producers for approval in a referendum.

The present CPI cotton board, given the needed authority and access to the necessary funds, might well serve these purposes.

The current procedure for collecting research and promotion funds is inadequate. It does not generate sufficient money to accomplish the objectives, nor does it provide the dependability of funds that is vital to any long-range program.

An alternative would be to include the cost of merchandising programs as an integral part of the payments being made to producers to bridge the present gap between market prices and the cost of production. By the standards of any industrial corporation, including those which produce and market synthetic fibers, the expense involved in research and merchandising is a legitimate cost of production item.

In determining the cost of production adjustment, the operation of the cotton board and its programs should be provided for just as product development and promotion programs are provided for, in the selling price of manmade fibers.

Producer leadership, strong management, and a staff of highly competent people in a number of research and merchandising fields would be vital to the success of an all-out effort as outlined here. But these components are available to a stable producer board with dependable financing.

In summary, Mr. Chairman, with a structure which permits cotton producers to operate as a single unit and with adequate and dependable funding, cotton can compete effectively with manmade fiber manufacturers. And it can eventually achieve its goal of self-reliance.

Without these things, cotton is without hope. Texas producers

represented by TACPO support this outline as the broad direction toward which the industry should proceed under appropriate legislation.

We appreciate your consideration.

(The attachments to Mr. Pate's statement follow:)

Importance of Export Markets for U.S. Cotton

Historically, about one-third of the cotton produced in the U.S. has been exported. Neither the cotton industry nor the Nation can afford to sacrifice this market. Some of the reasons follow:

Without cotton exports, about one-third of the acres planted to cotton would be diverted into other crops, disrupting the supply-demand balance of much of agriculture.

Without cotton exports, price stability in the domestic cotton market would be much more difficult to maintain. Were we to attempt to produce for domestic use only, there would be no room for error in production plans. Inevitable shortages would lead to very wide price fluctuations. These price fluctuations would cause erosion of cotton's markets such as occurred in 1967–68, demands from mills that the embargo on raw cotton imports be eliminated, and an influx of cotton textile imports to meet the needs of the U.S. consumer. Exports are the safetly-valve that gives stability to the domestic market.

Without cotton exports, the $2½ billion of new wealth that cotton normally brings the U.S. economy each year would be lost.

Without cotton exports, one-third of the millions employed in cotton production and cotton processing prior to the spinning mill would be unemployed.

Without cotton exports, the U.S. balance of payments problem would intensify, threatening the stability of the National economy.

Without cotton exports, the U.S. producer, his volume reduced by one-third, would be blocked in his efforts to cut production costs and move away from dependency on government programs.

Recommended Loan and CCC Sales Policies

TACPO recommends that an "anniversary date" loan and certain other CCC loan redemption and sales policies be incorporated into the cotton legislation now under consideration, to be effective with the 1971 crop.

This recommendation is based on the principle that cotton from one crop, properly supplemented by reserves, should supply the market through private trade channels until cotton from the succeeding crop is fully available.

Under this principle, we recommend that:

The loan period should cover the full marketing period from the beginning of one harvest through completion o fthe succeeding harvest;

Government stocks should be used to fill a shortfall or to relieve shortages of certain qualities as they occur and should not be used to flood the market with qualities in plentiful supply; and

Producers should be allowed to repossess loan cotton prior to the loan expiration date at a price equal to the price at which CCC is willing to sell comparable cotton from its stocks.

We believe establishment of an anniversary loan (we recommend that the loan extend 14 months from date of disbursement) and adoption of policies consistent with these recommendations would offer the following benefits to the industry:

All cotton will be available to all customers at reasonabe and stable prices;

Reasonable protection will be afforded producer income;

CCC costs in connetcion with acquisition and resale of cotton will be kept to a minimum; and

Producers will be given an increased role in cotton market decisions.

A full discussion of this part of TACPO's proposal would be technical and lengthy. Complete details, however, are availabe to any member of the Committee on request, and we will be happy to work with the Committee and USDA in development of legislative language to implement the proposal.

The Chairman. Did you appear before the House?

Mr. Pate. Yes, sir; we did. It was December 2.

The Chairman. Your testimony was on this line?

Mr. Pate. Yes, that is correct.

The CHAIRMAN. From what I can understand, the House cannot pass a bill unless there is a limitation on the payments of some kind. Did you give serious thought to that, as to how it might be done in order to get a bill?

Mr. PATE. Yes, sir; we have given serious consideration and thought to this matter, Senator Ellender, and we have been told the same thing many times, that it was not possible for a bill to be passed without limitations in the House.

It is our position that limitation of payments, as we stated, is not a fair and equitable thing. We have been asked on numerous occasions which particular proposal we might favor as a scale for limitations. This is somewhat incompatible to our thinking; we feel that those Members of Congress that are going to be submitting limitation of payments proposals are Members of Congress that we have no rapport with, and consequently we have not tried to develop a specific scale of thinking that if this is passed in the House, we would hope that the Senate version of the agricultural bill would not include limitations of payments. And that whenever it is necessary to face this issue headon, we will be prepared to face it.

The CHAIRMAN. That might be too late.

Mr. PATE. It very well could be, sir. It is a matter of strategy judgment.

The CHAIRMAN. Well, it is a matter that the Senate has been able to cope with in the last several years.

Mr. PATE. Yes, sir.

The CHAIRMAN. But we have been told without any ifs and ands, that unless it is authorized in the legislation, the House will not pass the bill.

That is the challenge.

Mr. PATE. I see.

The CHAIRMAN. That is why I believe it is necessary that some thought be given by the cottongrowers as to some equitable limitation payments.

Mr. PATE. Yes, sir.

The CHAIRMAN. So that is the problem, No. 1.

Now, you stated that the loan should be 90 percent of the last 3 years' average?

Mr. PATE. Two years.

The CHAIRMAN. Two years.

Mr. PATE. Yes, sir.

The CHAIRMAN. Two years' average.

Would you make it so the foreign mills buy as cheaply as they can locally? Because as it is now, there has been a suggestion made that the foreign mills pay from 3 to 4 cents a pound more because of the freight differentials.

Mr. PATE. Yes, sir.

The CHAIRMAN. And that has been the cause of us not selling more cotton abroad. What is your feeling about that?

Mr. PATE. Well, Senator Ellender, I feel that there is really no purpose to be served in lowering the cost of the cotton to domestic mills, that there would be no appreciable increase in consumption by lowering cost.

The CHAIRMAN. I am talking about foreign.

Mr. PATE. From a foreign standpoint, certainly in the past we have priced ourselves out of the market on occasions, but at the present time we see curbing of the expansion of foreign production. And in some instances, a decrease. We feel that there is no need for any material lowering of price in the foreign markets to retain or in fact to increase our markets, particularly with some promotional efforts of the nature I was describing on the domestic scene, also to apply in the foreign markets.

The CHAIRMAN. Now, should all of the promotion costs be assumed by the Federal Government?

Mr. PATE. No, sir, I do not feel that they should be. Of course, presently the producer is putting a dollar per bale, or approximately $10 million into this program, and we feel that certainly there is a justifiable reason for the producer to continue to contribute to the program.

The CHAIRMAN. Would you consent to a greater per bale than a dollar in order to obtain the goal you seek?

Mr. PATE. Senator Ellender, I feel there is a great need for this program, and if it is justifiable and in the national interest to let the U.S. Government spend in the neighborhood of $800 or $900 million per year for a cotton program, that one of the best investments that they could make would be to add a few additional million to go into a program to help the cotton industry become more self-reliant.

The CHAIRMAN. Now, that would meet with another objection to this bill, that the present bill costs too much.

Mr. PATE. Yes, sir.

The CHAIRMAN. There is opposition from that standpoint. And it is my belief that any additional costs would be resisted and would probably make it less possible for us to enact an overall farm bill.

Now, we have this so-called bill that has been prepared and submitted by 27 organizations. And if that were approved, the additional cost of the program will be from $500 to $600 million. And when there is opposition to the present $800 or $900 million now expended, I am just wondering how much further can we go without meeting a situation where we may not get a bill at all.

Mr. PATE. I appreciate your statement.

The CHAIRMAN. That is what we are faced with.

Mr. PATE. We realize the seriousness of the economic condition of the producer in this country. We also feel that we realize somewhat the situation here in Washington, and we feel that there will be a reduction in the cost. But we would trust that this market expansion program would be given serious consideration as it has been given serious consideration in the Department's proposals, and they propose that there be a $10 million fund allocated for this type of a program in their proposals.

We would hope that there would be certainly consideration given in any program, at any level of expenditure.

The CHAIRMAN. Well, some are suggesting that out of the present cost to the Government, we deduct part of that in order to do the promotion you are speaking of.

Mr. PATE. Yes, sir.

The CHAIRMAN. What do you think of that?

Mr. PATE. I feel that if you have an index of calculating the cost

of production, and incorporated in that index is, say, a 3 to 5 percent level for market expansion purposes, that this would be well.

The CHAIRMAN. Now, with respect to the parity concept, I think this committee will probably go along with that.

Mr. PATE. Very good, sir.

The CHAIRMAN. We are hopeful of it.

Mr. PATE. Yes, sir.

The CHAIRMAN. Since other commodities will be based on the parity concept, I do not see why cotton should be left out.

Mr. PATE. I certainly agree.

The CHAIRMAN. Now, this 65 percent that we now have, I think there is included the payment made to keeping cotton out of production. Will you be satisfied with the same program in respect to parity concept that you have in the present law?

Mr. PATE. Yes, sir.

The CHAIRMAN. Any questions?

Senator TALMADGE. Mr. Pate, I judge from your testimony that what you and the cotton producers of Texas favor is substantially the present law with a minimum of amendments; is that right?

Mr. PATE. Well, we feel that there should be alterations to the present law. I think that our proposals could work within the framework of the act of 1965, and by the same token, I feel our proposals could act within the framework of the administration's proposals, which were alterations and left discretion to the Secretary of Agriculture.

Senator TALMADGE. I think the chairman has pointed his finger at the most serious problem that faces this committee and the Senate about getting a bill, and that is the limitation of payments.

I wish you would put your best thought to that and advise our staff as to what you think would be a proper solution, if some limitation is required in order to get a bill.

It is necessary, you know, to have legislation by both the Senate and the House, and approval by the President before you can get a bill.

Mr. PATE. Yes, sir. We are giving this matter an in depth study at the present time. We would have no desire to have any credit for authorship of a limitations of payments proposal, but then we also face realities.

Senator TALMADGE. You heard the suggestion of Dr. Sayre of the Cotton Council?

Mr. PATE. Yes, sir.

Senator TALMADGE. Have you given that any thought?

Mr. PATE. Yes, to some degree.

Senator TALMADGE. Do you have any reaction on it?

Mr. PATE. Speaking on which aspect, sir?

Senator TALMADGE. He wanted to issue some sort of certificate on the cotton, apparently to be paid by CCC.

Mr. PATE. Yes, sir, we have felt that there was certainly some merit in the payment going to the Commodity, rather than the producer.

Senator TALMADGE. No further questions, Mr. Chairman.

Senator JORDAN. As you know, there has not been enough money, but there has been quite a little money spent in trying to help the producer to produce cotton cheaply, that is, more pounds per acre and better grade, too.

One of the things that is being agitated right strongly now is the use of pesticides and DDT and all sorts of things, which are now being

used extensively for killing boll weevil and killing the grass and other things.

Should that be outlawed? What would that do to the cotton farmer?

These chemicals have been a great boon to him and the foliage also. You are well aware of that.

Mr. PATE. You are quite right, Senator Jordan, and this could create some very serious problems. We do have a committee within TAPCO that is working on this matter at the present time, and we are trying to make an in-depth study of the matter.

We realize Agriculture's responsibility to society in general, but also we can foresee the real problems, grave problems, that could be created if these things were outlawed.

Senator JORDAN. I am glad you are working on that, because a few years ago when there was a great thrust made in that direction to help the farmer, not only of cotton but for all of the other groups on which these pesticides were used.

Of course, I can understand you cannot poison a lot of people, fish, and other things over this, and I think it is an important thing to study.

What is the average length of cotton in Texas? What is your short and long staple, which I would think has some bearing on cotton for domestic use, in particular?

Mr. PATE. Within the State of Texas we have virtually every condition you have across the belt, as far as producing cotton. We produce cotton from sea level to 4,000 feet, and produce it in areas that have an annual rainfall of 7 to 55 inches. So we have virtually the whole spread, the qualities and conditions, within our State.

Senator JORDAN. This is no reflection on your State, but at one time there was a tremendous amount of cotton raised, what we call dogtail, and there was not much of a market for it anywhere. It was pretty well disposed of, and it was a terrific loss.

Are you still producing that type of cotton? Are you producing a cotton that is good enough to warrant the American manufacturers to buy it and use it?

Mr. PATE. Senator Jordan, I think that the records of the present Commodity Credit Corporation stocks would indicate that there is very little Texas cotton in those stocks. We have the good fortune of the situation being turned completely around. Our size cotton is primarily the type cotton that is now sold, and cotton from other areas is going at a loss.

Senator CURTIS. What is the difference between your cotton and other cottons?

Mr. PATE. We do have virtually all types of cotton, but we do have, of course, a very substantial portion of our cotton grown in areas that produce the shorter staple or lower priced cottons.

And it seems as though there is more emphasis today being put on the price, just the base physical price of cotton, rather than the quality, is our observation. The physical price.

Senator TALMADGE. Would the gentleman yield?

Senator CURTIS. Yes.

Senator TALMADGE. Has there been a payment differential on the length of staple instituted?

Mr. PATE. You mean premiums and discounts within the law? Yes, sir.

Senator TALMADGE. Didn't that do a great deal to stop the growing of this short staple cotton, 15, 16 inches?

Mr. PATE. Well, sir, in my particular area which is the High Plains, we made a great effort to upgrade the quality and the staple length of our cotton. However, the cotton selling most readily today is the shorter staple, lower grade cotton, with the cheaper physical price.

The CHAIRMAN. Thank you.

Senator Curtis?

Senator CURTIS. That is all.

The CHAIRMAN. Formerly the price was based on seven-eighths of an inch and now it is on an inch. Are you telling us, with this 1 inch to start from, that is going up or down, that it has not discouraged production of short cotton?

Mr. PATE. The situation as of 2 or 3 years ago certainly did discourage the production of the shorter staple cotton, but that has been reversed at the present time. And this cotton is the cotton that sells most readily.

The CHAIRMAN. You mean the short staple?

Mr. PATE. Yes.

The CHAIRMAN. Because it is cheaper?

Mr. PATE. Yes, sir; because of the lower physical price.

The CHAIRMAN. And has that encouraged more production?

Mr. PATE. There is a tendency to allude back to the shorter staple; yes, sir.

The CHAIRMAN. There is one question I left out. We had a few witnesses here to testify that they are not satisfied with payment on projected yields. They advocate it on actual yield.

What is your view as to projected yield?

Mr. PATE. Our position, Senator Ellender, is that it would be more desirable to have the payment made on actual yields, if there was an adequate insurance program.

The CHAIRMAN. Adequate insurance——

Mr. PATE. Yes, sir; Federal property insurance program.

The CHAIRMAN. I am on that committee, too, and that is going down in the hole.

Mr. PATE. Yes, sir; at the present time it is going the other way.

The CHAIRMAN. It has.

It has cost the Government millions of dollars, and those are additional costs that are being paid for in order to help the farmers.

Mr. PATE. Yes, sir; and we see no hope this program is going to be expanded, so in that light we take the position that the payment should be placed on a rolling base, perhaps a 3-year average of a man's actual yields, with possibly some disaster provisions incorporated.

The CHAIRMAN. That is what we have in the law now.

Mr. PATE. Not precisely, sir. We feel that this should be pinned more definitely to a man's actual production on his farm.

The CHAIRMAN. Well, the projected yields are based—is it on 2- or 3-year production?

Mr. HENRY J. CASSO (committee economist). What he is saying is the 3-year average, there would be no differential based on projection.

Mr. PATE. That is right. At the present time, in many cases, people are not required to submit actual production to have the projected yield allocated.

The CHAIRMAN. The testimony that was produced here shocked me

a litle bit, in that some large corporations in my State bought land in order to plant trees, and on the land they bought there were quite a few cotton farms here and there. And they leased this out, and there was no serious effort made to produce cotton.

They had to plant it, but there was no effort made to grow it, but yet they got paid on projected yields.

Mr. PATE. Yes, sir.

The CHAIRMAN. Now, to me that is wrong.

Mr. PATE. I agree totally.

The CHAIRMAN. We ought to find some way to prevent that.

Mr. PATE. We feel that our proposal would prevent that. Because your base would be computed on your actual yields for the past year's production.

The CHAIRMAN. And on each farm?

Mr. PATE. Yes, sir.

The CHAIRMAN. Actual yield from each farm?

Mr. PATE. Yes, sir.

The CHAIRMAN. And not average for the whole community.

Mr. PATE. No, sir, individual firm.

The CHAIRMAN. I see.

Senator CURTIS. Is that difficult to ascertain?

Mr. PATE. I think it would be difficult at the present time, because there has not been the requirement in each and every county that actual yields be submitted on each individual farm. There would have to be a phase in period, so to speak. This requirement would have to be made mandatory, starting immediately, and there would have to be some sort of a phase in period.

But we could come to it within a relatively short period of time.

Senator JORDAN. If the gentlemen would yield, that is not a difficult thing to do, Mr. Chairman, because the tobacco production now is based actually on that. You have your poundage-acreage bill which has passed, and each farmer who sells his crop knows exactly how many pounds are on that farm, every one of them. There is no problem at all. It is recorded in the ASC office, and it is a matter of reporting. That is all. It just has not been done, but it would not be a new thing in the Department of Agriculture.

The CHAIRMAN. I think the method ought to be changed so that people will get paid on what they actually produce and not just make believe they are going to plant or not plant, but be paid on the actual yields, instead of these projected yields.

Mr. PATE. We certainly agree.

The CHAIRMAN. All right, any further questions?

Anything else you desire to add?

Mr. PATE. No, sir; I believe not.

Senator CURTIS. Mr. Chairman, I would like to ask you a question to clarify. You know I am new to this committee.

This problem that you have been discussing about drawing a payment with no actual production——

The CHAIRMAN. There is production but it is a make-believe production.

Senator CURTIS. Yes. But that cannot happen to any other commodity other than the cotton program, is that not right?

The CHAIRMAN. I do not know; I doubt it.

Senator CURTIS. I do not know how it could happen.

Mr. PATE. Yes, sir; other commodities have projected yields also.

The CHAIRMAN. As I recall, all are based on projected yields.

Senator CURTIS. But the payments are such that I do not think it becomes effective, but I will not delay on that.

The CHAIRMAN. I did not realize until this week that, based on projected yields, we had quite a few farmers' tenants and they simply made an effort to grow cotton but never pursued it as they should, and yet they got paid on a projected yield, yields they did not produce. So there is room for a lot of rascality there and we want to try and stop it if we can.

All right, thank you.

(Supplemental statements filed by the Plains Cotton Growers are as follows:)

LUBBOCK, TEX., *March 4, 1970.*

HON. ALLEN ELLENDER,
U.S. Senate,
Washington, D.C.

DEAR SENATOR ELLENDER: The position of Plains Cotton Growers, Inc. with regard to a cotton program for 1971 and subsequent years was borne out, generally, in the testimony given to the Senate Committee on Agriculture and Forestry by the Texas Association of Cotton Producer Organizations, of which we are a member.

However, PCG legislative policy is a bit more explicit on some of the points mentioned by TACPO, and also includes a few points omitted by TACPO either in the interest of time or because the organization has not adopted a firm position.

Enclosed for your information is a copy of the PCG newsletter of February 20, outlining the full PCG legislative policy.

We especially invite your attention to Item 1 which deals with the need for retaining marketing quotas; Item 2 on a single allotment system; Item 5 regarding land diversion and the need for producer compensation therefor; Item 6, which sets out a formula for determining farm yields on which payments are to be made, and Item 9 concerning the method for finding farm programs.

Please accept our appreciation for your time in hearing TACPO testimony last week, and please call on us at any time we can be of help in arriving at a workable farm program.

Sincerely,

DONALD A. JOHNSON,
Executive Vice President, Plains Cotton Growers.

COTTON TALKS

FROM PLAINS COTTON GROWERS, INC.

LUBBOCK, *Friday, February 20, 1970.*

Plains Cotton Growers, Inc. last week took a firm stand on each of 10 points referred to by PCG officials as "the real gut issues" in a government cotton program for 1971 and future years.

The PCG Board of Directors, with two elected members from each of 25 High Plains counties, adopted the organization's legislative policy at a 4½ hour session in Lubbock February 16.

PCG President Donnell Echols of Lamesa said of the policy "Essentially we are sticking pretty close to the kind of cotton program contained in present law, but I think we are suggesting some changes which will definitely serve the interests of High Plains cotton producers, both for the immediate and the long range future."

The cotton producer group's policy covers marketing quotas, allotments, loans, payments, acreage diversion, yields, payments limitation, allotment transfers, federal appropriations and research and promotion.

The PCG position on each, together with some of the Board's reasoning, follows.

1. "The marketing quota concept should be retained."

While Secretary of Agriculture Clifford Hardin has recommended doing away with marketing quotas and the attendant penalties for overplanting, PCG believes quotas are necessary to protect the land, research and promotion, equipment and other investments made over the years by present allotment holders.

It was noted that the value of present allotments has been capitalized into the value of land, and the removal of production controls could cause a serious drop in land prices where cotton production is a major enterprise.

2. "There should be a single allotment system, with payments made on total allotments that are sufficient to produce adequate supplies for domestic and export markets plus a carryover of not less than 7 million bales; provided that needed production for export markets should not be deemed less than 6 million bales per year."

The current program offers production incentive payments only on a "domestic" allotment, leaving producers with a choice as to whether they produce above that acreage, at world market prices well below production costs. PCG feels it is necessary to have a single allotment system to assure adequate production for all markets and to assure that producers will be properly compensated for all production.

3. "The loan rate should be placed at 90 percent of the world market price for the preceding two years."

Present law sets the loan level "not in excess of" at 90 percent of the "estimated" world market price, with the estimating done by the Secretary of Agriculture. Discussion by the PCG Board brought out that under present conditions the low loan level is necessary to make cotton competitive with man-made fibers and with foreign growths. But made it clear that the loan plus price support payments should be tied to a minimum percentage of parity to protect producer income.

4. "Price support payments should be made on production from a single allotment at a rate which, when added to the price support loan, will equal no less than 65 percent of parity."

This posiiton is similar to provisions in the current program, but is directly opposed to the Administration's proposal that the parity concept be abandoned. In view of increasing prices for agricultural inputs and other factors, the producer group feels their income must be tied to some tangible minimum rather than left to the discretion of the present or some future Secretary of Agriculture.

5. "When producers are required to divert income-producing land from production, they should be adequately compensated for the cost of maintaining such land, the taxes and interest they have to pay, and for loss of income by reason of such diversion."

Current law stipulates a payment to producers for mandatory diversion of land. And while the PCG Board recognized the necessity for protecting this income, they expressed a preference that compensation be made as a part of payments made on cotton produced rather than directly on diverted acreage.

6. "For the years 1971, 1972 and 1973 producers should be given a choice of basing price support payments on the projected yield established for the farm in 1969 or on the actual farm yield for the crop year preceding the year in which the yield is established; for 1974 and subsequent years, producers should be given a choice of basing payments on the actual yield for the crop year preceding the year in which the yield is established or on the average actual production from the farm in any two of the three crop years preceding the year in which the yield is established."

The present program bases price support payments on "projected yield", a system difficult to administer and one which has not always been equitable. Its popularity among producers, according to Board discussion, stems from the fact it has provided a measure of crop insurance.

The PCG position is designed to retain the insurance feature, offer added incentive for maximum production to supply markets, and at the same time make the system for determining yield-based payments more equitable for all concerned.

7. "There should be no form of limitation on payments that can be made to individual producers under government farm programs."

There are no payment limitations included in the present program, and the long-standing PCG contention is that a payment limit would be discriminatory, foreign to the principles of a capitalistic society, and would destroy the supply-management effectiveness of farm programs.

8. "There should be no restriction on sales or leases of cotton allotments within a state."

Presently, transfers outside a county require a two-thirds vote in the county from which the acreage is to be moved. The PCG Board feels this requirement should be eliminated to permit individual producers to better manage their assets and to permit cotton allotments to move into areas where they will be properly utilized.

9. "Farm programs should be funded in the future as in the past, with payments made from CCC capital funds obtained by borrowing from the Treasury before passage by Congress of its annual appropriations bill."

The Administration has proposed that payments be made from appropriations approved by Congress annually, in advance. This was considered completely unacceptable to Plains producers. Producers at planting time would not know whether, or to what extent, payments would be forthcoming. Forward planning and financing would be rendered almost impossible, and such a procedure would be tantamount to the necessity for passing a farm program every year.

10. "A percentage should be added by USDA, as a legitimate part of cotton production costs, to producer price support payments and this amount should be remitted to the Cotton Board or to a similar producer controlled organization for the purpose of carrying out an improved and expanded cotton marketing effort, including product development research and promotion."

PCG feels the cotton industry can become self-reliant only through an expanded, more comprehensive marketing effort. And since it is standard business procedure to include marketing outlays as a part of production costs, this cost for the cotton industry should be a part of producer payments which purport to make up the difference between market prices and production costs.

Following the policy development meeting of the PCG Board, Echols said: "The staff and officers will be working constantly over the coming months to get these provisions incorporated into a new cotton program. If we are successful to any extent at all I think we will have done a signal service to the PCG membership."

LUBBOCK, TEX., *March 4, 1970.*

Hon. ALLEN ELLENDER,
U.S. Senate,
Washington, D.C.

DEAR SENATOR ELLENDER: In connection with the testimony of the Texas Association of Cotton Producer Organizations given to the Senate Committee on Agriculture and Forestry last week by Mr. Joe B. Pate, Jr. of Lubbock, Mr. Pate was asked if the Texas High Plains was "still producing the short staple, undesirable cottons". And while Mr. Pate did a good job of answering the question orally, I thought you might like to have the answer in writing and in greater detail.

As to the undesirability of short staple cottons, you will note from the enclosed February 20 report on cotton available for sale from CCC stocks that only 38,020 bales of cotton stapling an inch or below remain unsold. And of course this figure includes all such cotton produced and tendered to CCC since the beginning of the loan program. It would seem to prove conclusively that those in the past who labeled such cotton as "undesirable", "unusable", "unspinnable" and a "millstone about the industry's neck" were in serious error. In view of the charges leveled at High Plains cotton over the years the question was certainly understandable. But we want there to be no mistake about the answer.

On the staple of cotton now being grown on the High Plains, through improved varieties and cultural practices our growers have made truly great progress toward longer staples. As recently as 1963 only 2.9% of our cotton stapled an inch or longer. From 1963 through 1968 the percentage stapling an inch or more steadily increased, being 5.8% in 1964, 8.2% in 1965, 13.3% in 1966, 30% in 1967 and 67.7% in 1968.

In 1969, after experiencing a very sluggish market for the longer staples in 1968, some of our producers turned back to the shorter varieties and the total cotton stapling an inch or longer dropped to a little below 47%.

The point, of course, is that we are attempting to grow the cotton in greatest demand. Through 1967 it appeared that the longer stapled cotton was our best bet. Now, wih an actual shortage of the shorter staples and with short staple cottons selling at the greatest premium over loan values, we aren't so sure.

I hope these figures will help to clarify the answer to the committee's question.

Sincerely,

DONALD A. JOHNSON,
Executive Vice President, Plains Cotton Growers.

QUALITY OF ALL COTTON AVAILABLE FOR SALE UNDER ANNOUNCEMENTS NO-31 REVISED CATALOG ISSUED FEB. 20, 1970

Grade	Grade code	7/8 and shorter (28)	29/32 (29)	15/16 (30)	31/32 (31)	1 (32)	1 1/32 (33)	1 1/16 (34)	1 3/32 (35)	1 1/8 (36)	1 5/32 and longer (37)	All staples
White plus:												
Middling	3 0		1	1		6	13	75	76	19	35	226
Strict Low Middling	4 0	2			4	75	782	9,571	16,188	8,632	4,459	39,713
Low Middling	5 0				3	54	2,021	17,129	15,604	3,101	1,873	39,785
Strict Good Ordinary	6 0				5	41	131	419	634	112	66	1,408
Good Ordinary	7 0					2	1	2	9	1	3	18
White:												
Good Middling	1 1						2	13	37	26	61	139
Strict Middling	2 1	1		2	11	78	673	5,609	7,931	1,466	1,244	17,015
Middling	3 1	1	2	173	1,618	1,655	9,547	133,399	211,568	46,157	49,488	453,608
Strict Low Middling	4 1			19	2,447	13,680	45,163	371,762	394,305	167,020	34,705	1,029,101
Low Middling	5 1			28	109	1,077	10,090	95,294	57,036	11,575	5,779	180,988
Strict Good Middling	6 1		1	4	35	440	1,033	1,892	1,529	855	540	6,329
Good Ordinary	7 1	4	1	17	42	75	116	136	131	67	45	634
Light spotted:												
Good Middling	1 2							1	1			2
Strict Middling	2 2	1	7	21	24	56	219	746	571	552	172	2,369
Middling	3 2	2		24	4,744	4,785	12,941	39,250	26,551	8,122	5,222	101,641
Strict Low Middling	4 2		1	45	140	5,064	11,196	58,990	37,301	11,742	7,642	132,121
Low Middling	5 2		8	70	78	805	1,977	4,848	3,261	2,416	1,371	15,194

Spotted:												
Good Middling	1	3							1	18		19
Strict Middling	2	3			3	11	33	106	58	55	27	293
Middling	3	3			3	2	20	72	582	654	569	292	2,194
Strict Low Middling	4	3			20	14	50	156	1,532	673	398	158	3,002
Low Middling	5	3	3	1	7	4	58	176	682	373	140	109	1,553
Tinged:												
Good Middling	1	4							1				1
Strict Middling	2	4							7	1	2	1	11
Middling	3	4					4	3	27	14	18	3	69
Strict Low Middling	4	4		1		1		3	27	22	5	4	63
Low Middling	5	4	2				5	2	7		1		17
Yellow stain:													
Good Middling	1	5								1			1
Middling	3	5				1			1	2			4
Light gray:													
Good Middling	1	6							1				1
Strict Middling	2	6					27	178	527	703	396	149	1,980
Middling	3	6			6	14	107	508	1,834	602	557	160	3,788
Strict Low Middling	4	6	2		2	3	31	226	830	199	73	10	1,376
Gray:													
Strict Middling	2	7					1	1	13	8			23
Middling	3	7			1	3	14	71	36	44	49	6	224
Strict Low Middling	4	7				3	7	12	21	9	6	1	59
Total			18	23	443	9,308	28,228	97,346	745,370	776,458	264,150	113,625	2,034,969
					1.9 percent=38,020				1,996,949=98.1 percent				

The CHAIRMAN. Mr. Francis, you may proceed.

STATEMENT OF J. S. FRANCIS, JR., CHAIRMAN, LEGISLATIVE COMMITTEE, ARIZONA COTTON GROWERS ASSOCIATION, PEORIA, ARIZ.

Mr. FRANCIS. My name is J. S. Francis, Jr. I am a cotton farmer and processor from Peoria, Ariz., and serve as the chairman of the Arizona Cotton Growers Association's legislative committee. Our association represents more than 70 percent of Arizona's upland cotton production.

Mr. Chairman, I should like to congratulate you on your January 27 statement with respect to agriculture. It was most comprehensive and accurate. May I assure you, Mr. Chairman, those of us in agriculture in the West are experiencing many of the problems so accurately described in your statement.

Arizona is the fifth leading cotton-producing State in the Nation. Almost 30 percent of Arizona's 1.2 million cultivated acres are devoted to the production of upland cotton, and this commodity produces more than 20 percent of the total agricultural wealth generated each year in our State. It is the foundation of our row crop economy.

Mr. Chairman, we in Arizona have reviewed various proposals for cotton legislation; and we have also reviewed the possibility of no legislation.

A return to two-price cotton certainly has some appeal for it would afford better protection against payment limitations than any other type of program. However, we in Arizona do not believe we can afford the market losses almost certain to occur in the event of a return to two-price cotton.

I know of no cotton farmer in my area opposed to extension of the act of 1965 as long as such an extension contained no payment limitation. We understand, however, that an extension without a limitation is highly unlikely.

With this in mind, we have studied the Abernethy bill, H.R. 15593, and the "set-aside" proposal presented by the department. It is our feeling that the best interest of agriculture and the Nation would be well served by a combination of both proposals.

How might these two proposals be combined? Mr. Chairman, I would like to offer a few suggestions in response to that question.

Under the domestic allotment and "set-aside" concept, marketing quotas on upland cotton would be repealed. We are for the repeal of marketing quotas but we are fearful that the repealing of the marketing quotas on upland cotton will, in itself, be inadequate as far as providing enough cotton to satisfy our raw cotton requirements. The domestic allotment concept, in our judgment, has as a major fault the potential of causing a cotton shortage. We fear that a lower domestic allotment, lower payment rate and lower loan rate will result—even without a payment limitation—in cotton crops considerably smaller than that harvested this past year.

This committee recalls well the escalation of cotton prices 2 years ago—increases precipitated to a great degree by fears of short supplies. Sound economic judgment tells us that we must be on guard to

prevent a recurrence of these conditions. We in Arizona believe that minimium allotments are needed from the producer's standpoint; from the standpoint of users; and also from the standpoint of the Nation's interest in maintaining adequate production of essential fiber. A minimum allotment providing for a 25-percent cushion above actual domestic consumption would give only minimal protection.

The provisions on sale of cotton allotments are excellent, i.e., the elimination of the 100-acre minimum and referendum requirement for transfer of allotments across county lines; also the elimination of the December 31 deadline. The elimination of the marketing quotas does not eliminate the need for the domestic allotment to move to low cost areas. This major cost-saving factor should be authorized and restrictions should not be made to prohibit a farmer from selling his allotment if limitations are imposed.

Additionally, the leasing of cotton allotments should not be so harshly terminated. Many cotton producers cannot afford the capital expenditure required to buy, but can afford to rent. Would it not be fair, at least, to phase out the leasing of allotments over a 3- to 5-year period.

ON ALLOTMENT RETIREMENT

The suggested total retirement of a cotton allotment in 4 years by, I assume, paying the producer the full payment each year on that portion of his remaining allotment could be a most significant step forward. We are in complete agreement with this type of retirement—provided the allotment is redistributed on a national basis—if needed.

ON PROJECTED YIELDS

The suggested freezing of projected yields if we are allowed to adjust for abnormal crop conditions would, in our judgment, have the effect of lowering the cost of production. It would cause producers to return to practices based on dollars returned rather than pounds of production. It would, in my State, reduce some skip row planting. It would aid in pink bollworm control and, interestingly enough, as it lowered production costs, it would reduce our borrowing requirements, thereby reducing our interest costs.

Requiring farmers to idle acreage equal to his domestic allotment would make little difference in some instances. But, to the vast majority of producers in my State, it would do great economic harm for it would raise our costs. Taxes, assessments, overhead—all fixed and certain costs—would have to be transferred from our set-aside acres to our cultivated acres. The set aside requirement should be limited so that it may never exceed a maximum of 33 percent of a producer's domestic cotton allotment with the additional proviso that would allow usage of set-aside acres if the producer's payment is limited.

Mr. Chairman, we noted that the department's proposal suggests that the present method of funding agricultural programs be changed to require the Secretary to present to Congress annually the request for appropriations. This, to us, contains the possible threat of elimination of workable farm programs. We strongly oppose this provision of the USDA proposal on the grounds that farmers need and want the opportunity to implement long-range plans for utilization of their resources.

We believe the proposed discretionary authority for the Secretary to set the loan at a level between zero and 90 percent of the estimated world price for cotton is too broad. Would not 80 to 90 percent of the past 2-year average world market price be more reasonable?

With respect to the payment rate—and I would say to you that we in Arizona like the parity concept. We are fearful that we may not be able to retain that, and feel that in that event the cost adjustment should be related then to our cost of production. We support that the price support payment should be the difference between the average cost of production and the average selling price or loan level. This payment must not be limited. It will in no way be an income supplement. It must be recognized for what it is, as stated here this morning—a cost of production allowance. In addition, the producer's right to assign these payments must be maintained to prevent an impairment in the availability of credit.

Cotton's ultimate answer—whether it is grown in Arizona or Arkansas—depends on our ability to produce a wanted and needed raw product at a competitive price, on a continuing basis. This can be accomplished by first our supporting a fully implemented and funded cost-cutting research program and by some of the other things I have mentioned here today.

Permit me one final word, Mr. Chairman. For several years we have lived under the uncertain cloud of threatened limitations on payments provided by the cotton program. We had hoped the cloud would move on bringing about a clearer understanding of what our situation really is. Clearly now that cloud is about to bring another storm.

In this regard, I would merely point out that a limitation at the $20,000 level would make ineligible for payment in my State alone about 106,000 acres (assuming a payment rate of 14.73 cents). If you consider our effective allotment of 324,000 acres, more than 200,000 acres would become unqualified for payment.

The reasons of Arizona cotton growers for opposing such a limitation are completely valid from an economic standpoint.

What would we do with those acres? How would we pay the taxes on them? How would we recoup lost income and repay obligations already incurred? These are questions that deserve serious consideration before such a limitation is imposed. That is all we ask: serious consideration of our situation and condition before action is taken that could bring about a serious deterioration in our economic position.

Thank you for this opportunity to present our views.

The CHAIRMAN. Now this suggestion, as I understand it, of paying cost of production and supplement added, how could you explain that as different from income received by farmers? That is the purpose, as I understand it, of the suggestion by you and others.

Mr. FRANCIS. Yes, sir, Mr. Chairman. And Mr. Smith covered this this morning. I should like to comment on this matter of payment limitation, as my personal opinion and not as a representative of the Arizona cotton growers. I feel that this is not the right approach. It is my personal opinion that the graduated scale of payment limitations, such as we now have in the sugar program, is the right approach, and I feel it is a sound approach. If the graduated scale is gradual enough, I think that we can preserve our cotton industry

in this country. I think we can maintain fair land values and have workable farm programs.

The CHAIRMAN. Well, it is easier said, but personally I do not believe it will work in the same manner as does the sugar, for the reason that the sugar is not an export problem, and it would be rather difficult to find a formula to supply to it. I do know that cotton is about the one that would be the most seriously affected.

Mr. FRANCIS. Yes, sir.

The CHAIRMAN. As far as feed grains and what, we were told yesterday that it would affect production of about 2 percent of all that we produce, and it is not a problem, that our problem lies with cotton. And I hope that you folks can look it over again, and if any thoughts come to you as to how best to do it, let us know about it.

Mr. FRANCIS. Yes, sir.

The CHAIRMAN. Because that is the hurdle over which you have to jump in order to get a bill out of the House. I do not think we would have too much trouble in the Senate to get the bill minus the limitation payments. But from all that I have been able to gather, the House will not enact a bill unless there is some kind of limitation of payments.

So you have ample time to study this through, and if you have any additional views on the subject, let us have them.

Mr. FRANCIS. Thank you.

The CHAIRMAN. Any questions?

Senator CURTIS. Are you a cotton producer?

Mr. FRANCIS. Yes, sir.

Senator CURTIS. How many acres?

Mr. FRANCIS. I produced last year 551 acres of export cotton for which I received no payment.

Senator CURTIS. That was all?

Mr. FRANCIS. Yes, sir.

Senator CURTIS. You just produced for export and on that you take your chance?

Mr. FRANCIS. Yes, sir. I am not in that business this year.

Senator CURTIS. Are you going to plant any cotton this year?

Mr. FRANCIS. Yes, sir.

Senator CURTIS. What will you plant?

Mr. FRANCIS. I will plant approximately 430 acres of cotton. I have leased an allotment for this cotton.

Senator CURTIS. How old is Arizona as a cotton-growing industry?

Mr. FRANCIS. The Indians grew cotton in Arizona before Arizona was a State. As far as a commercial industry is concerned, cotton came into Arizona in the early 1920's.

Senator CURTIS. And it is all on irrigated land, is it not?

Mr. FRANCIS. Yes, sir.

Senator CURTIS. About how large are some of your largest producers; how many acres do they produce?

Mr. FRANCIS. We have producers that have about—we have two producers that have about 4,000 acres each, who are the largest to my knowledge.

Senator CURTIS. They are corporate producers or individual ones?

Mr. FRANCIS. They are corporate structures.

Senator CURTIS. You operate your farm as an individual, I take it?

Mr. FRANCIS. Yes, sir; as an individual.

Senator CURTIS. That is all.

The CHAIRMAN. What is your production rate?

Mr. FRANCIS. 1,620 pounds per acre.

The CHAIRMAN. Senator Bellmon?

Senator BELLMON. Mr. Francis, you testified that if the limitation was put on, I believe you said at the 20,000 level, it would mean 160,000 acres present use as cotton would not be planted to cotton.

Mr. FRANCIS. Yes, sir.

Senator BELLMON. What would be the yield?

Mr. FRANCIS. A great deal of it would be fallow and not farmed. Some of it would go to other crops, such as alfalfa, feed grains, wheat, vegetables, and miscellaneous crops.

Senator BELLMON. Well, now, are those crops considerably less profitable than cotton?

Mr. FRANCIS. Yes, sir.

Senator BELLMON. Can you give us a comparison, say, between alfalfa and cotton; how much income on alfalfa as compared to the cotton, net?

Mr. FRANCIS. In trying to respond to your question, I need to preface it with this: In Arizona we have some of the second lowest cost area and the second highest cost area. In our areas with relatively inexpensive water, cotton may produce 40 percent more income than alfalfa. In areas with higher costs, alfalfa would not even be planted because it would not be economically feasible because of high water costs.

Senator BELLMON. How about feed grains?

Mr. FRANCIS. About the same numbers apply to feed grain. I know this because I have run comparisons on whether we should grow alfalfa or feed grains.

Of course, this is dependent upon the price of hay, which has been recently, quite high, and it has had a lot more appeal.

Senator BELLMON. But there is some alfalfa grown in Arizona?

Mr. FRANCIS. Oh, yes.

Senator BELLMON. And it is grown profitably?

Mr. FRANCIS. Yes, sir; but all you need is about 3 percent too much and the price structure can go from $30 a ton to $20 a ton. I have seen this happen in one summer.

Senator BELLMON. On page 4 you mention a way of retirement of a cotton allotment in 4 years. In our State we have a lot of—you say upland cotton production, but ours is dryland. I did not know you were talking about irrigated. Do you have bottomland cotton producers, too?

Mr. FRANCIS. No, sir. There are two basic types of cotton grown in this country; one is extra-long staple and the other is called generally upland, and it does not have anything to do with elevation.

Senator BELLMON. In our State we have quite a large number of areas where cotton has been historically grown but it has come to the point it is really not profitable any longer. You might phase some of this out; is that what you had in mind, sir?

Mr. FRANCIS. Exactly; and the same conditions are true in my State and even California.

Senator BELLMON. What you are proposing here, if I were a cotton farmer and had an allotment, if I agreed to quit growing cotton at the end of 4 years, you would continue to pay me my payment at the end of 4 years?

Mr. FRANCIS. The payments would stop at the end of 4 years. This is about the way it would work, as I understand it.

Senator BELLMON. Yes.

Senator JORDAN. Including whatever you have left.

Mr. FRANCIS. That is correct.

Senator BELLMON. How much per acre would a cotton grower normally get? I guess you could not give us a figure for my State, but for your State.

Mr. FRANCIS. In your State, suppose we had a grower that was making a bale to the acre. Let us assume he had a 10-cent payment so the payment would be $50 an acre.

Senator BELLMON. So you would be really paying $200 per acre?

Mr. FRANCIS. Under the proposal that I am suggesting here, as I understand it, it has the effect of reducing the payment by 20 percent per year.

Senator BELLMON. So if I had 100 acres of cotton, the first year I would get $5,000, the next year $4,000, and the last year $1,000, and then I would be out of business.

Mr. FRANCIS. Yes, sir. This would be less costly than you growing it each year and getting $5,000 each year.

Senator BELLMON. That is all, Mr. Chairman.

Senator JORDAN. May I ask a question. On this projected payment yield, it has been suggested by Mr. Pate, I believe, that you take the 3-year average instead of the projected yield. What would be your idea on that?

Mr. FRANCIS. Senator Jordan, basically, I agree with Mr. Pate on this. I have been led to understand in your State and other States in the southeast, there has been some abuse made of this projected yield because it is projected. We are suggesting rather than go to actual yields of the farm that year, to take the yield of the farm for 3 previous years.

Senator JORDAN. Well, you could have had a disaster that year, and the 3-year average would be a fairer average for that particular farmer. For instance, in certain sections of the Mississippi Valley last year they had serious drought and it brought their production way down, supposedly, the best cotton. I think this kind of situation would have to be taken into consideration.

So the 3-year average, I think, would be fairer to the farmer. I do not know that this abuse has been in my State, but there is evidence that there has been right much abuse in a number of areas where a man would plant, if he had an allotment, and a good part he would not put any fertilizer in at all, and he would plant, and he would skip a row, and he would plow that up. The agricultural agent would come out and look at it. If it is early enough, he would put his soybeans in or something else. But he would still get a payment. If you are paid on the average production for 3-year average, that would stop that, because

he would be cutting his own throat every time he did it. And the farmers in North Carolina are too smart to cut their own throat, I tell you that. They do not let their own blood if they can help it.

The CHAIRMAN. We have to make a change in that respect from just what we heard here.

Senator JORDAN. May I ask another question of Mr. Francis?

Testimony was given here this morning, I believe, that if there is a limitation of payments on the cotton, you could not live under that. But the chairman has pointed out very correctly that it would be difficult to pass a bill through the House with unlimited payments as we have had in the past.

Now, it has been recommended or suggested in testimony here today that instead of doing that, you give a certificate based on the bale. Now, that would not go to any individual or corporation or anything else. Did you hear that testimony?

Mr. FRANCIS. Yes, sir.

Senator JORDAN. What would be your idea on that?

What that means to me, if I understand what he is talking about, is that if I raise five bales of cotton at $10 a bale, I would get $50. If I had 100 bales, I would get $1,000. So it would not be a limitation of payments. Yet, on the other hand, it would be based on how many bales you raised of actually good cotton.

Mr. FRANCIS. Senator, I am a bit skeptical of the concept. I wish I thought it would work the way proponents have described it. I am fearful that someone down on the House side might want to add a proviso to say but no producer can have more than 100 bales.

Senator JORDAN. He is going to say that anyway, if you have very many bales. If you do not have a limitation of payment, he is going to say it anyway, is he not, Mr. Chairman? That is what we are afraid of.

The CHAIRMAN. As I stated on two or three occasions, this payment would be relegated to somebody and who that someone is, the producer. It is just a subterfuge of direct payments. I cannot differentiate that payment plus the supplemental payment and make a profit from the payments—we would be guaranteeing him a profit, but in order to do that he would have to receive some direct payments from the Government. You would not just hand a certificate on that, it represents so much money, who got that money, why the producer did.

Senator JORDAN. It would not have to be sold in any one year. He could carry it over for a drought or something else. It is something to think about. It is another method of arriving at the problem.

The CHAIRMAN. I understand. But I am talking about deducting the payment. This is what this suggestion was made for, as I understand it.

Senator JORDAN. This could be a fairer way of doing it than under the corporate farmers they are worried about. It could be, I believe.

The CHAIRMAN. Well, this program, as I understand it, would pay the farmer his cost of production and give him in addition a supplemental payment as a profit.

Senator JORDAN. I have not arrived at any conclusion as to all of the things.

The CHAIRMAN. I have not either, but I am just saying that the pro-

gram suggested does not deal, in my book, with the problem of direct payments.

Senator JORDAN. I think Mr. Francis is in the area where they have some large farms, more so than any other State in the Union. I would not say in California, would that be correct, sir?

Mr. FRANCIS. Even more than California.

Senator. JORDAN. So it is a problem to this extent, that if you fix it so a man has got a lot of acres. But cannot grow cotton, it would not be profitable. He is going to bow out, and your supply of cotton goes down with it. Five, 10, 15, 25 acre farms cannot supply the quality cotton that should be raised because it is not economical for the small farmer to grow cotton because he has to grow it by hand. He cannot get a big cotton picker for a 10 acre field. Even with a combine it is not economically sound for a real small farmer because he has to go from farm to farm and those machines cost $50,000. Isn't that what they cost?

Mr. FRANCIS. The cotton picking machine? Twenty-five thousand dollars for a two row spindle type picking machine.

Senator JORDAN. That is still a lot of money, but he hasn't time to be running up and down the road with a $25,000 machine. He has got to get all of his money back in about 6 weeks, doesn't he?

Mr. FRANCIS. Yes. sir.

Senator, one thing that has not been pointed out with respect to this matter of payment limitations. As I recall the $20,000 payment limitation figures, even though it would affect only about 5,000 cotton farmers, it would affect about 30 percent of the total U.S. production. And I concur with you completely that a flat $20,000 limitation is going to substantially injure if not destroy the cotton industry, even though it will affect only a few individuals and corporations. Because they represent such a huge part of the production.

Senator JORDAN. I have no questions.

Senator BELLMON. Mr. Chairman, one other question. I know very little about the cotton program, but does the $20,000 limitation reduce the size down to what you consider to be a point of efficiency? Could a man afford a cottonpicker if he was given a $20,000 payment plus what he got out of his cotton? How many acres in Arizona does it take to qualify for a $20,000 payment?

Mr. FRANCIS. I have to do a little calculating, Senator.

It is about 300 acres.

Senator BELLMON. Is that an efficient size unit?

Mr. FRANCIS. We have some 300-acre units that are extremely efficient and we have some that frankly are not.

The CHAIRMAN. What is the reason?

Mr. FRANCIS. A good part of the reason is management.

The CHAIRMAN. All right, that is some problem. Some people should not be farming, then.

Mr. FRANCIS. That is correct.

The CHAIRMAN. It is all the same land.

Mr. FRANCIS. Yes, sir; there are other factors, as I said. We have a tremendous spread in the cost of growing cotton, but, not as much as in Texas. In our State, water is one of our biggest costs. In some areas it costs $20 an acre for water and some areas it costs $60 an acre for water.

Senator CURTIS. How much water do you get? How many acre-feet?
Mr. FRANCIS. Between 3 and 7 acre-feet of water to produce cotton.
Senator CURTIS. And your rainfall there is around about 4 and 5 inches?
Mr. FRANCIS. About seven and a half.
Senator JORDAN. Do you pump most of your water?
Mr. FRANCIS. We pump it all.
Senator CURTIS. From wells?
Mr. FRANCIS. Yes, sir; we drill ourselves, no reclamation projects.
The CHAIRMAN. How deep must you go to get your water?
Mr. FRANCIS. We are lifting water from about 65 feet.
The CHAIRMAN. Has that been going down each year?
Mr. FRANCIS. About 10 feet a year.
The CHAIRMAN. Do you strike any salt water?
Mr. FRANCIS. No, sir; we do not have brackish water.
The CHAIRMAN. All right. Any further questions?
[No response.]
If not, we thank you very much.
Is there anybody else that I did not call?
[No response.]
If not, the committee will stand in recess until 10 o'clock tomorrow.
Thank you.
(Whereupon, at 4:30 p.m., the committee was in recess, to reconvene at 10 a.m., Thursday, February 26, 1970.)

AGRICULTURAL ACT OF 1970

THURSDAY, FEBRUARY 26, 1970

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to recess, at 10:05 a.m., in room 324, Old Senate Office Building, the Honorable Allen J. Ellender (chairman), presiding.

Present: Senators Ellender, Talmadge, Jordan of North Carolina, Aiken, Young of North Dakota, Miller, Curtis, Dole, and Bellmon.

The CHAIRMAN. The committee will please come to order.

Off the record.

(Discussion off the record.)

The CHAIRMAN. We will proceed with the hearings on an agricultural bill. The first witness is A. Starke Taylor, president, American Cotton Shippers Association.

STATEMENT OF A. STARKE TAYLOR, JR., PRESIDENT; JULIEN J. HOHENBERG, FIRST VICE PRESIDENT; AND NEAL P. GILLEN, VICE PRESIDENT AND GENERAL COUNSEL, AMERICAN COTTON SHIPPERS ASSOCIATION

The CHAIRMAN. Mr. Taylor, Mr. Gillen. Mr. Holding is not here——

Mr. TAYLOR. Unfortunately, Mr. Holding will not be here. Mr. Hohenberg is to my right.

The CHAIRMAN. Is that all of you?

Mr. TAYLOR. Just the three of us, yes, sir.

The CHAIRMAN. Now, will you identify yourself for the record.

Mr. TAYLOR. I am A. Starke Taylor, Jr., Dallas, Tex., president, American Cotton Shippers Association.

Mr. GILLEN. Neal P. Gillen, vice president and general counsel.

Mr. HOHENBERG. Julien J. Hohenberg, Memphis, Tenn., first vice president, American Cotton Shippers Association.

The CHAIRMAN. Who is the chief spokesman?

Mr. TAYLOR. I guess I am.

The CHAIRMAN. You may proceed, sir.

Mr. TAYLOR. Mr. Chairman, my name is A. Starke Taylor, Jr. I am president of A. Starke Taylor & Son, of Dallas, and I appear here before you in my capacity as president of the American Cotton Shippers Association. I am accompanied by Mr. Julien J. Hohenberg, of Memphis, Tenn., president of the Southern Cotton Association, and first vice president of the ACSA.

Mr. Chairman, we had Mr. Frank Lowenstein—we thought he was coming but something happened at the last minute and he cannot make it. We are sorry.

The CHAIRMAN. Did he have a statement to present?

Mr. TAYLOR. No, sir, he did not.

The CHAIRMAN. I was going to suggest he file it later.

Mr. TAYLOR. No. He was going to appear here with us but he will not be able to appear.

Mr. Neal P. Gillen, Washington, D.C., on my left, our vice president and general counsel.

The American Cotton Shippers Association was founded in 1924, and is basically comprised of merchants, shippers, and exporters of raw cotton, who are members of six federated associations, located in 14 States throughout the Cotton Belt:

Arkansas, Missouri Cotton Trade Association; Atlantic Cotton Association; Oklahoma State Cotton Exchange; Southern Cotton Association; Texas Cotton Association; Western Cotton Shippers Association.

The 678 member firms of the ACSA handle over 70 percent of the domestic cotton crop and about 80 percent of the export market. On behalf of the American Cotton Shippers Association, I wish to present our views for your consideration of a new cotton program.

The cotton industry finds itself in dire straits. Foreign grown cotton and synthetic fibers have made startling inroads into what was once considered a guaranteed market. Cotton has met this competition with an antiquated approach which is no longer relevant by today's standards.

A major reason for this situation is the dramatic change in the economic organization of farming in the United States. When commodity programs were introduced in the early 1930's, they were designed to support the income of our impoverished farmers. All during the thirties, this was the principal purpose of the farm programs. Since World War II, the economic position of our farmers has been changing. About one-third of the country's farmers now produce 86 percent of the total farm output. These farmers had an average income from farming in 1968 of $19,958.

Senator BELLMON. Is that net?

Mr. TAYLOR. That was gross.

I stand corrected, I am informed that is a net figure.

In addition to off-farm income of $3,343. The other two-thirds of the country's farmers cannot earn an adequate living from farming and apparently do not intend to do so. In 1968, the 2 million farmers with gross sales of less than $10,000, earned more from off-farm sources than from farming. The income of the average farm family in this category was $7,280, of which $5,511 was earned from off-farm sources.

Programs to help these people should be developed where needed, but they should be separated from commodity programs. Needed programs include many facets, such as education, employment opportunities, medical care, changing locations to take advantage of job opportunities elsewhere, income payments from the Federal treasury to prevent poverty, et cetera.

The Food and Agriculture Act of 1965 was enacted with the intent to maintain farm income, to stabilize prices and assure adequate supplies of agricultural commodities, to reduce surpluses, lower Government cost, and to promote foreign trade and afford greater economic opportunity in rural areas.

The supply-management concept of the 1965 act did help to reduce stocks through the mechanism of diversion payments; however, severe bad weather, in the first two seasons, accelerated the disposal of surplus stocks at a rate faster than originally planned. The sudden shrinkage in supplies and panic buying in 1967 artificially increased prices to a high level, but exacted a terrible toll in lost markets both here and abroad which have never been regained. This loss of confidence in cotton's ability to provide an adequate supply of qualities contributed to the gains made by manmade fibers and foreign growths.

The 1965 act was conceived under circumstances completely converse to today's. In 1965 we had a carryover of 14 million bales and disappearance of 12.3 million bales. In 1969 we had an estimated carryover of 6.3 million bales and estimated disappearance of 10¾ million bales (lowest since 1938) and an estimated production for this growing season of about 10 million bales. I would like to add here that these are the Department of Agriculture figures. I think most people in the trade would agree that they do not think there will be a 10¾ million bales disappearance this year, especially because of the export situation.

The anticipated carryover for August 1, 1970, will be about 5.9 million bales, the lowest level in 17 years.

Today farm payments are attacked by a Congress determined to change priorities in domestic legislation. Cotton must be planted—farmers must have adequate income—markets must be expanded. We cannot expect to solve the problems of our industry today with yesterday's solutions—a dramatic plan is called for which will give us adequate supplies of cotton, provide the farmer with adequate income, expand our domestic and foreign markets, and scaled to a cost level acceptable to Congress.

The American Cotton Shippers Association has developed a cotton program which was unanimously adopted by the members of our National Affairs Committee and the Board of Directors. We feel our approach will achieve the goals I mentioned above. However, we are not without the realization that our ideas may not be acceptable to all concerned. We ask the committee and the industry to consider this program. The basic objectives of our recommendations are:

The CHAIRMAN. Before you proceed with that, can you tell the Committee how you stood on the act of 1965?

Mr. TAYLOR. Yes, sir. We were in favor of the act of 1965.

The CHAIRMAN. You thought it would work?

Mr. TAYLOR. Yes, sir, we did.

The CHAIRMAN. So did I.

Mr. GILLEN. Senator, in may aspects it did accomplish the goals it was set out to achieve but through the first two seasons severe bad weather which naturally was not anticipated and the mandatory and voluntary diversion programs authorized by the Department compounded the weather situation and it knocked prices out of kilter. In

addition, synthetic fibers made substantial inroads along with foreign growths of cotton.

The CHAIRMAN. Do you not think synthetics would have done it anyhow, at any rate? Let us be frank about it.

Mr. GILLEN. Senator, not as——

The CHAIRMAN. Quickly.

Mr. GILLEN. Not as quickly. However; if it was not for the 1965 act, many people think that synthetics would have made even quicker inroads because we did have some price stability.

The CHAIRMAN. Proceed.

Mr. TAYLOR. The basic objectives of our recommendations are: 1. A sound cotton program must continue a one-price program with prices at a level which will stimulate large demand for U.S. cotton and which will effectively compete with substitute fibers and foreign growths on a nonresidual basis. Unless this is done, cotton will continue to lose its export markets and domestic textile mills will continue to switch to man-made fibers.

2. The above-market loan approach has proven unworkable and has kept U.S.A. cotton from being competitive. If we continue to follow this approach, cotton's share of the total textile market will continue its rapid decline. The price support loan rate of cotton, if there is to be a loan, should be at a stop-loss level substantially below the world market price and also below cost of producetion. The difference between the free market price of cotton and a target price as determined by the Congress, should be paid directly to the producer.

3. Textile mills should be assured of a continuous and well-balanced supply of desirable grades and staple lengths of cotton at world market prices. There have been instances where shortages of supply and of desirable qualities have forced textile mills to turn to competing fibers. It is a well-known fact that once a market is lost, it is extremely difficult to regain.

4. The futures market must be maintained in order that farmers, merchants and mills will have a tried and proven method for hedging their cotton. An active futures market gives substantial confidence to buyers both of cotton and cloth, because they are able to safeguard themselves in the market against major price swings.

5. The cost of the program to the taxpayers of the country must be reduced to reasonable levels.

6. Renewed emphasis to greatly expand research on ways to lower production and service cost should be made. Funds allotted for this purpose should be at least 5 percent of the overall program costs.

We think these broad principles can be implemented by making the following changes to title IV of the Food and Agriculture Act of 1965.

1. Eliminate all special small farm payment provisions and provide a transitional program to assist small cotton farmers (allotments of 15 acres or less) in making the necessary adjustments to nonagricultural pursuits and to provide opportunity for gainful employment.

2. Make this farm program permanent. No purpose is served by passing the farm legislation for a specific time period, since Congress always has the power to amend or cancel a program.

3. Eliminate Government loans on cotton. If this is unacceptable,

provide for loans on cotton from the 1971 and succeeding crops at not more than 90 percent of the world price as follows:

The price support loan rate for Middling $1\frac{1}{16}$th inch if there is to be a loan, should be not more than 90 percent of the price for Strict Middling $1\frac{1}{16}$th inch in major importing markets, for major growths sold in those markets for the preceding 3 years, or not more than 75 percent of direct cost of production, whichever is lower.

World market prices should be adjusted to reflect the costs of moving cotton from U.S. farms to importing markets.

Provide for equality of treatment by establishing one uniform loan for all cotton producers. All notes and warehouses receipts should be held by the ASCS office in the county where cotton is produced.

Standardize commodity programs and ease administrative burden of the CCC by adopting a terminal loan for cotton based on net weights.

4. Eliminate the provision requiring support of all production at 65 percent of parity.

5. Eliminate marketing quota penalties.

6. The minimum acreage allotment shall be 16 million acres. The Secretary shall have the authority to require diversion of up to 40 percent of the total allotment, the remainder shall be called the effective allotment. Loans shall be available on the effective allotment.

7. The allotment system must be sufficiently flexible to permit those who wish to grow cotton to do so and encourage the efficient producer.

8. Make cost adjustment payment directly to the producer on that portion of his actual production, in pounds, within his allotment calculated on his share of the previous year's domestic consumption, such payment not to exceed x cents per pound. This payment to be calculated as follows: We have not put figure in but we have just said x cents per pound, this payment to be calculated as follows:

$$\frac{\text{Previous year's domestic consumption}}{\text{Current year's actual production}} \times \text{Actual production in pounds from the effective allotment}$$

A. Example $\frac{8{,}000{,}000}{12{,}000{,}000}$ or $\frac{2}{3} \times 100$ bales effective allotment

B. $\frac{8}{12}$ or $\frac{2}{3} \times 60$ bales on 60 acres (assume yield 1 bale per acre) of effective allotment
(If the Secretary orders full 40-percent diversion)

9. Initiate a vastly improved crop insurance program to protect producers against crop disaster.

The position of the Department of Agriculture has recently been presented to the members of this committee. We have had an opportunity to review it, and our review does indicate that the set-aside approach views the solutions to the industry's problems in much the same manner as we have proposed today.

We share the concern of the producer witnesses who have testified before us, that the set-aside proposal will not produce sufficient cotton to meet normal offtake and emergency requirements. There is, however, language which would authorize the Secretary to permit cotton producers to plant cotton on their set-aside acreage if supply condi-

tions warrant increased plantings. With this in mind we would recommend the following changes in the administration's proposal:

1. That the loan be not over 90 percent of the actual world market price for the preceding 3 years, as opposed to an estimated world price.

2. That the production payment not be restricted to the domestic allotment, but be based on the effectvie allotment (total allotment less diversion or set-aside) in order to insure planting.

3. Payments be based on actual yield of the effective allotment.

The basic outline of the set-aside concept developed by the USDA is similar to the type of program we have outlined above. We can support a program with a realistic loan level set at a price which will enable us to recapture our lost markets at home and abroad, and a program guaranteed to produce enough cotton to supply these market needs.

Mr. Chairman, we thank you sincerely for the opportunity that you have provided to us for this presentation of our views, and we stand ready to be of further assistance to the committee in the consideration of this important legislation.

The CHAIRMAN. Well, first, you want to eliminate the parity concept.

Mr. TAYLOR. Yes, sir. We recommend that this be done.

The CHAIRMAN. Why?

Mr. TAYLOR. Well, I think most of the farm groups have testified for a loan not less than 90 percent of the actual world price if we are to remain competitive. If we do this, or want to do this and also wish to guarantee 65 percent of parity, the total cost of the program will go up to well over a billion dollars in our estimation, and no telling how high it might eventually go if we have more inflation. Pushing parity even higher.

We can see how the payment rate could eventually exceed 20 cents per pound, which might even be in some instances, more than the actual value of the bale. We feel that this would also compound the limitation problem which we have been told is the biggest problem we have in writing a new farm bill.

The CHAIRMAN. What do you mean by limitation problem?

Mr. TAYLOR. Payment limitations. If the payments are increased, then, of course, you are going to have more producers affected, naturally.

We have also been told by people here in Washington that it would be almost impossible to pass a farm bill with the costs that we are projecting with increased parity, and of course, increased payments to the producers.

The CHAIRMAN. Well, now, what will the cost of your program be? Have you made any estimates?

Mr. TAYLOR. Yes, sir, we have.

The CHAIRMAN. I mean, to the Government.

Mr. TAYLOR. The type of program that we have recommended here we think, is unique in that you can project ahead of time exactly what it is going to cost. We think a lot of the programs that we have heard mentioned—you really cannot figure this out until after it was over. We can project ours ahead of time by simple multiplication.

The CHAIRMAN. Well, suppose conditions would happen as did in the 2 years you mentioned which made this present program not work right—bad weather. Could you foretell?

Mr. TAYLOR. No, sir; we cannot foretell the weather but we can foretell the cost of the program because we think we——

The CHAIRMAN. Well, what would be——

Mr. TAYLOR. We would say let us use $50 a bale because that is an easy figure. We are not advocating that $50 be used but using a figure of $50 a bale you could have a total cost of roughly $400 million.

Mr. GILLEN. Senator, this is how the program cost would breakdown. If you take this payment we talk about and put it on the basis of, let us say just for discussion, 10 cents a pound, which is $50 a bale, based upon present consumption this would come to about $422 million per year.

Now, if you increase the payment, for discussion's sake, to 15 cents a pound you would increase the cost of the program 50 percent or $211 million, which would bring the cost of the program to $633 million. What this actually does is reduce the overall or aggregate cost of the program and puts an overall limit on expenditures. It still does not get around the problem, however of Farmer X getting a payment which is out of proportion which is a political problem we are faced with today.

The CHAIRMAN. Well, you do not propose any solution for that, do you, under your program?

Mr. TAYLOR. You are talking about payment limitations. Well, I would like to add something to what Mr. Gillen has already said. Our association as such, has always opposed limitations because we think it handicaps the efficient producer and the program which we have recommended, and as Mr. Gillen has said, we feel has a total limitation, not for an individual but a total limitation which we, of course, think is more important really than limitations on individuals.

We feel also that our program would encourage the large efficient producer to produce without Government aid, which in our way of thinking, lessens the limitation problem.

Now, we agree that there still would be the political problem of the individual limitations even on our program. But we think this problem should be faced and we would suggest that the committee, and producer groups look very hard and long at the Department of Agriculture's sliding scale suggestions, and also look at the way the sugar crops are handled. This would be our suggestion.

The CHAIRMAN. Well, I presume you want to do away with acreage control also?

Mr. TAYLOR. Yes, sir.

The CHAIRMAN. Entirely. And just let the big farmers take over.

Mr. TAYLOR. I would not say takeover. We would hate to penalize him and not let him produce. I mean, you either ought to do one or the other.

The CHAIRMAN. Well, at the present time you said that one-third of the farmers producing 86 percent and that would worsen that, would it not?

Mr. GILLEN. Senator, we do not——

The CHAIRMAN. Let him answer.

Mr. TAYLOR. No, sir. We do not think it would worsen it at all because in the first place, we are not sure that all of them would plant outside the program. I mean, I think some of them definitely would but certainly not 86 percent of the acreage would be planted on the outside.

The CHAIRMAN. Well, how would the acreage be apportioned under your scheme?

Mr. TAYLOR. Well, as we have said here, you have a domestic allotment scheme based on the previous year's domestic consumption.

The CHAIRMAN. Well, suppose you get a figure——

Mr. TAYLOR. We used 8 million consumption because it was an easy figure.

The CHAIRMAN. Eight million. All right. Well, that is what it is.

Mr. TAYLOR. Yes, sir; pretty close. Eight and a quarter or somewhere in there.

The CHAIRMAN. Well, now, suppose you would conclude that this could be grown on 8 million acres. How would you apportion that 8 million acres?

Mr. TAYLOR. Well—do you want to answer that, Neal? You have those figures. We feel that, of course, you would want to do more than 8 million acres. You have got to have something for export. We hope that they would plant.

The CHAIRMAN. We are talking about domestic consumption. That is what you said.

Mr. TAYLOR. Yes sir; I am talking about domestic consumption.

Mr. GILLEN. I was going to say, Senator, in this regard we do not advocate doing away with the allotment system.

The CHAIRMAN. Well, that is acreage controls.

Mr. TAYLOR. No, sir.

The CHAIRMAN. You are not in agreement with that.

Mr. TAYLOR. We are in agreement.

The CHAIRMAN. Acreage controls.

Mr. GILLEN. If you have payment limitations you cannot have acreage controls. It can be argued that this is an unconstitutional expropriation of someone's land. You are forbidding a man to plant—you are penalizing a man because he has more land than another and also you are protecting the inefficient farmer and this is one of the problems we have today. If you are going to have payment limitations, which is a political problem we are faced with in the House, you cannot penalize the big farmer, and you must give him the opportunity to see if he can make it. Some people think it is a myth that farmers cannot plant without some sort of Government program. It might be. But if they want to go broke, give them the opportunity to do so. That is the American system.

The CHAIRMAN. Well, I do not relegate my questions to you or to—whoever is able to answer it, do so.

Mr. TAYLOR. All right, sir.

The CHAIRMAN. Now, you said that it would eliminate acreage allotment.

Mr. TAYLOR. No, sir; I did not say that. You misunderstood me. I do not think I said that.

The CHAIRMAN. Well, how about acreage controls? Put it acreage controls?

Mr. TAYLOR. I said I thought that we should have acreage allotments based on the domestic consumption, but I did agree that we should let people plant outside the program as Mr. Gillen outlined who would wish to do so at their own risk.

The CHAIRMAN. How would those acres be allocated?

Mr. TAYLOR. On the present system as they are now. I mean, except that they be based on our formula, on consumption, and whatever the Secretary decided he wanted the effective allotment to be.

The CHAIRMAN. Well, would you do it on a historic basis?

Mr. TAYLOR. Yes, sir. We sure would. I would not change anything in that regard.

Mr. HOHENBERG. Mr. Chairman, a word to clarify this. This is covered in point 6 of our program on page 4. "The minimum acreage allotment shall be 16 million acres" as at present. "The Secretary shall have the authority to require diversion up to 40 percent of this allotment."

The CHAIRMAN. Now, how would that work? What would become of the 40 percent acres that are not planted?

Mr. HOHENBERG. If the Secretary required diversion?

Mr. TAYLOR. Yes.

The CHAIRMAN. I am saying you said he could divert as many as 40 percent of the 16 million acres.

Mr. HOHENBERG. Yes, sir.

The CHAIRMAN. How would that land be diverted? What about the payments? How would the payments be made?

Mr. HOHENBERG. The payments would be made——

Mr. GILLEN. There would be no diversion payments.

Mr. HOHENBERG. It would be on the effective allotment, that which is left. In other words, 60 percent of 16 million.

The CHAIRMAN. But what would become of the acres, 40 percent acres, 40 percent of 16 million would be about——

Mr. TAYLOR. 6.4 million.

The CHAIRMAN. Now, what would you do with those acres?

Mr. HOHENBERG. Well, under the act of 1965, those acres are restricted to what they can be used for under diversion. Under the Department set-aside proposal they are restricted to what they can be used for. However, if the Secretary——

The CHAIRMAN. Would you want to change the present law on that score?

Mr. HOHENBERG. No, sir.

The CHAIRMAN. Leave it as it is?

Mr. HOHENBERG. Yes, sir, except the Department has suggested that in case of shortages, cotton could be planted on those set-aside acres and we support that viewpoint.

The CHAIRMAN. Now, how would you allocate the 60 percent acres that you want to plant the cotton on?

Mr. TAYLOR. We did not advocate 60 percent, Mr. Chairman. We said that——

The CHAIRMAN. I understand you did not but I am assuming——

Mr. TAYLOR. Assuming that he would divert the 40 percent?

The CHAIRMAN. That is right.

Mr. TAYLOR. We would as I say, base it on consumption against production, which would give you this formula we are talking about the way we have—simply figured, worked out about two-thirds. Everyone would get their pro rata share. All producers would get their pro rata part based on their domestic allotment.

Mr. HOHENBERG. Mr. Chairman, you are really asking, is it going to be on the historic basis?

The CHAIRMAN. I am just asking you how will it be allocated, that is all.

Mr. HOHENBERG. On the historic basis.

The CHAIRMAN. Now, how would that be determined as to whether or not you want to get 60–40 or 70–30?

Mr. HOHENBERG. I think this would have to be up to the Secretary to determine but based on supply-demand conditions.

The CHAIRMAN. And the farmers would have nothing to do with it. There would not be any vote?

Mr. TAYLOR. We think diversion should be up to the Secretary.

The CHAIRMAN. In other words, you would leave it in the hands of the Department of Agriculture to fix the number of acres required——

Mr. TAYLOR. Yes, sir.

The CHAIRMAN. To produce cotton that may be disposed both domestically and——

Mr. TAYLOR. Yes, sir.

The CHAIRMAN. And then the allocation of those acres would be based on whatever the farmers planted in the past.

Mr. HOHENBERG. Yes, sir.

The CHAIRMAN. How many years would you——

Mr. HOHENBERG. As in the act of 1965.

The CHAIRMAN. No change.

Mr. HOHENBERG. We did not attempt to change that.

The CHAIRMAN. Now, did I understand you to say that you would more or less do away with the loan feature or would not it amount to that?

Mr. TAYLOR. No, sir, it would not. We, of course, had a position and are still thinking—we still think we have a much better type program without a loan, but we know politically this may not be acceptable and we have said if it is not acceptable, we go along with most of the producers groups and I guess what would be the second best thing would be 90 percent of the actual world market price as determined by facts over the past 2 or 3 years.

The CHAIRMAN. And that loan would be——

Mr. TAYLOR. Three years.

The CHAIRMAN. Would be available through the Commodity Credit?

Mr. TAYLOR. Yes, sir. The figures are available to them.

The CHAIRMAN. What would you do with excess production? Suppose the Secertary would make a mistake in his estimates.

Mr. TAYLOR. Well, this is why we have the diversion feature of up to 40 percent. If they do make a mistake, then the Secretary takes that into consideration when making his proposals for the coming year. Nobody can tell what the weather is going to be.

The CHAIRMAN. Who would hold the bag in the meantime? That is——

Mr. TAYLOR. I do not think you would hold any bag.

The CHAIRMAN. You would have to have—if you cannot use the cotton, somebody will have to hold it.

Mr. HOHENBERG. You mean at 90 percent of world price?
Mr. TAYLOR. He is just talking about oversupply.
The CHAIRMAN. Would the CCC hold it?
Mr. HOHENBERG. Yes, sir.
The CHAIRMAN. At what price could the CCC sell it?
Mr. TAYLOR. Of course, that would be——
Mr. GILLEN. We would go along with the present law, which is not more than 110 percent of the loan price.
The CHAIRMAN. Well, you are not far removed from the present law except that you do away with the parity concept.
Mr. GILLEN. That is correct, sir.
The CHAIRMAN. And you would get away as much as you can from the loan program.
Mr. GILLEN. If we do continue with the loan program we think that in order to regain back our export markets and much of our domestic markets from synthetic competition, both here and synthetic competition from abroad, then the loan price must be reduced to a realistic level so we can compete.
The CHAIRMAN. Well, how do you expect to increase your world sales under the one-price system when that is the case now? We are operating on the one-price system and it was said in 1965, you may have said it yourself for all I know.
Mr. TAYLOR. I was not here but if I had been here I probably would have.
The CHAIRMAN. Of course, you would. The sales would have gone up. It did not. And then the domestic mills—it was said that they would increase their consumption from 9.4, which was about the amount then, to about a million bales more which would make it over 10 million bales, but it has not happened that way. It is now lower than it was by over a million bales in 1966.
Mr. TAYLOR. Well, we think, Mr. Chairman, that primarily two things have caused this.
The CHAIRMAN. Well, let us forget about those two things. That is weather. That is——
Mr. TAYLOR. This is part——
The CHAIRMAN. But that same condition can exist under the proposal you make. You are assuming that everything will be hunky dory.
Mr. TAYLOR. No, sir. I do not think we are assuming that at all. I would like to say that the two things that I think are important and for the record I think they are important, one, from 1965, synthetics have dropped from, a price of something over 80 cents to, give or take a little, to 40 cents a pound and just as important, maybe more important, is the fact that the 1965 act in our opinion, has not been administed correctly.
The CHAIRMAN. What is the trouble?
Mr. TAYLOR. The act says——
The CHAIRMAN. We might find the solution if you can tell us what the trouble is.
Mr. TAYLOR. The language as we interpret it, says that the price for American cotton should be 90 percent of the estimated world price. I think that we can get facts and figures together to show you

that this has not been the case, that we have not had a Government loan price of 90 percent of the world price. We have kept it much higher.

The CHAIRMAN. But, now, under your plan it would be 90 percent of what?

Mr. TAYLOR. Actual. We take the facts. There would be no estimation to it.

The CHAIRMAN. Well, would not the foreign producers then sell or have cotton available just under the 90 percent as it has in the past?

Mr. TAYLOR. If you take the world price—we do not think they could produce it themselves under the world price.

The CHAIRMAN. That is what we thought also when we fixed——

Mr. TAYLOR. Yes, but it was not administered right.

The CHAIRMAN. That is all right. You can point at me.

Mr. TAYLOR. No, sir; I did not point at you. I think the facts and figures will show the Department did not set the price at 90 percent of the world price, the loan price.

The CHAIRMAN. I want to get facts from the Department.

Mr. TAYLOR. If you need any help we would like to volunteer our services. If you want to check their figures we can get you some ourselves.

The CHAIRMAN. What I would like you to do is put the facts as you know them in connection with the testimony.

Mr. TAYLOR. We would be very happy to.

The CHAIRMAN. We might find a clue as to why this thing will not work.

Mr. TAYLOR. It would have worked we think, if it had been administered as what we think the intent of Congress was.

(The information is as follows:)

AMERICAN COTTON SHIPPERS ASSOCIATION,
Washington, D.C., March 8, 1970.

Senator ALLEN J. ELLENDER,
Chairman, Committee on Agriculture and Forestry,
U.S. Senate, Washington, D.C.

DEAR SENATOR ELLENDER: Pursuant to your request of February 26, 1970, attached for the record is an analysis prepared by the American Cotton Shippers Association which outlines in detail the fact, that under the Food and Agriculture Act of 1965, the United States Department of Agriculture did not set the loan rate for cotton at 90% of the estimated average world market price.

The markets analyzed are those markets where U.S. cotton suffered its most severe losses, Liverpool and Bremen. Also, it is generally recognized that the most accurate statistics available are from the aforementioned markets.

Sincerely,

NEAL P. GILLEN,
Vice President and General Counsel.

WORLD MARKET PRICE FOR RAW COTTON

1) The Food and Agriculture Act of 1965 set the average Loan for the 1966 crop at 21.00¢ per pound. Title IV, Section 402(d)(2) of the Act (*Attachment #1*) directs that the Loan for succeeding crops be set at not more than 90% of the estimated average world market price.

2) In November 1966, the USDA set the average Loan rate for Middling 1" at 20.25¢ per pound for the 1967 crop. Thereafter, the USDA set the Loan at the same 20.25¢ per pound for the following three crops—1968, 1969, and 1970. Each of these Loan announcements was made in October or November of the year preceding the crop year in question.

Since the USDA left the Loan at the same 20.25¢ per pound level for four

consecutive years, one might conclude that world prices had remained constant for the past three years and likely will remain at this same constant level next season, allowing the U.S. to retain an adequate share of the world market for cotton. However, world price and import statistics tell quite a different story. (See *Attachment #2.*)

3) *Attachment #3* contains price data for Bremen and Liverpool collected by the USDA for the past several years. *Attachments #4 and #5* show what has happened to U.S. imports in Bremen and Liverpool, as contrasted with the record of competing foreign growths. Our performance in these two important Free Dollar markets is typical of what has happened to U.S. imports in Free Dollar markets all over the world.

4) *Attachment #6* is the Liverpool CIF Index for Strict Middling 1-1/16", as charted by the Liverpool Cotton Review, a distinguished cotton market letter read by cotton people all over the world. We have added monthly average prices for U.S. Strict Middling 1-1/16" to the chart so you may see the comparison for the years 1966–1969.

The Liverpool CIF Index may well be the closest thing we have to a true "world market price" for Strict Middling 1-1/16", Europe's "bread and butter" description. Please see *Attachment #6* for explanation of the CIF Index ingredients.

5) *Attachment #7* is an example calculation, converting CIF Europe prices back to an FOB warehouse, Memphis, Tennessee basis. This calculation is based on the cost-to-land formula used by the USDA/CCC for price analysis purposes. These calculations make it clear our Loan rates are *well above* world prices.

6) Without question the obligation to support cotton at a minimum of 65% parity, as directed by the 1965 Act, made it impossible for the USDA to recognize world prices and put the Loan below 20.25¢. We must presume budgetary considerations simply would not permit it. As it is, the 1969 crop payment was 14.73¢ and the 1970 crop payment will be 16.80¢. If the 1970 Loan had been set at 19.25¢, it would have cost the Treasury about $80 million more in payments in order to comply with the 65% parity support proviso. An 18.25¢ Loan would have added another $80 million to the Treasury's burden.

7) If we are to have a healthy export business—and we cannot have a viable cotton industry without it—we must frankly recognize the fundamental fact that cotton is a world cash crop. The only way the American farmer can regain the foreign markets he must have is with a determined willingness to meet price with price, over a sustained period of time, and his government must formulate a forward-looking program to help him make that effort. Holding prices above the world level as we have been doing is SURE DISASTER.

8) We should try to avoid the mistakes of the past by setting the Loan price at not more than 90% of the *actual* world price, using a formula which *accurately* reflects the cost of moving cotton from U.S. farms to the markets of the world. Our testimony contains the following recommendation: The price support loan rate for Middling 1-1/16", if there is to be a loan, should not more than 90% of the price for Strict Middling 1-1/16" in major importing markets, for major growths sold in those markets for the preceding three years, or not more than 75% of the national average direct cost of producing U.S. cotton in the preceding three years, whichever is lower.

9) One final thought: If our American textile mills were able to buy American cotton at the equivalent of the true world price, the impact of foreign textile imports would be lessened appreciably.

(The attachments are as follows:)

ATTACHMENT 1

Section 402(d)(2) of the Food and AgricultureAct of 1965:

"(2) Price support for each such crop of upland cotton shall be made available to cooperators through loans at such level, not exceeding a level which will reflect for Middling one-inch upland cotton at average location in the United States 90 per centum of the estimated average world market price for Middling one-inch upland cotton for the marketing year for such crop, as the Secretary determines will provide orderly marketing of cotton during the harvest season and will retain an adequate share of the world market for cotton produced in the United States taking into consideration the factors specified in section 401(b) of this Act: *Provided*, That the national average loan rate for the 1966 crop shall reflect 21 cents per pound for Middling one-inch upland cotton."

Attachment 2

U.S. SHARE OF WORLD MARKET (1,000 BALES)

Season [1]	World exports	U.S. exports	U.S. share (percent)
1960–61	16,828	6,632	39
1961–62	15,452	4,913	32
1962–63	15,855	3,351	21
1963–64	17,944	5,662	32
1964–65	16,829	4,060	24
1965–66	16,862	2,942	17
1966–67	17,889	4,669	26
1967–68	17,207	4,206	24
1968–69	16,808	2,731	16
1969–70 [2]	17,200	2,500	15

[1] Source 1960–61 to 1968–69 figures: ICAC January 1970 Statistical Bulletin.
[2] 1969–70 figures—USDA estimate.

SPECIAL PROGRAMS OF THE U.S. GOVERNMENT FOR FINANCING COTTON EXPORTS

Each year the special programs of the U.S. Government for financing cotton exports cover a significant part of our exports. These programs include *PL–480, EX–IM Bank Loans, and Dollar Credits (CCC GSM–4)*.

Season	Total exports	Special financing	Percent of special financing
1965–66	2,942	1,200	41
1966–67	4,669	2,000	43
1967–68	4,206	1,600	38
1968–69	2,731	1,100	40
1969–70 [1]	2,500	1,800	72

[1] Estimated.

Source: USDA Cotton Situation (January 1970).

ATTACHMENT 3

COTTON: AVERAGE PRICES [1] OF SELECTED GROWTHS AND QUALITIES, COST, INSURANCE, AND FREIGHT, LIVERPOOL, ENGLAND, BY MONTHS AND YEARS, 1963 TO DATE

[Equivalent U.S. cents per pound]

Year and month	Middling 1 inch		Strict Middling 1 1/16 inch [2]							Strict Middling 1 1/8 inch	
	United States	Pakistan 289 F	United States	Mexico	Nicaragua	Syria	U.S.S.R. Pervyi 31/32" mm	Iran	Turkey (Izmir)	United States	Uganda B.P. 52
1963											
January	28.17	28.93	30.72	29.85	29.65	30.34	(3)	30.64	30.57	32.47	34.52
February	28.30	28.03	31.30	29.70	29.39	30.91	(3)	30.90	30.80	33.06	34.66
March	28.59	28.87	31.51	29.06	29.22	30.46	(3)	30.36	30.58	33.26	34.88
April	27.92	28.82	30.34	29.06	29.25	29.73	(3)	29.46	29.79	33.26	34.80
May	27.16	29.52	28.98	28.98	28.64	29.06	(3)	28.93	28.87	30.64	35.07
June	27.16	28.59	28.96	28.92	28.60	29.10	(3)	29.14	29.10	30.49	34.39
July	27.10	28.22	28.91	28.91	28.39	28.82	(3)	28.97	28.88	30.48	34.47
August	26.78	28.56	28.75	29.16	28.26	28.65	(2)	28.68	28.86	30.33	34.53
September	26.58	28.24	28.69	29.48	28.02	28.58	(3)	28.56	28.61	30.31	34.00
October	26.53	28.20	28.68	29.26	27.93	28.44	(3)	28.61	28.60	30.31	33.92
November	26.58	28.49	28.74	29.19	28.20	29.20	(3)	29.32	29.39	30.57	37.73
December	26.66	29.29	28.90	29.36	28.48	30.08	(3)	29.89	30.30	31.16	38.34
Average	27.29	28.66	29.54	29.27	28.67	29.42	(3)	29.46	29.51	31.36	35.11
1964:											
January	26.77	29.47	29.11	29.76	28.61	30.43	(3)	30.02	30.43	31.45	38.36
February	26.93	28.97	29.32	29.72	28.72	30.60	(3)	30.38	30.60	31.70	37.65
March	27.05	28.56	29.44	29.70	28.88	30.82	(3)	30.82	30.68	31.78	36.61
April	27.17	27.36	29.68	29.59	29.03	28.87	(3)	30.91	30.03	31.72	37.38
May	27.15	28.23	29.66	29.76	29.10	28.87	(3)	30.91	29.16	31.73	37.73
June	26.92	26.95	29.21	29.89	29.04	28.82	(3)	29.69	29.10	31.44	37.67
July	26.85	26.60	29.22	29.42	28.73	28.82	(3)	29.33	29.20	30.86	37.14
August	26.92	26.74	29.30	29.19	28.48	29.26	(3)	29.15	29.30	30.99	36.26
September	26.85	26.79	29.23	29.39	28.42	29.33	30.04	29.00	29.32	30.92	35.15
October	26.89	27.19	29.30	29.30	28.42	29.18	30.04	29.32	30.36	31.07	36.28
November	26.94	27.58	29.38	29.09	29.10	29.00	30.04	29.46	30.16	31.18	37.68
December	27.14	29.40	29.58	29.14	28.21	29.19	30.28	29.42	29.92	31.39	38.78
Average	26.96	27.82	29.37	29.49	28.64	29.42	30.15	29.87	29.87	31.35	37.22

See footnotes at end of table. p. 649.

COTTON: AVERAGE PRICES [1] OF SELECTED GROWTHS AND QUALITIES, COST, INSURANCE, AND FREIGHT, LIVERPOOL, ENGLAND, BY MONTHS AND YEARS, 1963 TO DATE—Continued

[Equivalent U.S. cents per pound]

Year and month	Middling 1 inch		Strict Middling 1 1/16 inch [2]							Strict Middling 1 1/8 inch	
	United States	Pakistan 289 F	United States	Mexico	Nicaragua	Syria	U.S.S.R. Pervyi 31/32" mm	Iran	Turkey (Izmir)	United States	Uganda B.P. 52
1965:											
January	27.28	29.36	29.66	29.14	27.86	29.52	30.24	29.08	29.79	31.46	39.37
February	27.39	31.36	29.70	29.35	27.49	29.70	30.17	29.28	29.98	31.66	37.80
March	27.42	32.03	29.69	29.33	27.42	29.62	30.08	29.60	29.80	32.02	36.21
April	27.49	33.07	29.77	29.37	27.80	29.50	30.07	29.71	29.78	32.10	35.28
May	27.54	33.45	29.81	28.82	28.03	29.14	29.92	29.72	30.01	32.14	35.90
June	26.53	29.38	29.60	28.48	28.04	29.02	29.67	29.67	29.96	31.79	36.07
July	26.17	28.34	28.85	28.70	27.46	28.55	29.55	28.52	29.33	30.65	35.95
August	26.17	28.74	28.84	28.52	26.78	28.61	29.54	28.20	29.36	30.65	35.59
September	26.22	28.45	28.90	28.59	26.98	28.67	29.56	28.20	29.31	30.78	35.27
October	26.28	28.07	28.97	28.36	27.34	28.61	29.56	27.94	28.99	31.13	34.40
November	26.29	26.51	28.98	28.30	27.22	28.62	29.56	27.81	28.54	31.14	33.42
December	26.27	27.62	28.95	28.14	26.88	28.84	29.49	27.65	28.64	31.11	32.25
Average	26.75	29.70	29.31	28.75	27.43	29.03	29.78	28.78	29.44	31.39	35.63
1966:											
January	26.34	28.28	29.02	28.16	26.88	(3)	29.51	29.03	29.05	31.14	31.87
February	26.46	27.96	29.14	28.14	27.06	(3)	29.49	28.84	29.32	31.12	31.48
March	26.39	28.07	29.06	28.49	27.82	(3)	29.34	29.00	29.41	31.05	31.57
April	26.42	28.06	29.10	28.00	(3)	(3)	29.22	(3)	29.83	31.08	31.55
May	26.42	28.09	27.40	28.17	27.58	27.34	29.15	28.06	28.12	31.07	31.54
June	25.09	27.52	27.38	27.94	26.87	27.44	29.11	27.73	27.80	30.58	31.49
July	24.59	27.14	27.38	27.78	26.45	27.19	28.66	27.03	27.64	30.46	31.19
August	24.58	27.00	27.38	27.98	26.30	27.08	28.65	27.02	27.46	30.46	31.50
September	24.59	26.88	27.38	27.43	26.68	27.03	28.66	27.55	27.26	30.46	31.33
October	24.61	26.82	27.40	28.59	26.51	26.83	28.68	29.45	27.05	30.48	31.24
November	24.60	26.26	27.72	28.54	27.00	26.93	28.68	29.75	27.44	30.62	31.25
December	24.33	25.54	28.20	28.92	27.47	27.61	29.47	28.63	28.44	31.06	33.13
Average	25.40	27.30	28.05	28.16	26.79	27.18	29.06	28.28	28.17	30.80	31.60

1967:											
January	24.99	25.03	28.57	29.13	28.08	28.20	30.35	28.96	28.86	31.27	34.15
February	25.24	25.84	28.65	29.87	28.32	28.75	30.45	29.33	28.60	31.59	34.62
March	25.49	26.31	28.75	30.06	28.23	29.13	31.09	29.42	28.72	32.14	33.27
April	25.66	25.61	28.93	29.98	28.13	29.16	31.03	29.60	28.58	32.31	32.54
May	25.67	25.82	28.93	29.95	27.90	28.89	30.94	29.06	28.85	[3]	31.59
June	25.49	25.10	29.06	30.12	27.92	28.79	30.71	28.80	28.98	31.68	32.07
July	24.56	25.21	29.38	30.14	27.76	28.74	30.32	28.84	28.78	31.65	31.80
August	24.64	25.51	29.85	30.56	29.53	29.05	30.29	29.33	29.54	32.12	32.78
September	25.06	25.60	30.48	31.16	30.47	30.68	31.44	30.45	30.44	32.84	34.48
October	25.28	26.08	30.88	31.68	30.90	31.32	31.60	31.02	30.30	33.32	35.01
November	27.05	27.13	33.91	31.99	30.98	31.49	32.12	30.98	30.68	36.37	36.37
December	29.44	28.95	37.40	32.51	32.02	32.07	34.33	32.95	32.64	39.90	36.98
Average	25.71	26.02	30.40	30.60	29.19	29.69	31.22	29.89	29.58	30.43	33.80
1968:											
January	29.10	30.64	36.31	32.61	32.24	33.24	34.37	34.24	33.86	38.64	38.45
February	28.61	28.46	34.27	32.44	31.41	33.97	34.07	33.37	32.62	36.28	38.14
March	28.25	27.89	33.64	32.20	30.50	33.75	33.50	32.75	32.25	35.64	37.50
April	27.75	27.50	32.80	31.75	29.75	33.50	33.31	32.75	32.00	34.80	37.69
May	27.75	29.23	32.80	31.30	29.06	33.20	32.35	32.50	31.25	34.80	38.00
June	27.92	28.45	33.18	31.06	28.90	32.38	32.00	32.69	31.00	35.04	38.00
July	28.82	28.70	34.30	31.35	29.22	31.25	32.38	31.88	31.00	35.75	38.00
August	29.20	28.48	34.30	31.01	29.50	31.25	32.75	31.20	30.88	35.75	38.33
September	29.04	27.89	33.79	30.09	28.88	31.25	32.00	30.96	30.28	35.22	37.94
October	28.51	27.33	31.94	29.77	28.55	31.25	31.59	31.50	30.05	33.70	37.80
November	27.24	27.35	30.16	28.78	27.75	31.25	30.69	30.31	29.31	31.79	36.25
December	26.45	27.43	29.30	28.33	27.07	31.17	30.50	29.83	29.17	30.80	36.75
Average	28.22	29.11	33.07	30.89	29.40	32.29	32.46	32.00	31.14	34.85	37.74
1969:											
January	26.12	27.31	29.01	28.35	26.18	[4] 30.60	30.40	29.80	29.25	30.51	36.85
February	25.69	28.10	28.79	28.50	25.25	[4] 30.44	29.59	29.88	28.75	30.29	36.31
March	25.50	29.35	28.60	28.50	26.06	[4] 30.25	29.01	30.25	28.44	30.10	35.62
April	25.50	27.80	28.60	28.52	27.00	[4] 30.25	28.75	[3]	28.25	30.10	35.50
May	25.50	27.80	28.56	28.70	27.50	[4] 30.25	29.26	[3]	28.65	30.06	35.20
June	25.44	27.45	28.44	28.34	27.29	[4] 29.88	29.25	28.75	28.56	29.94	33.31
July	25.19	27.01	28.13	27.84	27.02	[4] 29.20	29.05	28.30	27.84	29.63	32.70
August	25.05	25.96	28.00	27.21	26.19	[4] 28.60	28.66	27.69	27.22	29.50	31.56
September	24.82	25.76	28.00	27.81	26.04	[4] 28.00	28.52	27.38	26.62	29.50	30.84

[1] Generally for prompt shipment. Prices for certain qualities were computed using value differences.
[2] Middling 1 1/32 inch and Strict Middling 1 1/32 inch replaced by Strict Middling 1 1/16 inch.
[3] Not quoted.
[4] Including war risk surcharge.

Source: Foreign Agriculture Service.

COTTON: AVERAGE PRICES[1] OF SELECTED GROWTHS AND QUALITIES, COST, INSURANCE, AND FREIGHT, BREMEN, GERMANY, BY MONTHS AND YEARS, 1963 TO DATE

[Equivalent U.S. cents per pound]

Year and month	Middling Light Spotted 1 1/32 inch[2]		Small Middling 1 1/16 inch[3]							Small Middling 1 1/8 inch	
	United States[4]	Brazil, type 4/5	United States	Mexico	Nicaragua	Syria	U.S.S.R. Pervyi 31/32	Iran	Turkey (Izmir)	United States	Uganda B.P. 52
1963:											
January	28.86	28.66	30.35	30.04	29.45	29.32	29.12	29.60	30.42	32.08	32.71
February	28.96	28.75	39.45	30.10	29.15	29.72	29.46	29.75	30.25	32.08	33.22
March	28.75	28.75	30.50	30.26	29.06	29.86	29.55	29.75	30.10	32.08	33.59
April	28.72	28.75	30.52	30.18	29.00	30.05	29.52	29.75	29.96	32.03	33.60
May	28.65	28.65	30.45	30.21	28.89	30.00	28.90	29.68	30.08	31.82	33.51
June	28.65	28.65	30.40	30.31	28.88	30.05	28.73	29.55	29.92	31.55	33.80
July	28.44	28.75	30.22	30.51	29.21	29.95	28.79	29.51	29.94	31.47	33.89
August	27.25	28.02	28.82	29.82	28.22	28.84	28.75	29.38	29.08	30.60	33.49
September	26.94	28.14	28.58	29.85	27.95	28.54	28.78	28.88	28.75	30.58	32.70
October	26.84	27.75	28.40	29.63	27.49	28.50	28.85	28.52	28.55	30.40	32.92
November	26.98	27.68	28.69	29.65	27.75	28.81	29.22	28.65	29.10	30.62	35.10
December	27.15	27.85	29.10	29.75	28.30	29.03	29.85	29.20	29.85	31.03	36.68
Average	26.79	26.80	29.71	30.03	28.61	29.39	29.13	29.35	29.64	31.36	33.77
1964:											
January	27.29	28.00	29.31	29.93	28.72	29.43	30.00	29.48	30.53	31.20	37.15
February	27.56	28.09	29.55	30.02	28.78	29.67	30.02	29.60	30.98	31.35	36.58
March	27.85	28.22	29.69	30.18	28.91	29.96	30.06	29.73	31.00	31.57	36.00
April	27.90	28.30	29.70	29.98	28.64	30.02	30.03	29.75	31.00	31.60	36.20
May	27.90	28.20	29.80	29.89	28.50	30.00	30.15	29.75	31.00	31.62	36.82
June	28.00	28.20	30.02	30.02	28.38	30.00	30.15	29.75	30.95	31.70	35.76
July	27.92	28.15	30.02	29.71	28.30	29.00	30.10	29.64	30.28	31.80	35.21
August	27.55	28.06	29.49	29.65	28.32	28.91	29.95	29.41	29.55	31.75	34.54
September	27.56	28.20	29.26	29.63	28.22	29.49	29.86	29.37	29.54	31.63	33.85
October	27.48	28.02	29.12	29.45	28.20	29.30	29.81	29.65	29.58	31.50	34.08
November	27.40	28.05	29.28	29.50	28.05	28.78	29.60	29.72	30.05	31.86	34.49
December	27.36	27.95	29.30	29.42	28.14	28.44	29.59	29.84	29.81	32.10	35.51
Average	26.05	26.06	29.54	29.78	28.43	29.41	29.94	29.64	30.33	31.64	35.52

1965:											
January	27.30	27.90	29.30	29.45	27.85	28.51	29.50	29.68	29.79	32.08	35.96
February	27.30	27.78	29.38	29.34	27.45	28.40	29.25	29.70	29.75	32.20	34.88
March	27.30	27.83	29.45	29.49	27.34	28.44	29.12	29.71	29.65	32.35	33.98
April	27.32	27.75	29.45	29.55	27.58	28.48	29.10	29.75	29.58	32.42	33.55
May	27.40	27.75	29.45	29.55	27.60	28.72	29.05	29.75	29.65	32.45	33.72
June	27.34	27.61	29.41	29.36	27.66	28.70	28.81	29.70	29.55	32.32	34.28
July	27.02	27.45	29.02	28.85	27.51	28.75	28.65	28.96	29.45	32.28	34.65
August	26.95	27.14	28.81	28.35	27.40	28.67	28.65	28.20	29.17	32.01	34.21
September	26.95	27.08	28.75	28.40	27.32	28.55	28.50	28.40	28.58	31.88	33.55
October	26.88	26.94	28.68	28.15	27.32	28.34	28.41	28.24	28.82	31.78	32.89
November	26.72	26.79	28.59	27.83	27.06	28.16	28.22	27.85	28.47	31.73	32.56
December	26.42	26.55	28.37	27.63	26.35	27.73	28.08	27.15	31.65	31.65	31.97
Average	25.62	26.46	29.05	28.84	27.38	28.47	28.78	28.92	29.23	32.10	33.85
1966:											
January	26.25	26.38	28.38	27.60	26.30	27.62	28.02	26.90	28.18	31.72	31.35
February	26.25	26.18	28.48	27.70	26.48	27.70	28.02	27.18	28.30	32.12	30.85
March	26.35	26.21	28.68	27.86	27.11	27.71	28.01	27.62	28.46	32.48	30.79
April	26.41	26.32	28.75	28.08	27.56	27.84	28.05	27.81	28.64	32.50	30.78
May	26.46	26.37	28.67	28.26	27.66	27.85	28.01	27.84	28.76	31.98	30.54
June	26.40	26.21	28.31	28.22	27.28	27.52	27.78	28.08	28.90	31.78	30.45
July	24.28	24.10	27.75	27.85	27.20	27.42	27.75	27.68	28.85	31.90	30.40
August	23.35	23.97	27.00	27.24	26.98	27.42	27.75	27.22	28.52	30.30	30.20
September	23.25	23.88	27.16	27.60	26.85	26.92	27.75	27.07	26.61	30.05	30.00
October	23.12	23.90	27.00	27.62	26.75	27.05	27.60	27.70	26.24	29.92	29.40
November	23.02	24.16	27.13	27.80	26.47	27.21	27.69	27.81	26.47	29.71	30.03
December	23.58	25.12	27.90	28.35	27.19	28.00	28.40	27.82	27.92	30.25	31.58
Average	24.40	24.53	27.93	27.32	26.49	27.01	27.90	27.56	27.46	31.23	30.53
1967:											
January	23.77	25.62	28.52	28.53	27.76	28.41	29.31	28.15	28.63	30.46	33.19
February	24.08	25.98	28.65	29.02	27.90	28.68	29.45	28.45	28.82	30.63	33.48
March	24.21	25.75	28.71	29.00	27.52	28.92	29.87	28.64	28.79	31.21	33.06
April	23.95	25.10	28.82	28.75	27.29	28.72	30.00	28.78	28.62	31.32	32.41
May	23.98	25.22	28.72	28.72	27.30	28.75	29 95	29.00	28.68	31.42	30.90
June	24.30	25.62	29.60	29.69	28.05	28.95	29.98	28.75	29.17	32.32	31.82
July	24.12	25.75	29.60	29.70	28.10	29.00	29.72	28.83	28.95	32.65	32.05
August	24.36	26.04	30.06	30.06	28.51	29.00	29.88	29.00	29.20	32.90	32.52
September	24.75	26.82	30.42	30.59	29.82	30.35	30.90	30.10	30.35	(5)	33.62
October	25.20	27.30	30.70	31.21	30.53	30.65	31.09	30.77	30.66	(5)	34.58
November	25.92	28.42	32.01	31.76	30.75	31.09	31.58	31.20	31.20	(5)	35.18
December	26.39	29.97	32.85	32.23	31.63	32.00	33.47	32.10	31.98	(5)	36.40
Average	24.54	26.47	29.89	29.94	28.76	29.54	30.43	29.48	29.59	31.61	33.27

See footnotes at end of table, p. 652.

COTTON: AVERAGE PRICES [1] OF SELECTED GROWTHS AND QUALITIES, COST, INSURANCE, AND FREIGHT, BREMEN, GERMANY, BY MONTHS AND YEARS, 1963 TO DATE—Continued

[Equivalent U.S. cents per pound]

Year and month	Middling Light Spotted 1 1/32 inch [2]		Small Middling 1 1/16 inch [3]							Small Middling 1 1/8 inch	
	United States [4]	Brazil, type 4/5	United States	Mexico	Nicaragua	Syria	U.S.S.R. Pervyi 31/32	Iran	Turkey (Izmir)	United States	Uganda B.P. 52
1968:											
January	26.64	30.66	32.94	32.26	31.48	30.30	33.08	33.35	32.91	(5)	37.21
February	26.40	29.35	32.62	31.80	30.72	31.90	33.10	(5)	31.44	(5)	36.82
March	26.22	28.40	32.55	31.48	29.96	31.48	32.95	(5)	30.92	(5)	35.95
April	26.17	27.43	32.62	31.43	29.17	31.40	32.80	(5)	30.50	(5)	35.98
May	25.98	26.74	32.36	31.09	28.32	30.72	32.15	30.60	30.15	(5)	36.76
June	25.95	26.91	32.15	31.05	28.33	30.76	32.56	30.60	30.08	(5)	36.70
July	26.25	27.62	31.80	30.92	28.40	30.84	32.09	31.32	30.73	(5)	36.70
August	27.30	27.51	32.58	30.79	28.72	30.86	31.52	31.14	30.20	(5)	36.92
September	27.35	27.06	32.72	29.45	28.36	30.95	31.49	31.05	29.09	(5)	37.26
October	26.68	26.95	32.00	29.32	27.86	30.68	31.33	30.94	29.50	(5)	37.66
November	25.88	26.70	31.00	28.70	26.92	30.28	30.63	29.35	29.17	(5)	36.93
December	25.03	26.18	29.87	27.93	26.37	30.25	30.35	28.88	29.03	(5)	35.62
Average	26.32	27.63	32.10	30.52	28.72	30.87	32.00	30.80	30.31		36.71
1969:											
January	24.35	24.30	29.60	27.92	25.72	30.18	29.62	29.05	29.30	32.42	36.32
February	24.25	23.45	29.28	27.78	24.45	29.80	28.98	29.02	28.81	31.86	36.22
March	23.82	23.85	28.59	27.50	24.84	29.82	28.30	29.74	28.65	31.02	35.41
April	24.01	24.51	28.53	27.77	25.76	29.80	28.30	30.05	28.71	31.01	35.15
May	24.45	25.29	28.58	28.58	26.98	29.51	28.40	30.15	28.75	31.35	34.86
June	24.68	25.09	28.46	28.12	26.86	28.80	28.46	28.45	28.16	31.05	33.72
July	24.46	24.61	27.73	27.26	26.29	28.53	28.22	28.25	27.36	30.95	32.79
August	23.96	24.65	27.32	26.64	25.76	28.30	28.12	27.72	26.91	30.95	32.04
September	24.23	24.58	27.81	27.30	26.03	27.35	28.20	27.31	25.95	31.05	31.20

[1] Generally for prompt shipment. Prices for certain qualities were computed using value differences.
[2] Beginning August 1963, Middling 1 1/32 inch and Strict Middling 1 1/32 inch replaced by Middling Light Spotted 1 1/32 inch and Strict Middling 1 1/16 inch.
[3] Effective May 1959, U.S.S.R. Pervyi 31/32 mm is considered to be more nearly equivalent to U.S., Strict Middling 1 1/16 inch than to U.S. 1 1/32 inch, as previously reported.
[4] Middling Light Spotted 1 inch prior to July 25, 1967.
[5] Not quoted.

Foreign Agricultural Service.

Attachment 4

RAW COTTON IMPORTS—GERMANY (1,000 BALES)

Supplier	1965–66	1966–67	1967–68	1968–69
Brazil	232.5	272.3	320.3	354.2
Mexico	137.4	63.5	40.5	70.8
Turkey	104.2	143.0	191.1	137.6
Other Mideast [1]	111.9	68.6	85.6	21.8
Central America	99.7	54.7	46.4	76.2
Africa	95.0	90.1	108.8	75.6
Russia	102.3	86.2	81.4	48.8
United Arab Republic/Sudan/Peru [2]	226.6	241.4	229.0	249.2
Others	37.1	35.7	131.9	62.5
United States	108.3	166.7	101.3	35.2
Total	1,255.0	1,222.2	1,336.3	1,131.9
MARKET SHARE (PERCENT)				
Brazil	18.5	22.3	24.0	31.3
Mexico	10.9	5.2	3.0	6.3
Turkey	8.3	11.7	14.3	12.2
Others	53.7	47.2	51.1	47.1
United States	8.6	13.6	7.6	3.1
Total	100.0	100.0	100.0	100.0

[1] Iran, Iraq, Israel, Syria and Yemen.
[2] ELS production.

Attachment 5

RAW COTTON IMPORTS—UNITED KINGDOM

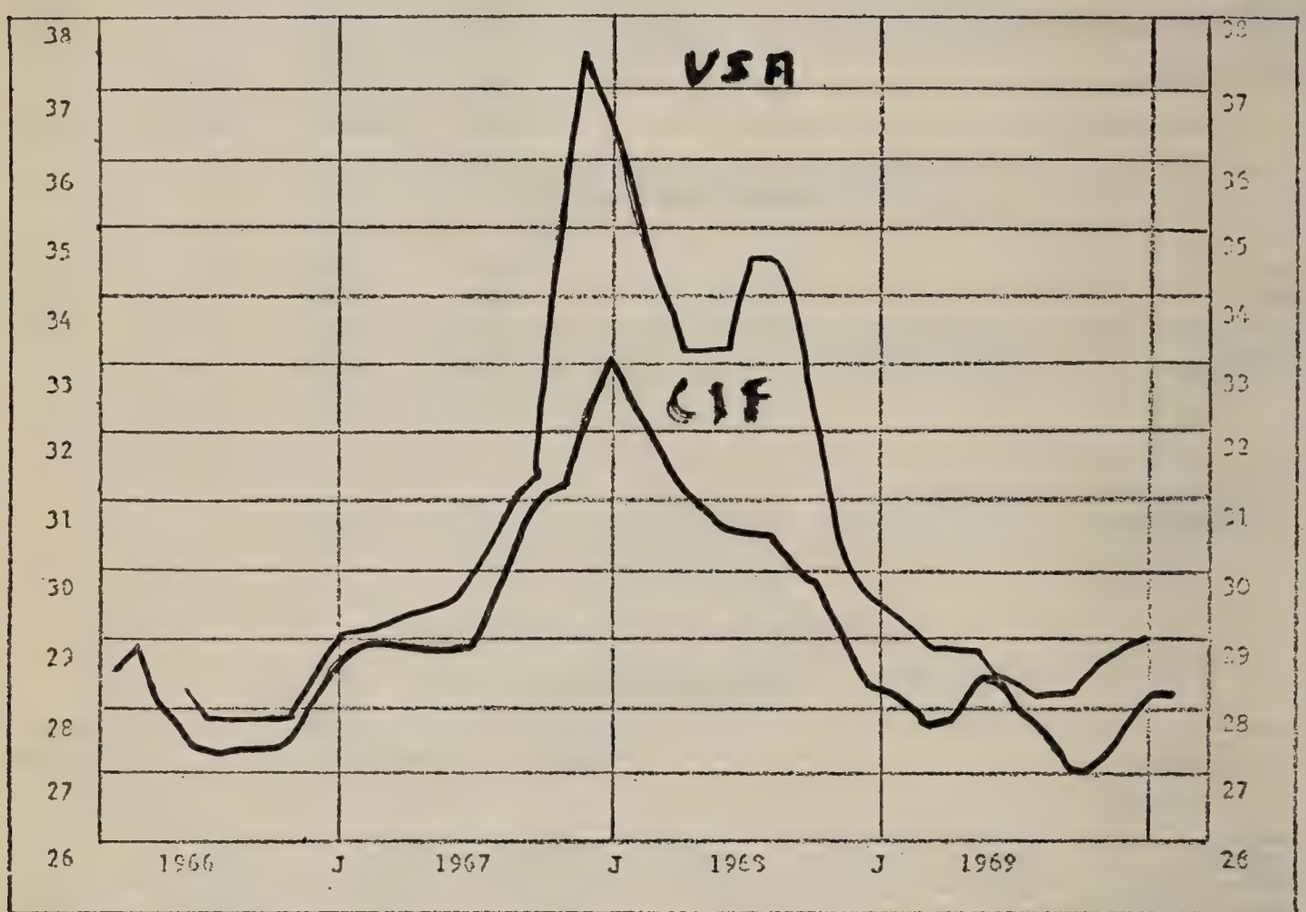
THOUSANDS OF BALES

Supplier	1965–66	1966–67	1967–68	1968–69
Brazil	55.9	50.2	40.7	77.1
Colombia	28.6	27.4	76.0	121.3
Pakistan	34.0	22.3	71.4	61.6
Turkey	144.0	125.2	106.2	97.6
Other Mid-East [1]	119.8	63.5	73.0	32.0
African	111.6	104.1	105.7	85.5
Central American	26.9	20.2	21.4	23.0
Russia	83.9	85.9	67.5	53.2
United Arab Republic/Sudan/Peru [2]	116.4	114.6	140.0	109.6
Others	82.3	53.4	65.3	59.2
United States	164.8	169.1	139.0	61.1
Total	968.2	835.9	906.2	781.2
MARKET SHARE (PERCENT)				
Brazil	5.8	6.0	4.5	9.9
Colombia	2.9	3.3	8.4	15.5
Pakistan	3.5	2.7	7.9	7.9
Turkey	14.9	15.0	11.7	12.5
African	11.5	12.5	11.6	10.9
Russia	8.7	10.3	7.4	6.8
Others	35.7	30.0	33.2	28.7
United States	17.0	20.2	15.3	7.8
Total	100.0	100.0	100.0	100.0

[1] Iran, Iraq, Israel, Syria and Yemen.
[2] ELS production.

Attachment 6

COMPARISON OF LIVERPOOL CIF INDEX
AND MEMPHIS TERRITORY STRICT MIDDLING 1-1/16"
(U. S. cents per lb. - Monthly Averages)



USA Mem. Terr. TOP LINE
CIF Index BOTTOM LINE

NOTE: The Liverpool CIF Index for Strict Middling 1-1/16" is an average of the cheapest six of 12 major styles of cotton. U. S. cotton faces and loses business to a revolving set of competitive growths, some cheap this month, others cheap next month. The CIF Index (an average of the six cheapest) may well come as close as you can get to a "world price" for the bread and butter Strict Middling 1-1/16" description.

Attachment 7

Conversion: CIF Europe to FOB Warehouse, Memphis

1) The Liverpool CIF Index for Strict Middling $1\frac{1}{16}$" was *28.15¢* on February 26, 1970. That converts as follows:

	Cents
CIF Europe, net weights	28.15
Less 10 per cent	2.80
Total	25.35
Less: Ocean freight; insurance; agent's commission interior cost-to-land (excluding overhead, profit, and buying commission)	5.60
FOB warehouse, Memphis; gross weights	19.75

For comparison: 1969 loan at Memphis (3.5–4.9 Micronaire):

	Cents
Strict Middling $1\frac{1}{16}$ inches	24.90
Middling $1\frac{1}{16}$ inches	24.45
Strict Low Middling $1\frac{1}{16}$ inches	22.25

2) Even if we take the highest prices currently being actively quoted among the 12 styles which make up the CIF Index—Mexican Sinaloa/Sonora for July/August shipment at 29.75¢ and Tanzanian AR Mwanza No. 1 at 30.00¢ for August/September shipment—the result still shows our loan values are *well above* CIF Europe equivalents.

Mr. GILLEN. One of the problems, Senator, in this regard was that the loan rate is presently 20¼ cents per pound for the coming season and it was the same price last season.

Now, for this particular season they add an additional million acres and the expense of that additional acreage did not permit the loan rate to be lowered because when you——

The CHAIRMAN. Was not the reason for that to give farmers a chance to produce cotton that was actually needed at the time by the trade?

Mr. TAYLOR. Yes, sir, and we agree that they made the right decision.

Mr. GILLEN. Going back over the years under the act, in order for the Department to reach 90 percent of world price, it would have had to increase the production payment to meet the requirement of 65 percent of parity. The Bureau of the Budget would not permit this because it would have increased the cost of the program substantially, because when you decrease—say, if you decrease the loan 2 cents, then the increase in the production payment is not a proportionate increase. The increase would be much larger on the production payment, much larger than 2 cents. So, this is one of the problems we did have and this is one reason why we suggest going away from the parity concept because it did take away this flexibility and in the end it boiled down to a budget question.

The CHAIRMAN. Well, does not your program boil down to getting production from those farmers who can produce at world prices?

Mr. HOHENBERG. Yes, sir.

Mr. TAYLOR. We favor efficiency.

The CHAIRMAN. At world prices? You are shaking your head, yes. You agree with me——

Mr. HOHENBERG. Our program, we feel, is designed especially for the efficient producers.

The CHAIRMAN. Exactly, and that would end in more or less the destruction or bankruptcy of all those who were not efficient producers.

Mr. HOHENBERG. Well——

The CHAIRMAN. And would not it shift the planting or production of cotton from the South or parts of the South to the West?

Mr. HOHENBERG. Not necessarily, sir. We have as part of the $10 million research program that you asked for in the present law, the Department makes studies of cost of production in various areas and it varies greatly from area to area. It is divided up into about 15 areas and within each area it varies greatly from farm to farm. But as the witness from Arizona, for example, testified, they had some land that had the second highest cost of production and the second lowest within the same State. So, we have the figures here. Some of the lowest costs of production is in the South. For example, in the Mississippi Valley.

The CHAIRMAN. In the delta.

Mr. HOHENBERG. In the delta, yes, sir. In 1966 it was one of the lowest cost areas overall.

The CHAIRMAN. Well, do you think that the cotton farmers of this country—take the best—could produce enough cotton at world prices?

Mr. HOHENBERG. In the delta; yes, sir. In 1966 it was one of the Department studies and perhaps they should be updated because the last one they have is for 1966.

The CHAIRMAN. I am just asking you that. You are a student of the cotton problem.

Mr. HOHENBERG. Well, I am not a farmer, sir.

The CHAIRMAN. Well, I know, but—that is why you talk as you do. If you were a farmer you might change your mind. [Laughter.]

Mr. HOHENBERG. Well, Mr. Chairman, my firm has been in business for 92 years.

The CHAIRMAN. Your association benefits by the large number of bales that are sold and that are handled.

Mr. HOHENBERG. If we have a larger offtake, we would have more chance to——

The CHAIRMAN. And no matter what the cotton sells for, your fees are about the same, are they not?

Mr. HOHENBERG. Well——

The CHAIRMAN. Well, the point is——

Mr. TAYLOR. Mr. Chairman, we advocate here in supporting the producer, we do not contend that he should produce cotton at world prices without Government aid. We are the first to admit this and we used, as I say, a figure of 10 cents a pound. We are not advocating this. We just use that for easy figuring but we are advocating the Government certainly support the farmer. I mean, we are not asking that he do——

The CHAIRMAN. Assuming that your plan would go through, what would be your method of compensating the farmers?

Mr. TAYLOR. As we said earlier, we have a—we figure this concept here of so much payment be made based on his domestic allotment and consumption in this country. And he would be paid on this basis which is not too far away from——

The CHAIRMAN. Well, how would you—would you have a method to fix what the cost of production is?

Mr. TAYLOR. I think nobody can fix the cost of production, no, sir, because the cost of production in some areas as Mr. Hohenberg pointed out in this booklet, is different from area to area. It varies every year with the weather, and so forth.

The CHAIRMAN. That is what I said yesterday when somebody proposed that we put a certificate on every bale of cotton.

Mr. TAYLOR. I agree with you 100 percent.

The CHAIRMAN. That cannot be done.

Mr. TAYLOR. I do not say it cannot be. You asked me whether I thought it was a good idea. I agreed with you.

The CHAIRMAN. How would you do it?

Mr. HOHENBERG. As in the act of 1965, you would have to make the payment direct to the producers.

Mr. TAYLOR. The same way. We are not advocating any change in the way the payments be made.

The CHAIRMAN. How would you fix it? How would it be paid?

Mr. GILLEN. Based upon this formula here.

Mr. TAYLOR. Here we have this formula on page 4.

The CHAIRMAN. Will you describe it and be a little more specific?

Mr. GILLEN. You take, for example, Senator, that the previous year's domestic consumption was 8 million bales and take for discussion purposes also this year we produce 12 million bales. You divide 8 by 12 times the actual production in pounds that the farmer produced from his effective allotment.

The CHAIRMAN. What would be the net result?

Mr. GILLEN. That would result in a payment of 66⅔ on the total allotment.

Mr. HOHENBERG. If the payment rate were set at 15 cents a pound——

The CHAIRMAN. He is the witness. He may differ from what you say.

Mr. GILLEN. If you use a production payment of 15 cents per pound, you would decrease, you would cut that payment by two-thirds and that would be the overall payment. That would be the rate of payment for the entire cotton crop, all producers. In other words——

The CHAIRMAN. Irrespective of his costs?

Mr. GILLEN. Irrespective of his costs, right.

The CHAIRMAN. Two-thirds of what?

Mr. GILLEN. Two-thirds of whatever the figure is that the Department decides is going to be the cost, the cents per pound. Now, that could possibly be determined. We have in our formula x cents per pound but to be fair, should only be based upon what is a reasonable average cost of production. As we say, it varies from area to area. We might differ among ourselves. The Department has figures that show you that within a State, from county to county, from farm to farm, production costs vary.

Now, a lot of witnesses here have, like ourselves, advocated that we use actual instead of projected yield. If you can figure out down to the farm what the actual yield is, I think you can certainly figure out what his cost of production is. It will be difficult and it will entail some bookkeeping, more bookkeeping on the part of the farmer and on the part of the Department, but it can be figured out.

Mr. TAYLOR. Mr. Chairman, I want to make—could I make this just a little bit simpler?

The CHAIRMAN. I hope somebody does.

Mr. TAYLOR. I want to put it in dollars and cents.

The CHAIRMAN. I want the gentleman to your right there to listen to you. He listened to him. And see if he has a different version from you two. What I would like to find out is let us be specific. Let us take 2 or 3 years' production or a year's production, any way you want, and show us how that farm——

Mr. TAYLOR. According to this formula and assuming that the Secretary requires a 40-percent diversion and in our suggestion that would be the maximum allowed under the law, that would be the worst that could happen to the producer. So, assuming that with these facts in mind and assuming that we use 15 cents a pound, or better say $75 a bale, that would mean——

The CHAIRMAN. Use $75——

Mr. TAYLOR. A payment of $75 a bale or 15——

The CHAIRMAN. To the producers.

Mr. TAYLOR. Yes, assuming these things. Fifteen cents a pound payment, a diversion of 40 percent, an 8-million bale consumption in this

country, and actual production of 12 million bales, with this formula this would mean a payment to the producer of $50 a bale on his total allotment, and the reason we are suggesting it on the total allotment rather than the way they do it today is because we agree with you 100 percent. Just like you said yesterday, we want the producer to get paid for what he does. We agree with you all the way on this and we think that would encourage him to produce his total allotment rather than just the 65 percent of it, which so many of them are doing today.

The CHAIRMAN. Well, as you said, that would eliminate the parity formula concept.

Mr. TAYLOR. Yes, sir.

The CHAIRMAN. Do you agree to that?

Mr. HOHENBERG. Yes, sir.

Mr. TAYLOR. I do not know whether that is clear.

Mr. HOHENBERG. Yes, sir. In other words, if you use 15 cents a pound and had 8 million domestic production and 12 million acre allotment, that would be 10 cents a pound or $50 a bale under those figures.

The CHAIRMAN. How would he reach this figure, say of 10 cents a pound? What would be his method?

Mr. HOHENBERG. This, I would say, would be up to this committee and Congress to determine the payment rate.

The CHAIRMAN. I do not mean the payment rate. How would he determine that the payment should be 15 cents a pound?

Mr. HOHENBERG. This would have to be spelled out in the law itself.

The CHAIRMAN. Well, would it not depend on production?

Mr. TAYLOR. Yes, sir; exactly. Cost of production would certainly enter into it.

The CHAIRMAN. Well, would not that be mostly the only element?

Mr. TAYLOR. Well, I think a producer has got to make a profit as well. There are other things that come in besides this. We are the first to agree. All of these things should be taken into consideration.

The CHAIRMAN. Well, somebody suggested now, just as you—somebody suggested yesterday that the cost of production be set here, everybody gets so much, irrespective of whether that cost of production makes a profit or not. Some, it will make a profit, others it will not. And in addition to that you have a little supplement of maybe x cents per bale. Does your program envision that also?

Mr. TAYLOR. No, sir. What you are talking about would be two different types of payment. We have only advocated one type of payment. We agree with exactly what you said yesterday when you said you thought it was some kind of subterfuge and we do not believe Congress would buy it.

The CHAIRMAN. And then may one of you repeat, what would you do with the diverted acres and what would it cost under your program in contrast to what it costs now to keep these diverted acres out of production?

Mr. TAYLOR. We would not change the law as it is written today. We would leave that exactly as it is, what they would do with the diverted acres. We are not advocating any change. As far as the——

The CHAIRMAN. And how would the payments to the owners of these diverted acres be made and how would it be calculated?

Mr. TAYLOR. They would be made just like they are made today, pay

directly to the producer. They would be calculated as we have outlined here in this formula of ours, which I hope I explained.

The CHAIRMAN. Would this payment on the diverted acres be in addition to the payments that you are now proposing?

Mr. TAYLOR. Yes, sir.

Mr. HOHENBERG. No. He is talking about——

Mr. TAYLOR. No, sir. I did not understand that. No, sir. You would only—you would be paying on——

The CHAIRMAN. What I am trying to get from you is, What are the various costs to the Government? Now, you say that if the Secretary of Agriculture decides that 15 percent is——

Mr. TAYLOR. Mr. Chairman, if we assume—we are going to pay them on domestic consumption. Their pro rata part of the domestic consumption. And we are assuming this is 8 million bales, so they would be paid on the basis of the 8 million bales.

The CHAIRMAN. Eight million bales, and then the rest of the land is diverted.

Mr. TAYLOR. They would not be paid on that.

The CHAIRMAN. All right. Any further questions?

Senator CURTIS. No questions.

The CHAIRMAN. Senator Bellmon?

Senator JORDAN. Mr. Chairman, may I ask a question?

Senator CURTIS. I have got one question. What would your proposal do to the total return per pound for that portion of the cotton farmer's crop that was used domestically? Would it raise it or lower it from now? Counting all payments, everything.

Mr. TAYLOR. It would depend, of course, on what payment the Department or Congress would decide on. We are not advocating any specific payment. We do not think that is within our realm but the professionals who know about these things would decide the payment and this, of course, would determine the answer to your question.

Senator CURTIS. Does your proposition boil down to, in the main, putting the Government extra compensation or subsidy on the domestic part of the crop only?

Mr. TAYLOR. Yes, sir.

Senator CURTIS. That is all.

Senator JORDAN. Mr. Chairman, I believe he pretty well explained to my satisfaction what would aid now in the sale of cotton to the foreign market, which has slipped badly. One question I would like to ask, do you think we are spending enough money for research in producing a cheaper cotton, a better quality cotton?

Mr. TAYLOR. Senator Jordan——

Senator JORDAN. You have got $10 million that the farmer pays now for that.

Mr. TAYLOR. Senator Jordan, we have advocated here that we think at least 5 percent of the total cost should be put into research. We feel strongly about this, we think, of course, the research we have had up to now has helped, but it certainly has not been sufficient. We definitely need more money, but we would also go a little further and advocate if we did get more money that a large part of it should be spent in production research and cost of services and handling research.

We would also like to suggest that what we would call a moon shot type approach be used in a research program. In other words, we think they ought to figure out definitely ahead of time what their objectives are. They ought to figure out time schedules. They ought to look at priorities in parts, and so forth. If they can go to the moon, I think they can certainly do this through research and this is what we need. Everyone has testified, that I have heard testify, that this is important and we would like to see become a part of any new program.

Senator JORDAN. Well, would that include marketing and consumption incentives, advertising, and promotion——

Mr. TAYLOR. This would be a part of it but as I say,we think if you do not have something to promote, there is no sense to trying to promote it. So, we feel you have got to go to costs first. If you can get the costs down then this would come later.

Senator JORDAN. You feel the cheaper cotton would be more competitive with the manmade fiber?

Mr. TAYLOR. Yes, sir.

Senator JORDAN. You stated that manmade fibers have dropped at least half in the last 4 years in price and some lower than that.

Mr. TAYLOR. Yes, sir; I am afraid so.

Senator JORDAN. That is all the questions I had, Mr. Chairman.

The CHAIRMAN. The protection that you would allow the farmer would be on the—on whatever he produces for domestic consumption.

Mr. TAYLOR. You say protection, you mean the payment we would give him?

The CHAIRMAN. Yes. That is what I am talking about.

Mr. TAYLOR. Yes, sir.

The CHAIRMAN. Now, how would you provide for cotton, for the production of cotton, that would be sold abroad?

Mr. TAYLOR. You mean——

The CHAIRMAN. How would that be grown?

Mr. TAYLOR. Well, it is all grown—Julien, do you want to answer that?

Mr. HOHENBERG. I will try to answer it. The Secretary would be authorizing this program to have up to 16 million acres or a minimum 16 million acres of allotment, so he would have the discretion to determine how many allotted acres would be available, but the payment would only be based on those for domestic consumption, but it would be spread out, if you want to call it that, over the entire production from the allotted acres.

The CHAIRMAN. Well, let us take the example you gave us of the 8 million bales. Would that—would the production of that 8 million acres be all the production permitted or would you permit the production of more cotton?

Mr. HOHENBERG. Yes, sir. We would permit—the Secretary could only cut down to 40 percent.

The CHAIRMAN. I understand.

Mr. HOHENBERG. So it could be more than, yes, sir.

The CHAIRMAN. Well, do you visualize that the cotton produced on the acres that he said were necessary only for domestic consumption or would it envision the sale of cotton abroad also?

Mr. HOHENBERG. I would think it would have to envision the sale of cotton abroad, too, yes, sir.

The CHAIRMAN. So that the Secretary would be allowed to provide the acres necessary for both——

Mr. HOHENBERG. Yes, sir.

The CHAIRMAN. Foreign sales and domestic.

Mr. HOHENBERG. Yes, sir.

The CHAIRMAN. But the payments would be relegated to the cotton used and produced for domestic consumption.

Mr. HOHENBERG. Yes, sir.

The CHAIRMAN. Any further questions? Thank you.

Mr. TAYLOR. Thank you, sir, we appreciate it very much.

The CHAIRMAN. Mr. Greiner.

STATEMENT OF FRED J. GREINER, DIRECTOR, PUBLIC AFFAIRS, AND E. LINWOOD TIPTON, ECONOMIST, MILK INDUSTRY FOUNDATION

Mr. GREINER. Thank you, Mr. Chairman.

The CHAIRMAN. All right. Will you both identify yourselves for the record?

Mr. GREINER. My name is Fred J. Greiner, director of Public Affairs of the Milk Industry Foundation. Accompanying me is Mr. E. Linwood Tipton, who is an economist for the foundation.

We have a statement which we request be made a part of the record. I will read part of it because its technical nature and summarize the rest of it in the interests of time, if it is satisfactory to the chairman.

The CHAIRMAN. Yes. Proceed in your own way.

Mr. GREINER. The foundation is a trade association representing dairy companies engaged in the processing and distribution of fresh milk and fresh milk products in all sections of the United States.

I appear before you today in regard to two matters of dairy legislation that are presently pending in the Congress.

First, we appeal to this committee to give general support to the special milk program and specifically urge you to act favorably on legislation dealing with this subject.

Second, we urge certain modifications to the proposed legislation dealing with the dairymen's class I base plan. These amendments are designed to insure the right of new producers to freely enter the market.

Congress in its wisdom saw fit to enact a class I base plan as title I of the Food and Agricultural Act of 1965. Since that time numerous amendments have been proposed and the authority for base plans will expire on December 31, 1970. Since this committee has been requested to include amendments in a general farm bill, we would propose certain suggestions with respect to the provisions of the class I base plans.

First, it should be clear that the foundation is not opposed to class I base plan legislation per se. However, we have consistently opposed provisions which can be construed to permit substantial restrictions or barriers to milk movements between markets and to the entry of new producers, both of which artificially enhance the value of bases.

From past experience we know that certain groups of producers and/or handlers may find it in their interest to erect barriers to the

entry of either bulk or packaged milk from other sources, as well as new producers. The consequences of such barriers can be devastating not only to those producers or handlers who are outside the barrier but also to consumers who must ultimately stand the brunt of unnecessary higher prices.

It should also be pointed out that class I base plans, which require a producer to either earn his base by producing milk for some period of time while receiving less than the base price, or by purchase of the right to a base from another producer permits and encourages capitalization of bases. Thus, the bases become valuable assets. Let me explain this further. The one class I base plan operating under Federal orders is in Seattle, Wash. Based on experience in Seattle, as well as in the States where class I base plans have been in existence for a number of years, it is estimated that if similar class I base plans were adopted in all U.S. Federal milk markets, the total value of class I bases would be about $2½ billion. This would be a windfall gift of about $20,000 for the average dairy farmer under Federal orders. Automatically this increases the cost of production. This increased cost must result in lower net returns to farmers or higher prices to consumers. Just paying the interest on this additional capital requirement would be 50 cents per hundredweight. This means the average milk price could increase 3 cents per half gallon across the Nation. All of this would be inflationary for there would be no increased productivity resulting from the increased capitalization.

Senator CURTIS. Would you yield for a question right there? Would that $20,000 be a cost to milk producers already in the business?

Mr. GREINER. For a dairy farmer who had a base, he would in effect have built into his cost the $20,000 as I understand it, yes.

Senator CURTIS. But he would not be paying out $20,000 now.

Mr. GREINER. No. But if a farmer wanted to come into the business, he would have to pay $20,000 for that base which becomes a cost to that dairy farmer.

Senator CURTIS. Yes. It becomes a cost to the new one.

Mr. GREINER. Yes.

Senator CURTIS But an asset to the fellow who wants to sell it.

Mr. GREINER. Right.

Mr. TIPTON. Since it is an asset, though, that farmer must be able to receive a sufficient return from his production to pay interest or he has the alternative of selling that base for $20,000. So, he must be able to get an adequate return on that $20,000 which is now involved in his capital assets just like the cost of his barn is or the cost of his land or anything else. It is a cost of production and he must get an adequate return on it.

Senator CURTIS. Well, I do not agree with that because he is exactly in the same position he was before only that something he had has become valuable if he wants to sell it. His costs have not increased.

Mr. TIPTON. But to keep him in the milk production business he must get an adequate return on that investment.

Senator CURTIS. He has to now.

The CHAIRMAN. Well, in order to do that, though, he is called upon to vote, is he not, as to whether or not he wants this form of

milk production? That is, a production where he can sell direct to the consumer his grade A milk. That was the original purpose as I understood of the act we enacted back in 1938, that these milkshed areas would be able to have the milk so treated that it could be sold direct and the Secretary of Agriculture would come in and fix the floor for the milk produced under those conditions.

Mr. GREINER. Essentially that is correct, yes.

The CHAIRMAN. That is correct. All right. Now, as I envision what the changes here are, that probably should be made, to permit that to continue and if necessary for those milk producers who provide milk for the production of cheese and butter and other things, their support price should be probably raised.

Mr. GREINER. We are not testifying to that position.

The CHAIRMAN. You are not, but I mean, that it what is envisioned. I mean, that is what could happen and that is what should happen because it strikes me that as I see it, the original law which was enacted in 1938 wherein the farmers in a certain given area, milk producers in a certain given area, would agree to produce milk under sanitary conditions prescribed by someone, either the State or the county or whatever, and for that milk, and if he voted himself into this marketing area, for that milk he would receive a floor.

Mr. GREINER. Correct. With the classification of the milk, class I, so to speak.

The CHAIRMAN. All right. And it was hoped that with the fixing of that floor, it would at least get costs of production plus.

Mr. GREINER. Correct.

The CHAIRMAN. Now, instead of doing it that way, instead of administering that law that way, what happened was the blend price came into being so that in Chicago, for instance, we had an area there where only 41 percent of the milk produced in that area was sold direct to the consumer and the rest of it was used to make butter and cheese. And in order to continue that production, what happened was that whatever the support price was, assuming it was $4.50, and the floor fixed by the Secretary to be $6, that would make—this blend price would come about by adding the support price to the floor price, divide that by 2, and let it go at that.

Mr. GREINER. Senator, in 1965, though, that basic act which attempted to do these things, was amended to add class I base plan.

The CHAIRMAN. I am talking about the 1938 act.

Mr. GREINER. I understand. Now, we come up to 1965 when they adopted the dairyman's class I base plan which then did say to the dairy farmer, this here is a technique in which you produce the class I milk, divide up that market, so to speak. Is this correct?

Mr. TIPTON. Yes.

The CHAIRMAN. Divide it with whom?

Mr. GREINER. Themselves. In other words, the producers who are there can say we are going to divide up and produce only so much of this class I milk and we will get bases and certainly will be assured of receiving a certain amount of money, assured of receiving this class I price for this milk. If we exceed our base then we will have to take the lower price for the other milk. This is essentially what happened in 1965. Our testimony is to the effect that this system works to the

detriment of the producer who is on the outside and there is really no way he can get in, so to speak, to produce, to share in this market.

The CHAIRMAN. Now, to what extent does the language in the bill we are considering and the proposals made and accepted by Mr. Healy and others change that?

Mr. GREINER. Well, I have this in my statement. There are four sections we would like to speak to on new producers. So, if I may continue——

The CHAIRMAN. Well, as a matter of fact, does it change it at all?

Mr. GREINER. Oh, yes, substantially. From what it is now. In other words, the bill that is presently pending before the Congress——

The CHAIRMAN. Changes it from what it is now.

Mr. GREINER. Right.

The CHAIRMAN. That is what I desired you to talk about. Not now but when you reach it, just show if you will, how the 1965 amendment changed the 1938 act and how the present amendments may change—will further change the 1938 act.

Mr. GREINER. In quick summary, and then continuing with the statement, basically the problem stems from how new producers get into the marketplace, so to speak. So may I say this now, starting on my statement, top of page 4.

We are pleased that specific provisions are contained for the entry of certain "new producers." Three categories of new producers—those described in the amended section 8c(5)(B)(ii), (f)(iii), (iv), and (v) appear to be adequate. And, now, I am talking about the bill that is both pending here, the McGovern and Proxmire bill. That is 3483, I believe.

The CHAIRMAN. I understand. That is a part of the consensus bill.

Mr. GREINER. That is the consensus bill in the House Agriculture Committee. We think there are three sections which are quite adequate, and are needed to do this job. To explain those: first, clause (f)(iii) provides the manner by which dairy farmers who were not producers under the order when the plan became effective but who become producers under the order by reason of the plants to which they are delivering milk becoming regulated under the order will receive bases. That is one thing.

Clause (f)(iv) covers the reentry of producers who have previously discontinued their dairy farm enterprise or who have transferred bases or sold them to other producers. That is another type.

The CHAIRMAN. Now, those new producers you speak of there are local producers. It does not envision out of State, does it?

Mr. GREINER. They could be any type of producers.

Mr. TIPTON. Any place?

The CHAIRMAN. Any type, any place. Wisconsin could come to Mississippi.

Mr. GREINER. Yes, sir. If he is described simply as a producer under the order and meeting that description.

The CHAIRMAN. All right. And that would be done irrespective of what the regulations are in the market which that milk is sent from, let us say, Wisconsin or Minnesota, to Mississippi, Alabama, or New York.

Mr. GREINER. Well, the sanitary regulations would be separate and

apart and if the State or local health authority for some reason found that milk to be unacceptable, not to meet their standards, the milk would not move. That has nothing to do with the Federal order per se. The only basic requirement in the Federal order is that the milk must meet local standards and the local authority is the one that would prevail.

The CHAIRMAN. All right.

Mr. GREINER. Now, clause (f)(v) contains provisions under which a dairy farmer who has a history of production but who was not delivering milk as a producer under the order when the plan becomes effective may obtain a base when he becomes a producer as defined under the order. And these provisions are the ones that need amending, in our opinion.

Stripped of its very broad and general verbage, clause (f)(ii) directs the Secretary to give such new producers a base which he determines to be "proper." This could be quite restrictive in that the guidelines provided the Secretary are broad and in some cases contradictory, virtually defying reconciliation.

In addition to granting the Secretary of Agriculture authority to give such new producers a very limited base, the final sentence under this clause provides that "producer bases so allocated shall for a period of not more than 3 years be reduced by not more than 20 percent * * *."

Apparently, the money which is extracted from new producers entering the market under these provisions will be given as a franchise payment to the established producers with bases.

If the new producers under clause (f)(ii) were not given a fair starting base, his share in the market growth would be meaningless.

Clause (f)(ii) is quite important since over a long period of time virtually all producers will be new producers and forced to enter the market either by earning their base under clause (f)(ii) or by purchasing one from other producers. If restrictions are authorized on the entry of these new producers the value of bases will be greatly enhanced.

In order to prevent undue capitalization of bases, we urge the committee to amend this bill so that Section 8c5(d)ii would read as follows:

"(ii) for providing bases for dairy farmers not delivering milk as producers under the order upon becoming producers under the order who did not produce milk during part of the representative period, and these new producers shall within 90 days after the first regular delivery of milk at the price for the lowest use classification specified in such order be allocated a base equivalent to those allocated to producers at the inception of the plan."

If I may, I will simply summarize our provision on the school milk program.

The CHAIRMAN. I suppose you are for all of those.

Mr. GREINER. Right. If I may put it in the record we simply do think the program has made substantial contributions to nutritional welfare of schoolchildren.

The CHAIRMAN. Every person who came before us is going to do what you are proposing to do, I know that in advance. Continue the program. I think they are good programs.

Mr. GREINER. Well, we do, too. We think it has made a substantial contribution to nutrition and we would hope the committee in its judgment, would decide how to do it and if they can——

The CHAIRMAN. Have you any new suggestions as to how?

Mr. GREINER. No. Either through the farm bill or through the special authorization. Perhaps the farm bill would be the choice. If you have any questions further on this we will be glad to respond.

The CHAIRMAN. There is only one question that bothers me at times. It is this. If a milkshed is directly bounded, you have so many milk producers there who decide that they want to go into this program and that the Secretary of Agriculture fixes this base paid, that is, fixes the floor paid, will not the new producers that may come from other States kind of disrupt whatever market agreement will be made for a given area to the point where the floor price may become affected to the point where the producers there will not be able to sell their goods at a profit, that production at a profit?

Mr. GREINER. I would like to defer to Mr. Tipton on that.

The CHAIRMAN. Do you understand what I am trying to drive at?

Mr. TIPTON. Yes.

The CHAIRMAN. In other words, when a group of farmers say that they will deliver so much milk, produce so much milk at a certain price, if you permit milk to come from other areas, the demand or the request would be—there will be a push on to lower and lower the price. And is not that unfair to those who vote themselves into an area with a marketing agreement? Is not that unfair to them?

Mr. TIPTON. Well, I think there are two parts to it that I would like to respond to.

In the first place, the bill has in it certain restrictions on the way and manner in which a new farmer can enter the market. In each case there is authority to pay that new farmer entering the market the lowest use classification for up to 90 days. That in itself is a substantial restriction on a new farmer coming into the market and he would not likely come into the market unless he was going to permanently associate himself with the market and produce on a permanent basis because he normally could not afford to incur that lower price for the first 90 days of his delivery.

The other part of it is that there are—you can probably turn the question around and say is it fair to isolate the market to the extent that only the producers who happen to be producing milk at the time the plan went into effect could be the ones to produce for the market?

We think that is not a proper way and that there should be provisions so that there is competition between areas of production. It does cost more to produce milk in Florida than it does cost in Wisconsin, and there needs to be a reasonable amount of competition between the dairy farmers in these two production areas. And so, therefore, we think that the milk should be permitted to flow between the markets without any undue restrictions, recognizing that there should be some kind of a limitation to make sure that when the milk does move between the markets it does become associated with the market on a rather permanent basis and does not associate itself with the market just to take advantage of some temporary price misalinement or some temporary advantage.

The CHAIRMAN. Well, suppose this were to go into effect and you would have more grade A milk come in there and you would flood the market. Would not that have the tendency of pressing down the floor fixed by the Secretary?

Mr. TIPTON. Well, it would have the tendency of reducing the base price or the blended price, yes.

The CHAIRMAN. Well, if that occurred, then, would not that be a violation, would not it amount to more or less of a violation of the agreement that the producers in that area had entered into?

Mr. TIPTON. Well, I do not know, sir, any other way in which you can maintain any degree of competition and any determinative of a reasonable price in an area unless it is available to compete with milk from some other area.

Now, it might well be——

The CHAIRMAN. Well, I can well understand if the areas are separated but here you are permitting people from other areas who have—who receive a fair amount of support price in cheese and butter making to come and barge into an area wherein the farmers have voted themselves into it and into which the Secretary of Agriculture has come in and put a floor on the price of the milk. And on the other hand, would not that lead to a greater amount of milk produced in that area, that is, the area that has been fixed or that has been predetermined?

Mr. TIPTON. Sir, the pricing standard, the standards under which the Secretary, is to establish prices in each of these markets, is basically one of supply and demand. He is to set a price which will provide an adequate supply for the demand of that market.

Now, there is no restriction, in fact, the act currently is quite specific that there shall be no restrictions on milk from other areas. So, when the Secretary sets the price in a local market, that price must be one that will bring forth an adequate supply of milk either from the local market or from alternate sources and we would propose not to change that concept at all and in fact, we want to make sure that the provisions are such that the milk from the alternate sources can come into the market.

The CHAIRMAN. Well, now, what is there in your proposal or in the language we are now considering to prevent the supply of milk to exceed the demand? From the outside.

Mr. TIPTON. Well, there is nothing to prevent it as such but the Secretary of Agriculture would still be responsible for setting the price that was reasonable to bring forth an adequate supply and not excessive.

The CHAIRMAN. I say suppose that supply—suppose he fixes a supply at x number of gallons. Could not that supply be considerably altered by permitting others to come in from areas away from this marketing area?

Mr. TIPTON. Yes, sir, it could be.

The CHAIRMAN. Well, would not that seriously affect the area in which this would happen?

Mr. TIPTON. Well, yes, it would have an effect on it, but by the same token, it might be—you might have areas in which even when the Secretary set the price there was not an adequate supply produced in the local market.

The CHAIRMAN. Well, if that is shown, then, of course, that would affect the retail price and I can well understand that in areas like that, that it might be advisable to permit milk to come in to supply the demand.

Mr. TIPTON. And that is what we are trying to provide for here, is to make sure that that avenue is open to the Secretary whenever he determines that to be the case.

The CHAIRMAN. Is there anything in there to prevent an oversupply of the demand at the time the order is issued?

Mr. GREINER. I believe, Mr. Chairman, to take one attempt at that one, that generally speaking, in the areas we are talking about, if it is a deficit area and milk is being shipped in there, that the people will find it unprofitable at some point to ship milk in because of the price structure and they will find that the price structure becomes attractive only so long as there is a market for the milk. If once the supply reaches the point of filling all the demand, the price is going to drop, which will then make it less attractive for the outside milk to come in. This is what happens. It is physically what happens in the Federal market orders today, speaking of deficit areas.

I think one other point, that when we talk about local areas, actually we are talking about substantial areas because of the order being expanded to other points, being consolidated, so that in some places we have rather broad coverage of Federal orders in given marketing areas. Whereas we had a large number of marketing areas many years ago the Department of Agriculture is restricting those numbers so that we have them covering much bigger areas.

The CHAIRMAN. What is the largest area you know of?

Mr. TIPTON. Excuse me?

The CHAIRMAN. Area.

Mr. TIPTON. Well, the largest areawide would be—there are two very large ones, one which is called the Chicago regional area, which includes about five-State region in that area. And then all of New England with the exception of Connecticut is one single market and then another order is all of the State of New York and most of the State of New Jersey being in one market. And there are several others that cover all of one State and part of other States.

The CHAIRMAN. Any further questions?

Senator JORDON. I have just a very short question. I understood you to say you could produce milk cheaper in Wisconsin than in Florida. Is that correct?

Mr. TIPTON. Yes, sir.

Senator JORDON. Is it? I would think with the long growing season of pastures it would be chaeaper to produce milk in Florida than it would the short seasons in Wisconsin with such cold weather. They would have to barn their cows certain parts of the winter.

The CHAIRMAN. Yes, but their cows produce about 1,500 pounds per cow greater than what the Florida cows produce.

Mr. TIPTON. The basis, the proof of the pudding, so to speak, is the fact that the farmers in Wisconsin get a substantially lower price than do the farmers in the Southern States such as Florida, and yet the production is much greater in the States of Wisconsin, Minnesota, and Iowa, and so forth, than it is in the Southern States.

Senator CURTIS. Does that prove your point?
Mr. TIPTON. I think so.
Senator CURTIS. The fact that they get a lower price?
Mr. TIPTON. Pardon?
Senator CURTIS. The fact that they get a lower price?
Mr. TIPTON. They have gotten a lower price over a good number of years and yet their production is far in excess of the production in the other areas which have higher prices.
Senator CURTIS. Who makes up the Milk Industry Foundation?
Mr. GREINER. The Milk Industry Foundation consists of processors of dairy products, primarily proprietary companies, and we have some cooperatives which also operate plants, but we confine our membership to those people who process the milk.
Senator CURTIS. How many members do you have?
Mr. TIPTON. Around 800 representing roughly three-fourths of the fluid milk processed in the United States.
Senator JORDON. Do you mean by that Pet and all those?
Mr. GREINER. Yes, Pet Dairy in Johnson City.
Senator CURTIS. All of the majors.
Mr. GREINER. All of the majors.
Senator CURTIS. But you represent none of the producers of milk, directly.
Mr. GREINER. We do not attempt it. No. This is the province of the National Milk Producers Federation. We do not attempt to have any representation for them as dairy farmers. Ours is strictly from the standpoint of processing and delivery of milk.
Senator CURTIS. Over what distance can you transport fluid milk after it has been in the hands of the processors efficiently and economically? A 1,000 miles? 500 miles? 200 miles?
Mr. TIPTON. Let me give——
Senator CURTIS. Those of us from the interior of the country are interested in that question and I would be delighted to have your response.
Mr. TIPTON. Well, physicially it is possible to do it unlimited distances. Now, the economics of how far you could transport it are going to depend to a large extent on what are the price differences or the cost differences in various areas. We know now of milk being moved quite regularly distances of 800 to a 1,000 miles. And I think that this is a very reasonable distance to move it.
Senator JORDON. That is in stainless steel refrigerator tank cars.
Mr. GREINER. Two thing that made that possible just as you said, refrigerated vehicles and Interstate System of Highways. Milk can be moved rapidly and overnight, within 12 or 24 hours.
Mr. TIPTON. I was actually referring——
Senator CURTIS. You say you can transport it a 1,000 miles efficiently.
Mr. TIPTON. I was actually talking about packaged products when I was responding.
Senator CURTIS. I am talking about fluid milk.
Mr. TIPTON. Bulk milk can be moved much greater distances and regularly is.
Senator JORDAN. In these highway transports.
Mr. TIPTON. Yes, sir.

Senator JORDAN. Go right to the shed.

Mr. TIPTON. Yes, sir.

Senator CURTIS. Are there any milk processors of reasonable size that are not members of your foundation?

Mr. GREINER. Reasonable size?

Mr. TIPTON. The largest ones who are not members are those who have integrated operations, such as retail chain stores processing their own milk.

Senator CURTIS. I see.

Mr. TIPTON. As far as the very large normal dairies, I think virtually all of those are members of the association.

Senator CURTIS. Is Roberts a part of your foundation?

Mr. TIPTON. Yes, sir.

Senator CURTIS. That is all, Mr. Chairman.

Senator JORDAN. I want to ask one more question, Mr. Chairman.

What is the effect of the importation of canned milk on our American market?

Mr. GREINER. Talking about evaporated milk?

Senator JORDAN. Yes, sir.

Mr. GREINER. May I put on my other hat? Mr. Chairman, I am executive vice president of the Evaporated Milk Association and we have consistently supported the efforts of Senator Proxmire with S. 612. We also have consistently appeared before the Tariff Commission urging it to impose quotas.

The present quota on evaporated milk is, shall I say, stemming the tide of that product. As a matter of fact, the figures as of February 9 indicated that the quota from the Netherlands was half filled and the quota from Germany was entirely filled for this year, 1970, already, and this is only February. As a result, it has an impact on us as processors of evaporated milk but we feel we can live with it. We could not live with any more than what we are getting, though.

Senator JORDAN. Is it true they are not policing the imports?

Mr. GREINER. They are policing it in the areas I am totally familiar with, Senator, and that is in the canned milk areas. It is my understanding that there have been considerable problems in other areas of certain types of cheeses and other types of products that have come in under the guise of certain food products that perhaps are heavy in solids of milk; yes.

Senator JORDAN. You said that we have had too much imported this year, that some quotas have already been shipped in here. Does not that disrupt our normal market, such a large quantity being dumped in here at one time?

Mr. GREINER. We have not had reports of that particular product causing any great disruptions. I have had reports of it being in the marketplace but it has not seemed to break the price, shall I say, as near as I can see. It has not had a depressing effect on prices is a better way of putting it insofar as the marketplace, because the chain-store buyer, for example, knows he is going to be limited to a certain amount of milk. If they were unlimited then you would have a terrible situation.

Senator JORDAN. You have got to have a quota.

Mr. GREINER. You have got to have a quota. Otherwise, the buyers know they are going to have so much access to milk from overseas

and, therefore, are unwilling to commit themselves to buying much of it.

The CHAIRMAN. Thank you very much, sir.

All right. The next witness is Mr. Don Kirchner, from Riverside, Iowa.

STATEMENT OF DON F. KIRCHNER, CHAIRMAN, AGRICULTURE-RURAL AMERICAN COMMITTEE, RIVERSIDE, IOWA, AND LEE M. STENEHJEM, INDEPENDENT BANKERS ASSOCIATION OF AMERICA, WATFORD CITY, N. DAK.

The CHAIRMAN. You may have a seat, sir.

Mr. KIRCHNER. I would like to introduce to you Lee Stenehjem, First International Bank of Watford City, N. Dak., who is a past president of our association and has jointed me today.

The CHAIRMAN. All right. Have a seat.

Mr. KIRCHNER. I am Don Kirchner, Riverside, Iowa, a little country town south of Iowa City, and I am a banker and chairman of the Agriculture-Rural American Committee of the Independent Bankers Association.

I want you, Mr. Chairman, and Senators, to know we certainly appreciate the opportunity to present to you the views of our committee, the Agriculture-Rural American Committee of the Independent Bankers Association.

Our association represents over 6,500 of our Nation's independent bank. My committee members come from the States of Iowa, Indiana, Michigan, Pennsylvania, Georgia, Texas, Colorado, Nebraska, Montana, and Minnesota.

Our committee has been studying the problems that beset our Nation's farmers, ranchers, and small rural communities for the past 9 years.

We do not feel that we can afford to ignore the problems of agriculture. We feel farming is more than just a business enterprise operated by farmers. Since man cannot live without food, agriculture is the one essential industry on our planet. It would be impossible for any of us to take so vital an industry for granted; yet, this is what we have done for many years.

During the 1950's the granaries of America bulged with surplus production. A surplus that was created as a result of technology and capital being injected into farming without regard to the consequences.

Our present farm program was developed, designed, and adopted to control production sufficiently to eliminate the surpluses of the 1950's. The American farmer was told, or led to believe, that as soon as the surpluses were eliminated, he would then be able to share in the prosperity that had been acquired in the other segments of our economy. The surpluses of the 1950's have been eliminated; however, prosperity has not come to agriculture.

The continuing technological advancements in agriculture have greatly increased our ability to produce agricultural products. The projected future needs for food in the world have kept the land-grant colleges and private industry developing new hybrids and other technological advances much faster than they are needed. These advances in our ability to produce have been largely financed by the Federal

Government. We have now reached a point where our ability to produce is almost unlimited. Yet, our technological revolution in agriculture is marching on with new breakthroughs coming almost every year.

The needs for additional production by our Nation's agriculture that were anticipated in 1950 to be needed by 1970 have failed to materialize. Our exports of agricultural products have leveled off in recent years as the underdeveloped countries of the world have used the technology that we have provided to increase their own production capacities.

The world price which we speak so much about is not the average price in the developed countries of the world. It has become the world dumping price, the price that the underdeveloped countries of the world can afford to pay for the surplus production of the developed countries. This is the price that we expect our Nation's farmers to produce at. We do not feel it is a fair price. The rest of our Nation's people are not expected to work at world price for their labors either whether it be in the developed countries of the world or the underdeveloped countries of the world. Therefore, the forcing of agriculture to produce at world price has forced 5.5 million farmers off of the land in the last 20 years.

Our programs for agriculture were developed to keep our agricultural segment of the economy from having a severe depression due to overproduction, a farm depression that would carry our entire Nation into the throes of depression. With our almost unlimited ability to produce in agriculture, it is more important today than ever before that we have a program for agriculture that will keep farm prices sufficiently high to keep our farmers and ranchers on the land.

Yet, we have more and more people in this country, there may be some in this room, that are looking at our farm programs as welfare programs. These programs are not welfare programs, and we do not feel they can operate as welfare programs. What we do have are programs that have production controls and floors under prices to help keep our entire Nation's economy healthy. I met just a little over 2 weeks ago, on February 4, to be exact, with some top administration officials at the USDA in regard to the farm problem. I was told by one top administration official a remark that I will never forget. He said, and I quote, "I do not like welfare programs. I am getting damn tired of farmers crawling in to Washington on their hands and knees, asking for handouts."

Gentlemen, I was absolutely shocked and I was amazed that I should hear this from such a source. This is why I have devoted time to attempt to explain to those who think of the farm program as being a welfare program that this is not its function.

(Note. See supplementary statements, page 683.)

Mr. KIRCHNER. The present program is basically a good program. It has done the job it was intended to do in getting rid of the surplus of the 1950's. However, it has failed to raise net farm income appreciably. The American farmer has been forced to subsidize the consumer, industry, and the underdeveloped countries of the world by having the farm program administered to keep farm prices lower than parity.

We have heard much about rural development. Many have come to the realization that the problems of the cities lie in a rural America

that does not keep its people. As these people migrate to the cities in search of better opportunity, they cause a multitude of problems in the cities. The roots of the slums and ghettos in urban American lie in a rural America that does not keep its people. As farm families leave the farm to migrate to the cities, the opportunities for the rural doctor, the rural merchant, and the rural church and school disappear with them. The demise of the rural community also results in an incomprehensible waste of existing municipal facilities: schools, churches, water and sewer systems, and parks to mention a few. The migration of rural people to the cities has added to the urgent need for expansion of the same facilities in urban areas.

We now see that what seems to be a concerted effort by the administration and the Congress to make our rural communities a better place to live and work and play. Programs of assistance are available to small communities to make them better. We badly need this help in rural America and we certainly appreciate it. However, all of our rural businesses and service establishments rely on the financial well being of the American farmer. When the American farmer is forced to live on a standard of living that is far below the rest of our Nation's people, the residents of the small rural towns and cities cannot live as do their counterparts in urban America. They are all being seriously damaged by low farm prices. If we are to make rural America a better place to live and work and play, we need a prosperus agriculture to support it.

In this decade farm costs have gone up 31 percent and farm debt has increased 90 percent. Farmers now owe $50 billion. Agriculture, the largest industry in our country, is still in trouble.

The present farm program, I again say, is basically sound. The problem has been in the administration of the program. The program must be administered for the benefit of the farmers and ranchers of this country, and not for the benefit of the consumers, industry, and other nations.

We badly need a permanent program for agriculture, a program that assures a place in our society for the family farmer and rancher.

Advancements in technology will continue to come. The advances will reduce the cost of production of farm commodities. However, lower per unit costs will not guarantee an adequate price to farmers and cannot be expected to solve the income problems of the farmer.

We must have Government farm programs in the agricultural segment to keep farm prices stable and improve them.

For many years we have had the farm organizations fighting each other over farm legislation. We have wondered why the farm organizations could not work together in the common cause. Today the situation is changing. We have seen the formation of the Farm Coalition, a group of farm organizations that is working together for the common cause and growing in numbers steadily.

I might add here in case anybody gets Kiplinger's agricultural letter that came out in the February 20 issue stating that the Independent Bankers Association has joined the Farm Coalition, and I do not know where they got their information or how they got their information, but it is not true. So, I do not want to mislead anybody by that.

We have come through the 1960's and we are in much better condition than when we started them. We no longer have the surpluses of

the 1950's stored in warehouses and rotting. We have seen the Food and Agriculture Act of 1965 work and work well.

We are faced with seeing the Food and Agriculture Act of 1965 run out at the end of this crop season. We can also see that the surpluses of the 1950's could again be created in a few short years without some form of control.

As we see it, we are faced with three alternatives:

1. No farm legislation.
2. The administration bill.
3. The coalition bill, S. 3068.

If we let the present farm program run out we will be forcing the farmer to overproduce and the surpluses of the 1950's will seem small when we consider the production capacity of agriculture today. We surely cannot allow this to happen.

The administration bill or Hardin plan, referred to as the consensus bill, is dangerous in the eyes of farmers. Too much power is put in the hands of the Secretary of Agriculture and the administration. The bill leaves no alternative to the farmer except to produce all that is allowed by the Secretary or lose his acreage base. With no floor under price supports and the inclusion of the whole farm retirement plan and the easement approach, our Nation's farmers would be strictly subject to the powers of the USDA. We feel that it is the responsibility of the Congress to provide a farm program that has controls and floors under prices that will insure that the intent of the Congress is carried out by the administration.

The coalition bill, Senate bill 3068, is basically an extension of the Food and Agricultural Act of 1965, with improving amendments. This is a farm program that has worked well in controlling production and eliminating surpluses, while at the same time raising farm income. Although farm costs have risen at an alarming rate due to inflation, and have offset much of the gain in farm income, let us not be misled into believing that the program has failed.

We had hoped that the administration would present a bill that could be backed by the Farm Coalition and the agriculture committees of both the House and Senate which would give it much broader support for passage. Where the name "consensus bill" came from to me, is a mystery. I have heard of no farm organization that is backing the administration bill.

It is mandatory that we have permanent legislation for agriculture. The American farmer and ranchers must be able to plan several years ahead. If the farm program were to be funded by annual appropriations, as in the administration bill, there would be no way of knowing from one year to the next what the farm program would be. The responsibilities of the agricultural committees of the House and Senate would be abdicated to the Appropriations Committee.

Gentlemen, I beseech you, I ask you to adopt Senate bill 3068, introduced by Senator McGovern and 12 other Senators. This is the only logical step that can be made at this time, and time is of the essence. The American farmer needs as much planning time as possible and any further delay will only increase the possibility that the farmer and the country will have to go back to farm programs in effect before the Food and Agriculture Act of 1965.

Mr. Chairman and members of the Agriculture and Forestry Committee, this has been my first opportunity to appear before this distinguished group. I certainly appreciate you giving your time to hear the bankers' views on this most important subject.

Thank you.

The CHAIRMAN. We thank you very much. Very fine statement, sir. Have you anything to add, Mr. Stenehjem?

Mr. STENEHJEM. No, sir, I do not, sir.

The CHAIRMAN. Any questions?

Senator MILLER. Mr. Kirchner, welcome before the committee.

Mr. KIRCHNER. Thank you.

Senator MILLER. May I say that Riverside, Iowa, while small is very mighty.

You quoted from someone you identified as one top administration official and I take it, you do not care to provide the committee with the name of that official.

Mr. KIRCHNER. What I would love to have you do would be to ask me who.

Senator MILLER. May I ask you this. When you say a top administration official, there are many so-called top administration officials. Would this be a Secretary of a department?

Mr. KIRCHNER. No, sir.

Senator MILLER. Would it be a Deputy or Undersecretary?

The CHAIRMAN. Well, if he desires to name him, we will let him do so.

Senator MILLER. I think he might name the top administration official.

Senator CURTIS. I would like to have him name it.

Mr. KIRCHNER. The gentleman was Mr. Frick. I cannot offhand say his first name. Administrator of the ASCS. We were meeting him at the time with regard to trying to talk him into advance payments on the soil bank this year and he said there was no chance of the advance payments, that we might just as well forget it, and then he went into that statement. I had three witnesses with me that would certainly back it but I have never been so shocked.

(Note. See supplementary statements, page 683.)

Senator MILLER. I appreciate your frankness before the committee.

Mr. KIRCHNER. The reason I do not mind identifying him, because I am sure I burned all my bridges before I left his office.

Senator MILLER. Well, I appreciate your frankness. However, I trust you are not implying that that represents the administration's view.

Mr. KIRCHNER. No, I am not implying it but I am certainly saying that that represents this man's view.

Senator MILLER. Yes. Well——

Mr. KIRCHNER. And he is——

Senator MILLER (continuing). I can see that.

Mr. KIRCHNER (continuing). And as the head of the Department, of the ASCS, this is the one who is running our farm program and if we have this individual looking at it as a welfare program, I think we are in pretty bad shape.

Senator MILLER. Well, the point I wanted to make, sir, is that I think that most of us recognize that the Secretary of Agriculture is the

spokesman for the administration and I can tell you that I have never heard the Secretary of Agriculture enunciate either formally or informally such a philosophy or such an attitude and everything that he has said has been the other way. So, just for the record, I wanted to clear up the fact that you are not implying that this is administration philosophy.

Mr. KIRCHNER. No. I am not implying the Secretary feels that way at all.

The CHAIRMAN. Well, in order to——

Mr. KIRCHNER. I sure would not accuse him of it, because I do not even want to plant the thought.

The CHAIRMAN (continuing). In order to make certain that it is not the head of the administration in Agriculture——

Mr. KIRCHNER. In this idea I am surely not trying to make a political attack. I have no intention of doing that.

The CHAIRMAN (continuing). When Mr. Hardin first appeared before this committee, whereas it is not in the record but I asked him specifically about the farm programs and he indicated to me that his idea was to increase the farmer's income. Now——

Mr. KIRCHNER. That is good news to me.

The CHAIRMAN (continuing). That is what I understood him to say to me and I think he was sincere in it. And I suggested to him that he give us a way by which that could be done and up to now we are waiting for that program. And I am glad to say that this committee decided that as soon as all of the outside witnesses are heard, we are going to give Mr. Hardin a chance to appear before this committee and give us his version of it.

Mr. KIRCHNER. I did meet with Secretary Hardin the same day I met with Mr. Frick and it was the day after this, I do not know even how you identify it. He claims it is not his proposal, but after this bill came out, and he was not at that time willing to discuss it with the group I was with and I really do not blame him for not wanting to. It had not been discussed at any level and we had very few minutes of his time. But then I did go to the National Farm Institute in Des Moines where he was on the program and hoped so much that he would have something to say about the bill and I have not seen any statement by him yet.

Senator CURTIS. Well, I think our chairman is correct. Mr. Hardin has not proposed anything. We have a difficult situation. The farmers are not only a minority. The House of Representatives are down to 59 farm Congressmen if you count a farm district as one that has 25 percent of the people there.

Mr. Hardin has met for a long period of weeks in conference with the House Agriculture Committee to see what might be worked out and what might be acceptable. It is my understanding that they have responded to some things that they would accept but I know of no Hardin farm program. I believe the only realistic position to take is to see what the Secretary and the two committees in the Congress can work out that will improve the economic situation of the farmers.

Senator MILLER. And will have a chance of being passed.

Senator CURTIS. Yes.

Mr. KIRCHNER. Yes.

Senator MILLER. I think that Senator Curtis' point is vital on this because I know you express some discontent over the fact that no farm organizations as such were supporting this particular bill. Those of us who come from agricultural States are up against the hard realities that we have to have the votes of our colleagues from some of these larger areas. This is especially true in the House. And so, I do not think that any farm organization or group of farm organizations ought to think that they can just come in here and say, now here is what the farmers of the country want and expect to get it because the votes just are not there. It is a matter of trying to work out a compromise and coming up with the best one we can for the farmers. If we controlled the votes, that might be one thing but we do not. And Secretary Hardin faced up to the realities and tried to develop some ideas which would represent not just the farm Senators and farm House Members but those who also have the majority of the votes around this place.

The CHAIRMAN. Well, in connection with mentioning of the consensus bill, I am wondering myself where that name originated because I spoke to quite a few members of the House committee and they have not reached many conclusions on the suggestions made by the Department.

Now, that is what I was told. But, of course, that is hearsay and what we propose to do is to have the administration look over the testimony that has been presented here and try to come to some conclusion or try to assist us to the end that farmers will get a better income than they are now receiving.

Mr. KIRCHNER. Well, of course, all farm organizations have their conventions and they make policy statements that they are not willing to settle for less than this or less than that or probably, and I can say it and they probably cannot, they all know they are not going to get exactly what they want, and it is going to be, has to be negotiated, although I do not think they can appear before you and say we are willing to negotiate down to a given point.

But I am so alarmed when it comes to this thought of a welfare program and I know that there are many, many, many people in the cities and probably many urban Congressmen that look at the farm program as a welfare program and if we could just some way find a way to get them—explain to them that it is not a welfare program and it cannot operate on that basis, I think then we might have a good step made in convincing them of the needs.

Senator MILLER. I may say I do not know of anybody on this committee that has that attitude. I would not be surprised but what there would be some of our colleagues, especially in the House, who may have that attitude. I have said to farm organization meetings that they should enlist the support of people engaged in the agribusiness industry which would, of course, include your association, to help carry the message.

Mr. KIRCHNER. That is why we are involved, Senator.

Senator MILLER. Well, I appreciate that and I certainly think it is a step in the right direction. I hope you get other support from other agribusiness interests.

Because of what Senator Ellender and you just said, I would invite your attention to the fact that when you say we are faced with three

alternatives, we really are not. As a matter of fact, the alternative of no farm legislation, I think, is not even in the ball park but to get down to either the administration bill or the coalition bill, I think probably Senator Ellender could express this far better than I because he has been on this committee so many years, but it has been my observation in my years on here and before then that what usually happens is that there is a development within a committee on a bill which may take pieces here and pieces there from various proposals and that that probably is the true alternative that we will come up with rather than any one of these three.

Mr. KIRCHNER. I certainly expect that that is what is going to happen, although I did not—I did not want to be in the position of trying to tell you which parts should be in and which not. I think the farm organizations have been well heard on that subject. I did want to strongly point out the fact that we do have a farm coalition. We have asked for it for so long and hoped that some farm organizations would some day get together and work together. That is why I would personally like to see a lot of that coalition bill included so it does not destroy the coalition. If none of it is included, that group may be another 40 years getting together again.

Senator MILLER. I want to come back to that in just a moment, but on page 4 of your statement you talk about farmers being seriously damaged by low farm prices. But there is another side to the cost-price squeeze. They are being seriously hurt by high costs of production, are they not?

Mr. KIRCHNER. And a little bit hurt by high interest rates, too.

Senator MILLER. Yes, but the other side of the coin is high costs of production and that gets us into the impact of inflation on the agricultural segment of this economy.

Mr. KIRCHNER. This program has raised farm income. Inflation took away a lot of it and we did not wind up with a raise in net farm income.

Senator MILLER. I appreciate that because I am sure as a banker you know the $16 billion of national net farm income last year if you shrink the inflation out of it it would get us back to the $12 billion we had in 1960, so you have made no gain.

On the production side of the cost-price squeeze I sometimes feel there has not been enough emphasis made on the part of farm organizations, especially talking about higher prices and all of that which is fine, but there is a cost of production that enters into this cost-price squeeze very, very seriously and I do think you develop that a little later on in your statement.

Now, one thing that does bother me very much about the coalition bill. During testimony by previous witnesses in behalf of it, I must say I have not been satisfied by the answers. I do not know whether you have an answer but I would like to ask you the question anyway.

I am sure you understand the importance of not only maintaining but expanding our agricultural exports. As you know, coming from Iowa, until recently about 1 out of 4 acres of production moved overseas. Now it is down to about 1 out of 5. So, we certainly do not want to go backward. We want to go forward.

And what bothers me is how do you reconcile the provisions in this

coalition bill with the need to become more competitive in world markets so that we not only can maintain but expand our exports?

Mr. KIRCHNER. I am going to have to attack that as a personal answer rather than any position of our association, because we do not have one.

Senator MILLER. All right.

Mr. KIRCHNER. I think the only way that it can be done—of course, if we raise farm prices above this world price, which I do not feel is much of a price at all; I explained that in my text—we are almost going to have to do it with some kind of an export subsidy. But an export subsidy would be paid by everybody. It would come out of the general funds of the U.S. Government. It would not just come out of the farmer's pocket.

Senator MILLER. Yes; but on that point I must tell you that the legislative representative of the National Farmers Organization, who is quite experienced in this area, did testify the other afternoon in here, that a direct subsidy would be barred by the GATT rules. So, the question gets back to how do we skin that cat within the framework of this.

Mr. KIRCHNER. I did not understand it would be——

Senator MILLER. By the General Agreement on Tariffs and Trade rules, a treaty to which we are signatories. And I think it is generally recognized that that is so. I might say to you that at one time I recommended a direct subsidy myself but unfortunately, if we are going to abide by our treaty commitments, we cannot do that. So, the problem is how to meet the GATT rules and at the same time maintain and increase our exports and at the same time have good domestic prices, and this is a very difficult ball of wax for us to find our way through.

Mr. KIRCHNER. I am not too much personally concerned whether we meet the GAAT rules. I really do not know anything about them, but——

Senator MILLER. But you see, you must be if you want to maintain and expand exports. We have to do it within those rules.

Well, I very much appreciate having——

Mr. KIRCHNER. I am not, in my text, trying to point out individual cases and exactly how I think you should handle it because I do not know. I have no idea.

Senator MILLER. This, to me, is one of the worst defects in the coalition bill.

Mr. KIRCHNER. I feel these are the things we have to have. We have to have more income. Our farmers are getting——

Senator MILLER. I think we are in agreement on the objectives, but this to me is one of the toughest defects in the coalition bill on which I have yet to hear an answer that is going to satisfy me. And I must tell you, if you have any way of checking on this and coming up with a suggestion on this, I am sure we would welcome it.

Anyhow, it is nice to have Mr. Kirchner here. He represents a very fine association, Mr. Chairman. I have the privilege of knowing many of these independent bankers. They do a tremendous job of grassroots support of our agricultural industry and they know probably about as well as anybody outside of the farmers themselves what the situation is in agriculture.

The CHAIRMAN. Senator Curtis?

Senator CURTIS. You referred to the surpluses of the fifties. You did not mean to imply that surpluses had disappeared.

Mr. KIRCHNER. I do not mean to imply that the surpluses have disappeared. In a way I do not, I guess. We still have the surplus.

The CHAIRMAN. They have been reduced considerably.

Mr. KIRCHNER. It has been reduced. I think we actually came close to wiping it out in 1966, was it not, 1967.

Senator CURTIS. Are there any wheatgrowers in your area?

Mr. KIRCHNER. No. We are not—I am in southeast Iowa. Mr. Stenehjem is in North Dakota.

Mr. STENEHJEM. Western North Dakota.

Senator CURTIS. Why did the wheat price, the total blend price of wheat, drop in 1967 and then in 1968? The law did not change. Congress did not change the law.

Mr. STENEHJEM. Was it the influence in the Canadian market? Heavy surplus over there?

Senator CURTIS. No, no. That is why I am asking you. The farmers had to take under that bill a 32-percent cut in acreage and I got my figures from a coalition witness. I am sure they are right. But for 3 years it went down.

I am not quarreling with you. We made some progress on surpluses, but I do not think the record should stand to imply to somebody who does not know anything about farming that it is not a grave problem any more.

Mr. KIRCHNER. We still have the surplus even if it is sitting in idle land.

Senator CURTIS. And the threat of the surplus is tremendous; is that not right?

Mr. KIRCHNER. Absolutely.

Senator CURTIS. Knowing Secretary Hardin's devotion to trying to do the best job that the two committees can agree to and pass through the Congress to the farmers, would you mind telling us who else was present when Mr. Frick made his statement?

Mr. KIRCHNER. Yes; Senator Tom Kennedy from Nebraska was one that was with me. Senator Wayne Ziebarth.

Senator CURTIS. Of Nebraska?

Mr. KIRCHNER. Wilcox, Nebr., State senator. Senator Tom Kennedy is from Newman Grove, Nebr.

Senator CURTIS. I know them both. I talked to them after the meeting. They did not report such a conversation to me.

Mr. KIRCHNER. The other man with me was Delmar Prosser from Downs, Ill.

He is a grain farmer in, I guess, the good country, central Illinois. I hate to admit that, being from Iowa.

Senator CURTIS. Well, it is good to have you here. I think it would be a good idea to send a few farmers to the bankers convention.

Mr. STENEHJEM. Mr. Chairman, could I make a statement?

The CHAIRMAN. Yes, Mr. Stenehjem. You are from South Dakota?

Mr. STENEHJEM. Watford City, N. Dak.

The CHAIRMAN. Back in 1920 I met a Stenehjem who grew potatoes.

Mr. STENEHJEM. That was my Uncle Martin. I think he might have sold you some potatoes at that time.

The CHAIRMAN. I knew him well. That is way back.

Senator MILLER. Off the record.

(Discussion off the record.)

The CHAIRMAN. Back on the record.

Mr. STENEHJEM. If I could make just one observation, I think we people who live in rural America are very much concerned about losing any more farm population. In my town in McKenzie County back in the late thirties we had something like 2,000 farm units. Right now we are down to about 900 farm units. In that same period we had approximately six service communities that serviced that farm area and all but one of them are pretty much dried up. We are a county seat town and we survived pretty well.

Every time we lose 20 farmers out in the country we dry up one business on our main street. So, we have a great and real interest in farm conditions.

Senator CURTIS. Do you live on a farm?

Mr. STENEHJEM. No. I am with the bank, First International Bank of Watford City.

Senator CURTIS. Now, in that connection I am very anxious to see farm income increased and I am not in sympathy with the corporate operations other than the family corporation where for good reasons they want to do it that way. But are you advocating the same number of farm units in that county that you used to have?

Mr. STENEHJEM. We would surely like to retain our family farm units. I do not think we have taken a position on——

Senator CURTIS. Now, in light of the availability of farm labor, in the light of the availability of machinery and new equipment, are you advocating as many farm units as you mentioned that they had had some years ago?

Mr. STENEHJEM. We recognize that we have needed farm consolidation because we have needed larger farm units. The original units were too small to support farming in our country. We are a semi-arid country and we needed the larger farm units but I think we have reached a plateau. We are at a—most of our acreage is entirely adequate to support that farm unit pretty much on the basis as it is now. We would surely hate to see much more consolidation.

Senator CURTIS. Would you not agree—I am very much convinced that we need to increase farm income but would you not agree with this, that in the light of the high cost of production, the scarcity, almost impossibility of hiring farm labor and the fact that you cannot go back, you cannot turn the clock back——

Mr. STENEHJEM. That is right. We recognize——

Senator CURTIS (continuing). And do away with machines that have been invented and sold. It cannot be done. In light of that, do you not think it is just as important for a farmer to have as much land as he needs as it is for him to have as much feed and fertilizer as he needs?

Mr. STENEHJEM (continuing). That is right. We need sizeable units to support a farm unit.

Senator CURTIS. Yes. I do not like to see the farm disappear at all.

Mr. KIRCHNER. May I address that subject a little bit?

Senator CURTIS. Yes.

Mr. KIRCHNER. I think, and I have written articles on this subject, our basics are wrong in this regard. What we have got are some good statistics on average farm size that have been accumulated over a number of years and they provide a trend and we also have real good statistics on farm income, on gross farm income and net, and we have seen—we now classify the commercial farmer according to these figures. And yet, really neither one of the two are very important.

I strongly feel that the only important criteria is whether or not that individual is fully employed. And we have in our area in southeast Iowa, we have some hog producers on 160 acres that are doing beautifully. We have strictly grain producers that are trying to crop in corn and soybeans, 800 and 900 acres, and they are not doing very well at all.

You cannot compare the two at all. There is just no possible way but there are some statistics available on full employment and I would guess that it would be almost impossible to find a way that you could develop the statistics, so therefore, the wrong ones are the ones that get used.

I do not think anybody is in favor of putting agriculture into a status quo—nobody can ever get any larger—in order to keep people there.

Senator CURTIS. Well, maybe farms are large enough now, I do not know.

Mr. KIRCHNER. You cannot take a stand like that, but yet I do not think we have to follow a trend, either. I do not think that because the average size of the farm may be, of the grain farm may be 300 acres today, that this means—it was 100 acres 20 years ago, in another 20 it has got to double again.

Senator CURTIS. No, no.

Mr. KIRCHNER. And I think sometimes programs get designed that will make these trends come true.

Senator CURTIS. No, no. I am not—I do not know that they should get any larger. Maybe they should not. That will take care of itself. The Government does not need to help them on that. But I got the impression that he wanted to go back to a certain period where they had a certain number.

Mr. KIRCHNER. I think we would all like to go back.

Mr. STENEHJEM. I did not mean to infer that.

Mr. KIRCHNER. But we cannot roll back.

Mr. STENEHJEM. At the same time, we do not want 20 farmers to farm our entire county. We do not think that would be a reasonable system, either, which is possible under our technology.

Senator CURTIS. I do not know that they should get any larger but I got the impression from you you wanted to go back to the previous way.

Mr. STENEHJEM. No.

Senator MILLER. May I ask a question? In connection with that development in your area of North Dakota, how much was the soil bank the cause of that?

Mr. STENEHJEM. I think the leading factor in our loss of farm population, of course, was the drought and depression of the thirties. That eliminated a large part of our farm population in that period. That was the largest individual factor. No doubt about that.

Since that time soil bank possibly was a factor but it was not the major factor. The big movement of out-migration had come prior to that.

Senator MILLER. The reason I ask, I remember back in 1959 I flew over a northern part of your State on my way from Rugby down to Grand Forks and the pilot was pointing out to me various ghost towns and he said look at all the acreage out there in the soil bank.

Mr. STENEHJEM. It was a contributing factor, no doubt about it.

Senator MILLER. And in connection with long term land retirement, a proposal has been made—the Secretary has endorsed it—that if we have any long term land retirement program we had better make sure that the guidelines legislated by the Congress for the Secretary to follow include the requirement that the amount of production retired within a community's area be limited so as not to jeopardize the economic viability of that community. I take it you would strongly support something like that?

Mr. STENEHJEM. Yes, I sure would.

Mr. KIRCHNER. Sure would.

The CHAIRMAN. Thank you very much, sir.

(Supplementary statements filed for the record are as follows:)

WASHINGTON, D.C., *February 27, 1970.*

Senator ALLEN J. ELLENDER,
Chairman, Senate Agriculture Committee,
Washington, D.C.:

Independent Bankers Association of America requests that Senate Agriculture Committee hearing record for February 26 show that Don F. Kirchner, who testified before the committee that day, is the president of an IBAA member bank, but that his views on discussions with Department of Agriculture officials, and his critical references thereto, reflect his individual opinions and not those of this association. Mr. Kirchner regrets that he did not make this clear. Mr. Kirchner's entire statement was his own and had not been discussed with IBAA general officers or with the Agriculture-Rural America Committee of the Association, which he chairs.

B. MEYER HARRIS,
President, Independent Bankers Association of America, and President, Yellowstone Bank, Laurel, Mont.

WASHINGTON, D.C., *February 27, 1970.*

Senator ALLEN J. ELLENDER,
Chairman, Senate Agriculture Committee,
Washington, D.C.:

Respectfully request that Senate Agriculture Committee hearing record for February 26 show that my testimony before the committee represented my individual remarks and opinions and not those of the Independent Bankers Association of America in references to conference and consultation with the Department of Agriculture officials and my somewhat critical references thereto. I thought this was made quite clear in answers to questions at the time. But in view of published references to the testimony I respectfully reaffirm this fact.

DON F. KIRCHNER,
President, Peoples Trust and Savings Bank, Riverside, Iowa, and Chairman, Agriculture-Rural America Committee, Independent Bankers Association of America.

The CHAIRMAN. All right. Mr. Strong, Nebraska.

Senator CURTIS. He has two gentlemen with him.

Mr. Chairman, I would like to state for the record, Mr. Strong is one of our leading farm citizens in Nebraska. He has given a great

deal of attention to these matters. He is active locally. I know his ideas are worthwhile because he boiled them down to two pages and that is not easy to do. We can all make a speech about farm problems but to make some specific suggestions is more difficult. He is also accompanied by a couple of gentlemen. They are farmers. I am much happier that they are. And he can identify them.

STATEMENT OF EARL L. STRONG, PRESIDENT, NEBRASKA FEED GRAIN GROWERS ASSOCIATION, AURORA, NEBR.

Mr. STRONG. Mr. Chairman, this is Ted Regier and Roger Krentz, directors of our organization.

As Senator Curtis said, you can go into a lot of this background, and we do agree with some of this stuff, but we thought you were pretty well aware of the condition of the farmers, so we wanted to get right down to the specifics.

I will read our statement and I might make a few little general side remarks as we go along.

Mr. Chairman and members of the Senate Agriculture Committee, the Nebraska Feed Grain Growers welcome this opportunity to testify before this committee on farm legislation. We believe that as long as we are capable of producing more grain than we can consume or export at a reasonable price, some sort of production controls will be necessary. These controls should rest with the Federal Government in the interests of all concerned. We will look at some of the alternative plans for production control.

Of course, we know there are just the two right now being considered. The coalition bill (H.R. 14070) is a good bill and, if enacted as written, would do much to improve the farmer's income even though it would continue most of the inequities of the present program. It is very unlikely that it will be enacted as written. Therefore, we would consider another alternative. Of course, we mean by that—I believe in one place they say they want 90 percent of parity and the cost of the bill as written, I am sure, would be far beyond what would be passed by the appropriations acts.

The Agriculture Act of 1970 has some good features. There will need to be some changes made to make it acceptable to the feed grain grower. It does not have any floor and we believe there should be a minimum loan rate. We would suggest 70 percent of parity as this reflects the approximate cost of production. Of course, when you get into the cost of production, nobody can say exactly what it is, but our State university in Nebraska figures that is about what the cost is in Nebraska for the average farmer.

It would be about $1.20 a bushel. Roughly.

In times of excess production the loan rate keeps the bottom from dropping out of the market. There is some reason for keeping our grain competitive in the foreign markets. I think a little less than a third, about 25 percent of our feed grains are exported. We do not want to lose that, of course, when the world price is less than the cost of production. Some other means such as export subsidies should be used to keep our grain competitive.

The set-aside program which leaves the farmer more freedom of

choice in what he plants is a good feature of the Agriculture Act of 1970. This will encourage the shifting of crops to those areas where they can be produced most economically. This part of the program could be further improved by eliminating the conserving base and establishing a simple cropland base. Furthermore, payments should be based on the current crop production and not on what was raised on a farm 10 years ago.

There are some other changes we would like to see made in any new farm program. We recommend that the Secretary of Agriculture be required to make advance payments. We would like to see a more systematic reseal program where the farmer would know how many years he will be able to reseal his grain and where no more than 1 year reseal grain would be called in in any one year, except in case of national emergency. We recommend that the farm storage and drying facilities loan program in effect prior to 1969 he reinstated and made a permanent part of the farm program. These changes would give the farmer more incentive to cooperate fully in the program and keep the reserve supply of grain on the farm.

We would like to see a working or market reserve established that would help stabilize the market and give the Secretary of Agriculture more latitude in determining the acreage to be set aside each year. Without going into detail, this reserve would absorb the extra grain in years of surplus production and could be fed back into the market in years of short crops.

We recognize that some sort of payment limitation will most likely have to be a part of any farm legislation passed this year. We believe a flat limitation of $50,000 would be acceptable to most feed grain growers. The graduated payment proposed would still be a maximum payment of $110,000 in the eyes of those who are demanding payment limitations and in case of feed grains would give the large operator full protection of the program while the burden of taking land out of production would be shifted to the small operator.

Of course, there are only two ways of keeping competitive. You either pay the farmer an income supplement or else pay an export subsidy. I agree with this thing on the treaty. I think this is part of our diplomatic thing to get you straightened out. There is no reason why we should not be able to export.

The set-aside program which leaves the farmer more freedom of choice in what he plants is a good feature of the Agriculture Act. This will encourage the shifting of crops to those areas where they can be produced most economically. This part of the program could be further improved by eliminating the conserving base and establishing a simple crop land base.

Furthermore, payments should be based on the current crop production and not on what was raised on a farm 10 years ago.

There are some other changes we would like to see made in any new farm program. We recommend that the Secretary of Agriculture be required to make advance payments. In that line the people have sort of gotten used to that in the last several years and they sort of count on it.

We would like to see a more systematic reseal program where the farmer would know how many years he will be able to reseal his

grain and where no more than 1 year reseal would be called in in any one year except in case of emergency. We know what happened back in 1967—we got 2 years called in there and the price of corn never did get back up to where it should have. We are getting 3 years called in this year and to our idea it is holding the price down. Maybe that is wrong but we feel it is.

We recommend that a farm storage and drying facility loan program in effect prior to 1969 be reinstated and made a permanent part of the farm program. This change would give the farmer more incentive to cooperate fully in the farm program and keep the reserve supply of grain on the farm. It would help a little in the boxcar shortage. It might not stop it but it would help some if we had more farm storage.

Senator CURTIS. May I ask you right there, is it not true that the shift in harvesting corn to the picker-sheller instead of the picker where you stored the ear corn was that much greater than anybody expected in the trade, the Government and everybody else?

Mr. STRONG. It is, what would you say, over 50 percent in Harlan County? Probably 70 percent has gone to the picker in Harlan County.

Senator CURTIS. I think that is a little low. And that has added to the cost of storage, the type of storage used over ear corn, as well as with the corn stored in the ear, some of the drying problems took care of themselves. And I agree with you very much on this storage business and I am hoping that the budgetary will not be on the Department of Agriculture as it has been in the past.

The CHAIRMAN. Would you want that on a loan basis?

Mr. STRONG. Well, what we are talking about here is the facilities loan program, yes, where the Government loans them——

The CHAIRMAN. Money to build the storage facilities.

Mr. STRONG. Yes. They did have this before and it was cut down.

Senator CURTIS. I might say, Mr. Chairman, that Senator Hruska and I have pending a proposal to authorize Farm and Home Administration to make such loans which would still be out of the Federal budget but it would relieve the budget pressures on farm programs as such, because it is for a fixed capital improvement.

The CHAIRMAN. At a reduced rate of interest?

Senator CURTIS. Yes, just like the other loans.

The CHAIRMAN. Proceed, sir.

Mr. STRONG. We would like to see a working or market reserve established that would help stabilize the market and give the Secretary of Agriculture more latitude in determining the acreage to be set aside each year. Without going into detail, this reserve would absorb the extra grain in years of surplus production and could be fed back into the market in years of short crops.

We recognize that some sort of payment limitation will most likely have to be a part of any farm legislation passed this year. We believe a flat limitation of $50,000 would be acceptable to most feed-grain growers. The graduated payment proposed would still be a maximum payment of $110,000 in the eyes of those who are demanding payment limitations and in case of feed grains would give the large operator full protection of the program while the burden of taking land out of production would be shifted to the small operator.

We might say here that this is not very strongly affecting us. We certainly go along with this $100,000 graduated program. That would not bother us too much.

We are trying to be reasonable as we know there will have to be come compromises made by all concerned in order to get a bill that Congress will pass. Briefly then:

We would be in favor of the Agriculture Act of 1970, if some changes were made——

The CHAIRMAN. You mean in 1965. The extension.

Mr. STRONG. No. We are talking about——

The CHAIRMAN. The coalition.

Mr. STRONG. No. We are talking about the consensus bill.

The CHAIRMAN. Of the Department of Agriculture.

Mr. STRONG. Yes. They call that the Agriculture Act of 1970.

The CHAIRMAN. I see.

Mr. STRONG. If some changes were made, principally establishing a minimum loan rate. If this cannot be done, it would be better to simply extend the present program with some improvements.

We thank you for your kind attention and are happy to be here.

The CHAIRMAN. What would be the loan rate you suggest?

Mr. STRONG. Seventy percent of parity or roughly $1.20 a bushel.

Senator CURTIS. As the floor, not the ceiling.

Mr. STRONG. That is the floor; yes. I do not think we have to worry about the ceiling.

The CHAIRMAN. Well, do you not think by having such a high loan rate that it would keep large growers from joining the program, because you spoke of production controls. That is what we want, and a grain feed grower will not want to force himself into acreage controls, and if you make your loan high enough, that will keep all the big growers out. That has been my experience as chairman of this committee.

Mr. STRONG. Well, we do not think that $1.20 is excessive. If you made, say 150 or something——

The CHAIRMAN. What you want is a better price.

Mr. STRONG. Yes.

The CHAIRMAN. Well, suppose we have a lower loan amount and a higher direct payment?

Mr. STRONG. The trouble with that, you have to go back to Congress every year and say, "I want $3 or $4 million" and that is hard to get.

The CHAIRMAN. No; you would not, not more than you have now, because it is all handled through the CCC.

STATEMENT OF TED REGIER, NEBRASKA FEED GRAIN GROWERS ASSOCIATION, AURORA, NEBR.

Mr. REGIER. You would have more participation if you would raise the price support payments. I agree to that. You would have more participation. This has been part of our failing of the present program.

The CHAIRMAN. Exactly. Mr. Strong spoke of a production controls and that that is necessary more or less.

Mr. REGIER. We did not think——

The CHAIRMAN. And if you make the loan rate too high, the production controls would not be affected because I know from past

experience that when we raised the loans, I think $1.05, $1.10, that a lot of the large growers kept out because they could make a go of the program by simply producing and selling that corn just a couple of cents below the $1.10. The way we are trying to do it now, we changed it to lower your loan and raise your direct payments.

Mr. REGIER. I did not think Congress would go along with raising the direct payments because this seems to us, as mentioned before, is a welfare payment so often and——

The CHAIRMAN. Do not call that welfare payments.

Mr. REGIER. It was brought out——

The CHAIRMAN. I know, but it is not a welfare——

Senator CURTIS. What the witness means is, it is referred to by people who do not understand——

The CHAIRMAN. All right. Let us put it that way.

Mr. REGIER. Now, for this $1.20 CCC has something to show for it.

The CHAIRMAN. No; but suppose Commodity Credit keeps it for 4 years. Who is going to pay the carrying charge? Who is going to pay the interest rates? Cannot you see that. That is a cost.

Mr. REGIER. It is a cost.

The CHAIRMAN. Of course, it is, because if they—in other words, if they take the corn and put it under key, you have got this bill that the—the consensus bill providing that it cannot be sold except that the charges be absorbed by the Government and that the interest charges and the storage, and when you add all that up together, it comes to quite a bit of money.

Mr. STRONG. We take care of that in the research form, the idea that whenever you get some surplus here they could be fed back into the market at any price and only the man in the program would then be protected.

The CHAIRMAN. Well, I do not know what the committee is going to do, but it is my sincere belief that any program that makes a loan rate too high, you will never get a sufficient amount of production controls. That is the problem that we have had in the past.

Mr. STRONG. We felt out there that a higher loan rate increased the participation in the feed grain area.

The CHAIRMAN. You see, you have a voluntary program. Now, if you would vote yourselves into acreage controls you could make it $1.25 and it would be all right. Then you could control by virtue of the farmers voting themselves into a control program. But what the corn or feed grain people have had in the past was a support price without acreage controls. I remember one year you had $1.50 per bushel, $1.25 under Mr. Benson.

Mr. STRONG. We are not recommending it that high.

The CHAIRMAN. I know you do not, but as I said, many times the corngrowers and the feedgrowers are the little blue-eyed girl of the farm program. They got to plant all they desired without having acreage controls.

Mr. REGIER. That does not work.

The CHAIRMAN. I know it does not and I proved it, and that is why you have got an accumulation of about $82 million tons of 1961 or 1962, and in order to drain that off the markets, we had to institute this 1965 program.

Mr. STRONG. We are not playing the other parts but we would say on the other hand, that the feed grain is much more competitive in the world market than any other.

The CHAIRMAN. I understand. But if you talk about acreage controls, you either have to—there are two ways, either by letting the farmers vote themselves so that all would have acreage cuts or else make your loans a little lower and make your direct payments greater so that you will get them all in, or a good many in. Just as sure as I am talking to you now, if you make the loans 70 percent of parity, you will have little participation by the large growers. That is my experience.

Mr. STRONG. It is our feeling if the price was allowed to fall, then they would come in in order to get that price. In other words, if we would allow that corn to be sold back on the markets, with no restriction, then this corn even though the $1.20 loan, they could still be 80 or 90 cents on the market.

The CHAIRMAN. But who will pay the difference? Uncle Sam. Uncle Sam would pay the difference.

Mr. STRONG. Yes. That would just be in lieu of the other payment. I do not say it is going to cost any less. It is going to cost to run this program—anyway it is going to cost money.

The CHAIRMAN. That is right. I thank you very much for your appearance.

Mr. STRONG. Thank you.

The CHAIRMAN. The last witness we kept for dessert is Senator Proxmire.

STATEMENT OF HON. WILLIAM PROXMIRE, A U.S. SENATOR FROM THE STATE OF WISCONSIN

Senator PROXMIRE. Thank you, Mr. Chairman. I appreciate that and it is good to be back in my old committee.

Mr. CHAIRMAN. It is a pleasure for me to appear before you today in support of an amendment to the omnibus farm legislation to be reported by your committee which would extend and strengthen the special milk program for schoolchildren. I am delighted to add that my Wisconsin colleague, Senator Nelson, has asked me to associate him with my statement.

As the committee well knows, the school milk program, providing partial Federal support for milk breaks, has been, since its inauguration back in 1954, one of the most spectacularly successful food distribution programs in the history of the Department of Agriculture. Its continuing popularity and support is testified to by the failure of efforts by both Democratic and Republican administrations to sharply limit the program over the past 2 years.

Only last year the House of Representatives disregarded efforts to downgrade the program in passing legislation to make the program permanent by an impressive 384 to 2 vote. The House and Senate in 1969 provided more than $100 million to implement the program.

Now we are faced with the expiration of the program if Congress fails to act by June 30 of this year. What would this mean in terms of the health of our schoolchildren? It would mean that the more than 17 million children now estimated to take part in the program

would no longer be entitled to federally supported milk breaks. It would mean that the 307,755 children who received milk under the special assistance program last year would be shortchanged. It would mean that the thousands of underprivileged kids whose first food of the day is consumed at a midmorning milk break—children who attend schools without a breakfast program—would have to learn to go hungry until lunchtime. It would mean, in the last analysis, that we place a higher priority on a supersonic transport or a space shuttle than we do on the health and welfare of our schoolchildren.

Surely it is worth noting that fluid milk not sold through the school milk program may well have to be bought for storage by the Federal Government under the dairy price support program. A look at the appendix to the President's budget for fiscal 1971 indicates that the elimination of the school milk program would cancel out a market for 3 billion half pints of milk. Proposed increases in funding for school lunch, school breakfast and other child nutrition programs would increase the consumption of milk with meals by 546,400,000 half pints. Thus, if we quietly sit by and watch the school milk program expire we can anticipate a decrease in the market for fluid milk of 2,453,600,000 half pints.

Some of the slack may be picked up by schools or children who are willing and able to foot that share of the cost that the Federal Government drops. However, there is no doubt in my mind that a substantial portion of this milk will end up in Federal storage sheds, not children's stomachs. And much of the savings accomplished by eliminating the school milk program will trickle out through the price support program.

The losers, then, if we eliminate the school lunch program are not only the schoolchildren, whose nutritional standards will be lowered, nor only the dairy farmer, who will lose a market for his milk, but the American taxpayer—the eternal fall guy—who will be told that his Government is saving money by eliminating the school milk program only to learn that this selfsame Government is spending that money under the price support program.

Mr. Chairman, I sincerely hope that your committee will see fit to give the school milk program a new lease on life by including a school milk program extension in the omnibus farm legislation you plan to report. I would like to suggest as a model for such an amendment S. 644, my bill to extend the program, which is currently before Senator Holland's subcommittee.

Thank you very much for this opportunity.

The Chairman. Well, thank you very much, Senator. You as I understand, favor the milk provision in the bill that has been presented by all of the farm organizations.

Senator Proxmire. That is correct.

The Chairman. All right. We are glad to have had you.

Senator Proxmire. Thank you very much, and I may say it is good to come back as an alumnus.

The Chairman. Well, fine. We hope to be able to do something about the problem that you have brought up.

Now, as I understand from the clerks of the committee, everyone who desired to be heard has been heard. It will be noted that on Jan-

uary 27 at page S. 497 of the record, I gave notice in the Senate that we would start holding hearings on the farm bill on February 18 and that notice stated in effect that all those who desired to be heard send their names to the clerk of this committee, and as I understand, I repeat, all those who asked to be heard have been heard. Is that correct?

Mr. HENRY J. CASSO (Committee economist). To the best of my knowledge.

The CHAIRMAN. The committee will then stand in recess until further call of the Chair and the record will remain upon for about a week in order to permit statements to be filed by those who may desire to do so.

(Whereupon, at 12:50 o'clock p.m., the hearing was recessed, subject to the call of the Chair.)

(Additional statements filed for the record are as follows:)

STATEMENT OF HON. FRED R. HARRIS, A UNITED STATES SENATOR FROM THE STATE OF OKLAHOMA

Mr. President, for the first time in recent history all of the major farm organizations, excepting one, have joined together to draft and to promote the adoption of a farm bill which they feel will best meet the needs of the nation's largest industry in years to come.

Times of crisis tend to bring us together for the achievement of common goals and all signs point to a crisis in our nation's agriculture industry. Production costs continue on the rise, while prices for more farm commodities continue to decline. Since 1945, farm population has dropped from 24.4 million to 10.4 million. The number of farms has fallen from 6 million to 3 million. Although only about 30% of the U.S. population lives in rural areas, 40% of the nation's poor people live there.I strongly join with the demands of urban America for government to be more responsive to the needs of the cities and to channel more public resources into the solution of metropolitan problems. But neither do I feel that we can overlook the fact that agriculture performs one of the services that keeps urban life going—providing for the proper supply and balance of food and that declining opportunity in rural areas is immediately felt in the cities through a continued influx of rural people.

Since the establishment of the Department of Agriculture in 1862, the Federal Government and the nation's farmers have participated in a partnership to guarantee an adequate supply of food and fiber at a reasonable cost to the nation's consuming public. We are fortunate to have been one of the few nation's of the world able to produce food and fiber in abundance, and often in excess of our needs.

Yet, this very productive capacity may now pose the greatest threat to the continued strength and prosperity of the agriculture industry and to our continued ability to meet the growing demands for food by our ever increasing population.

We must continue, at least for the present, to strengthen farm prices in order to guarantee a strong agriculture industry. This cannot be done unless we provide incentives for our farmers to control their production, and this requires government action. The present farm program expires this year, and practically everyone agrees that failure to extend the wheat, feed grains, cotton, and dairy programs similar to those now in effect would result in a loss in net farm income of over $5 billion a year.

In the absence of any acceptable farm program proposal from the Administration, 27 major farm organizations formed a coalition and drafted legislation calling for extension and improvement of the 1965 farm program. I am a cosponsor of this legislation, and I am certainly hopeful that the Senate Agriculture Committee, where hearings are now in progress, will report this bill favorably. It is anticipated that the coalition farm bill, if passed, will increase net farm income by $1.3 to $1.4 billion. These income improvements could take place with no increase on the 1969 farm program budget.

The coalition farm bill provides permanent legislation to improve farm income (1) by establishing "consumer protection reserves" of wheat, feed grains, soy-

beans, and cotton, (2) by improving price support for feed grains, (3) adding a wheat export marketing certificate and (4) extending authority for Federal marketing orders to all commodities subject to approval by producers, (5) by extending and making permanent the Class I base plan for milk. The bill also calls for the extension of the wool program and for strengthening the cropland adjustment program. Further, it authorizes an acreage diversion program for rice if the national rice allotment is established at less than that for 1965.

Although eight of the top ten farming states, ranked according to cash receipts from farming, voted for President Nixon in the 1968 election, his Administration has not yet presented an Administration farm proposal. There is a bill floating around the Congress, which has not yet been introduced, that is known as the Administration "consensus" farm proposal. It is no wonder that it has not yet been introduced, because it is almost universally unacceptable to farm organizations. Most farm organizations oppose the so-called Administration "consensus" farm bill because it gives the Secretary discretionary power to lower price supports to zero if he so desires. Further, there are 82 different provisions in the bill that give the Secretary of Agriculture exclusive authority to make determinations that could be used to lower farm prices. This, in my opinion, is too much power to place in the hands of the Secretary.

A great deal of rhetoric has also come from the Administration about a massive land retirement program. This concept was tested under the previous Republican Administration and proved to be a failure. Not only was it unsuccessful as a farm program, it proved to be extremely damaging to small towns and rural communities across the country. As farms were taken out of production, thousands of small town businesses were closed. This is a condition which we should not allow to be repeated.

Furthermore, farmers are concerned about other actions by this Administration, all of which tend to lower farm prices. Some of these are:

1. Reduction of support price on soybeans from $2.50 per bushel to $2.19 per bushel.
2. Decreased the effectiveness of the International Grains Arrangement on wheat which resulted in a 15¢ per bushel drop in wheat prices.
3. Restriction of storage facility loans to the point that they are of little value to the farmer which deprives the producer of a means to prevent forced sales of grain at harvesttime.
4. Decreased acres eligible for diversion payments for wheat and feed grains.
5. Reduction in projection of cotton yields to offset legal increase and program payments.
6. No advance payments. This is badly needed money by producers and is a hardship for producers in preparing for planting. This is especially damaging in these times of tight money.
7. Stepped up recall of grain under loan which is used to keep prices low. This is a most serious misue of government programs to keep farm prices low.
8. Recommended the discontinuation of the Agriculture Conservation program which provides the funds for cost sharing with farmers for conservation practices carried out on their farms.
9. Recomended the discontinuation of the special milk program for school children.

It is my opinion that in order to avoid an economic crisis in agriculture, we must have strong leadership. Representatives of practically all the major farm organizations in the United States recognize this necessity and have, therefore, jointed together to draft and support the passage of the coalition farm bill which I have co-sponsored. Total farm expenses rose about six percent in 1969, and predictions are they will continue to surge upward in 1970. Agriculture cannot stand the continuing attrition of higher costs of farm inputs and soaring costs of borrowed capital. Every day, reports come to us of an unusually large number of farm liquidations and auction sales. Unless measures are taken to strengthen farm income this trend will accelerate. We must avoid this, and I feel that the coalition farm bill is the best present answer to this problem. I support its passage, and I call on the President and his Administration to do likewise.

Mr. President, I hope Senators will give this matter their serious attention, and I am bringing these views of mine to the attention of the Senate Committee on Agriculture and Forestry.

Statement of Hon. Walter F. Mondale, a United States Senator from the State of Minnesota

Mr. Chairman and committee members, I joined with Senator McGovern and several other Senators on October 23, 1969, in introducting S. 3068, which we called the Agricultural Stabilization Act of 1969. At that time 22 national farm organizations and commodity groups had announced their support of such an Act. Since then five more commodity groups have added their support to this bill.

In appearing before you today, I want to restate my support of S. 3068 which, after adding a few amendments to strengthen farm income, would make the Food and Agriculture Act of 1965 continuing legislation. But I want to do even more. I want to urge your committee to move with all possible speed to report out an agricultural bill which has wide producer and congressional support. We must have a bill which will assure farmers a fair share of our National income and we must have it enacted well before August, the beginning of fall seeding of winter wheat for the 1971 crop.

Other witnesses have discussed the provisions of the continuing authorities which would become operative if the 1965 Act were allowed to expire without replacement. I want to add my warning regarding the decline in farm income which will occur if we fail to enact S. 3068 or a comparable bill in the next few months.

Analysts are generally agreed that farm income would fall by a billion dollars or more in 1971 if we fail to enact new legislation. Wheat producers would probably lose all their wheat certificate payments which will amount to $900 million in 1970. The second year, wheat acreage allotments probably would be reduced even further because loans at 50 percent of parity, now required in the continuing legislation, would cause stocks to pile up again.

Although cotton producers might receive higher incomes in 1971 if the 1965 Act is allowed to expire, the continuing cotton legislation would create unmanageable stocks of cotton, if not repealed. New legislation would be almost imperative the second year.

Feed grain producers would be most adversely affected in 1971. They would lose all their current payments which will total about $1.5 billion in 1970 and market prices would rest on the 50 percent of price support level provided in the continuing legislation. This will be about 90 cents a bushel for corn for the 1971 crop.

Although feed grain producers would incur the most serious income losses in 1971, if the 1965 Act is not renewed or replaced, cotton and wheat growers may incur the greater income losses over a 3 to 5 year period. Farm income losses would surely reach $4 to $5 billion a year—a fourth to a third of the net income now realized by farmers.

After the first year or two lower prices of grains, soybeans, cotton, and livestock products would result in lower values for all agricultural assets. Cattle breeding herds and ranches might increase in value for a year or two but, they too, would decline after that.

The decline in agricultural income and farm assets would adversely affect all rural financial institutions and all public institutions in rural areas. The financial pressures created by lower asset values would affect the one million largest farms most severely.

In my own state of Minnesota farm program payments have exceeded $100 million every year since 1962 except for 1967. Last year they totaled $171 million. I have attached certain tables which reflect on this and other aspects of farm programs regarding Minnesota.

Livestock products make up two-thirds of the farm marketings in Minnesota. If the 1965 Act is not renewed, Minnesota farmers will lose farm program payments equal to a fourth of their net income in recent years. In addition they will suffer a substantial decline in their income from feed grains and livestock products as excessive supplies glut the markets.

I was impressed by your statement, Mr. Chairman, when you open these hearings. As I recall, you reported that the farm prices for an identical market basket of food were only 8 percent higher in 1969 than in 1947–49. Yet during this period the processing and marketing charges for the market basket of food increased 55 percent.

I have been reminded many times by my farmer constituents that farm prices in 1969 were only 2 percent higher than 21 years earlier, in 1947–49, whereas the prices of goods purchased by farmers, interest, taxes and farm wage rates have increased 50 percent during this period. Quite frankly I have difficulty in understanding how the average farm family survives the cost-price squeeze in our current inflationary economy.

I don't think, therefore, that we should be on the defensive regarding the cost of an adequate farm program which stabilizes farm supplies and prices and gives consumers an abundance of high quality food. Actually only 5% of consumers after tax income goes to farmers for the domestically produced food they buy.

Farm program costs of $3 to $4 billion appear large when they are considered without reference to other parts of the government budget. But the government budget this year is $200 billion and farm price support program costs are only 2% of the total. If we can hold farm program costs at current levels when other costs are rising, they will be a declining percentage—less than 2% of the total budget.

Before going on to comment upon the generalized measure which the Administration finally sent forth as their program permit me to tell this Committee of the need for permanent advance payment legislation for wheat and feed grain producers. As you know, I have introduced a bill making advance payments to farmers participating in the feed grain program mandatory. This bill has 14 cosponsors. I am also a cosponsor of Senator Burdick's bill which does the same for producers participating in the wheat program.

At the time the Secretary of Agriculture announced its decision to eliminate advance payments for the 1970 programs, I said this was a wrong decision for a number of reasons. First, halting such payments is not a cost savings to the government, but simply a shift in funding to another fiscal year.

Second, it will place a new financial burden on our farmers who must now borrow money at today's high interest rates in order to finance crop planting and operating costs. Third, the advance payments program has been working well for seven years. It is directly responsible for encouraging many farmers to sign up and divert acreage. Under the program those farmers who elect to participate receive an advance on their payments in the spring with the balance paid in August. Without benefits of advances, farmers may well choose not to sign up, thus planting heretofore diverted acres with resultant lower grain prices this summer and fall.

Last year Minnesota farmers received more than $31 million in advances under the feed grain program. For farmers to borrow the equivalent of $31 million for six months—assuming they could find 9% loan funds—would saddle them with nearly $1.4 million in interest charges. The on-paper savings to the Federal government in the current fiscal year does not seem adequate reason for imposing a new financial burden on family farms.

Our, bills, therefore, require the Secretary of Agriculture to make advance payments to producers under the feed grain and wheat programs. They would amend existing legislation requiring the Secretary to make not less than 50% of any payments under the programs to producers in advance of determination of performance.

I am told this bill will receive early hearings by a Subcommittee of the Committee. I hope these will come promptly since early sign up figures are most distressing—bearing out my earlier warning.

After the initial two weeks in the feed grain program, as illustration, only 42 percent of Minnesota farmers had signed up as compared to the 1968 program. Nationally, the figure is 65 percent.

Now, to return to the matter of major concern, I assume that as some time in the near future you will have Secretary Hardin come before you and explain in some detail how he would administer the proposed Agricultural Act of 1970 which his staff has drafted and sent to members of Congress. I fully endorse the goal of the proposed act. "To give farmers a wider range of decision-making on their own farms . . . through increased opportunity and flexibility for farmers to specialize in those crops which will maximize their net returns." But I doubt that the proposed Act will meet the acid test of maintaining farmers income.

Professor Luther Tweeten of Oklahoma State University was recently asked to make an economic appraisal of the Administration's "set-aside" proposal at a seminar sponsored by the Iowa Center for Economic and Agricultural Develop-

ment. In his words the set-aside proposal is designed to provide restraints on production that will permit satisfactory levels of price and income and will neither inhibit the growth of markets nor place needless obstacles in the way of efficient farm operation.

After a detailed analysis of the most probably economic response to the set-aside provision in different sections of the country, however, Professor Tweeten concluded that they would be far less effective in supporting farm income than current programs. He concludes that if the cost of a set-aside program were held the same as for the current programs, $3.2 billion, then net farm income, would be $0.5 billion less under the set-aside program. Said another way, the program is estimated to cost the U.S. Treasury $0.5 billion more than the 1969-type program in 1971 to achieve the same farm income.

He finds the set-aside program less effective than current programs in reducing the acreage of the major grains. If cotton, wheat and feed grain payments were kept at 1969 levels, Professor Tweeten estimated 10 million additional acres of feed grains would be planted.

This would be offset partially by the diversion of 15 million acres of minor crops, oats, tame hay, etc., under the set-aside program, but the increased supplies of feed grains would lead to lower prices and increased supplies of livestock products within a short time. Livestock producers would also experience lower incomes as output expanded against inelastic demand.

Professor Tweeten also observes that dropping the restraints on the production of allotment crops means that the conserving base will become a relatively more important factor than before in controlling production, yet some states have dropped or deemphasized the conserving base. States which have dropped the conserving base will be relatively advantaged under a set-aside program.

Mr. Chairman, I hope it will be possible for you to schedule Secretary Hardin's appearance before your committee at an early date so that we can obtain a better understanding of the advantages and disadvantages of shifting from our voluntary relatively successful acreage adjustment programs for cotton, wheat and feed grains to an untried set-aside program.

Thank you for alloting me the time to appear before this Committee.

GOVERNMENT PAYMENTS TO MINNESOTA FARMERS, 1966–68

[In thousands of dollars]

	1966	1967	1968
Conservation	5,910	7,069	5,578
Sugar Act	3,298	3,275	3,343
Wool Act	835	615	1,220
Soil bank	7,973	6,028	4,649
Feed grain program	105,200	62,141	103,424
Wheat program	9,796	11,247	11,863
Cropland adjustment	2,417	4,876	4,433
Total	135,429	95,251	134,510

Source: Economic Research Service, Farm Income, State Estimates, 1949–68, FIS 214 supplement.

REALIZED GROSS AND NET INCOME FROM FARMING MINNESOTA, 1960 AND 1968

	1960	1968	Change, percent
Cash receipts from—			
Farm marketings	$1,437.1	$1,864.9	+30
Government payments	31.7	134.5	+324
Value of home consumption	47.0	31.5	−33
Gross rental value farm dwellings	84.5	121.6	+44
Farm production expenses	1,167.3	1,571.5	+35
Realized net income	433.0	581.1	+34

Source: Economic Research Service, Farm Income, State Estimates, 1949–68, FIS 214 supplement.

STATEMENT OF ELBERT HARP, EXECUTIVE DIRECTOR, GRAIN SORGHUM PRODUCERS ASSOCIATION, LUBBOCK, TEX.

Mr. Chairman and members of the committee, the Grain Sorghum Producers Association, with headquarters in Lubbock, Texas, appreciates the opportunity of submitting this testimony to your committee. Our Association represents the views of the majority of the grain sorghum farmers across the nation. We have area leaders of all major farm organizations on our board. This solid representation is evident when we have a unanimous vote of our board members on almost all Association policies regarding government farm programs effecting grain sorghum. We also seek the views of grain farmers who are non-members of GSPA as well as our members.

The Grain Sorghum Producers Association has several points which we feel should be considered in any farm program written for the "70's". Our basic policy is to encourage an extension of the present feed grain program, with some changes which would improve net income and make it a permanent program. With these objectives in mind, we are a part of the "farm coalition", of 27 farm organizations, supporting a bill we feel would help the grain farmers' income and be in the national interest.

Some of the points of the present program, which we feel are important to continue in future farm legislation are:

I. *Production Restraints.*—We must continue programs designed to keep our production in line with consumption. GSPA was formed in 1956, when there were no production controls for grain sorghum. We were producing much more than was needed for the markets and our prices were below an extremely low loan rate. We cannot return to that kind of situation. A control program must be continued to keep production down and market prices at a level that farmers can prosper. The present system is working very good for grain sorghum. We encourage you to continue it and to adjust farm income upward to cover increased cost of production.

II. *Price Support and Loan Program.*—If parity is the gauge for a fair return to farmers for their expenses, time, and investment, we feel that our government programs should be designed to bring full parity to the efficient farmers. We do not feel the city people, government or anyone else should expect farmers to produce for less than the full parity level, anymore than they are willing to work for less themselves. We feel a price support and loan program must be continued. This is why we support the coalition's bill where it states "price support shall be made available to producers for each crop of corn at a national average rate of not less than 90 percent of the parity price." *Grain sorghum should also share this level of price support.*

We request that grain sorghum loan prices now be related to corn only by its nutritional value, instead of all the other considerations that are now required under Section 401(b) of the present law. The other factors are now obsolete in relating grain sorghum loan rates to those of corn. Grain sorghum's nutritional value is now rated 95% of corn. The national loan rate for grain sorghum should be 95% of the corn loan rate.

The loan program is an essential tool for farmers. It is necessary in marketing the farm products in *an orderly* and *systematic way* and in taking advantage of market price increases. The loan rate should be high enough to add strength and stability to the market prices.

III. *Reseal Program.*—The reseal program in commercial storage has been helpful to farmers, during the last two years. It allows farmers to maintain control beyond the normal marketing season when prices are low. We encourage you to extend the reseal program in commercial storage for grain sorghum to allow farmers this additional tool for orderly marketing. Steps should be taken in the new law which would prevent the Secretary from calling in grain under reseal that would effect market prices of grain. The action taken last fall, and later rescinded is an example of damage to prices. Our market never fully recovered even though the order was cancelled.

IV. *A Reserve Program.*—We believe that a reserve program designed to maintain grain for emergency situations would be in the best interests of farm programs and the nation. As we have testified before, this grain should be isolated

from the market and not be released except in cases of critical shortages. An adequate reserve would allow the Secretary of Agriculture to administer the feed grain program tight, without the fear of not having enough in case of a severe drought or other natural disasters. This would help to maintain prices and also guarantee our feed grain customers of a continued supply. *In any sales policy we do not feel Commodity Credit Corporation should sell grain into domestic markets until farmers are receiving full parity for what they sell.*

V. *Limitation of Payments.*—The Grain Sorghum Producers Association is opposed to limitation of government payments at any level. We believe that it would seriously hurt or even kill the farm programs. The farmers who divert the most land and make the program work effectively are the farmers drawing the large payments. Why should they be penalized for being efficient?

"SET ASIDE FEED GRAIN PROGRAM"

We have been reviewing the "set aside feed grain program" as outlined to you by Secretary Hardin. If this approach is used in the new program, we feel your committee should give careful consideration to the following questions:

(1) After the required set aside or diversion, what would keep a farmer, an area, or the farmers of the nation from doubling the amount of grain produced, creating a serious surplus and breaking market prices?

(2) Why shouldn't the 90% of parity be set as a floor as well as a ceiling on price suports? This is only 90% of the price farmers should receive for their crop in order to get a "fair return" for land, labor and capital. We do not feel that safeguards are in the "set aside program", as it now stands, to give farmers adequate protection. We do feel the Secretary's proposed plan for limitation of payments, is the only proposal, that we have seen, that shows any valid consideration of the high cost of production, and the only one that larger farmers could continue to operate under. As we pointed out earlier, *we are opposed to limitations at any level.*

"EXPORT SALES"

We hear so much about the answer to our farm problem being in selling more into the export market. Our organization started and is still very active in the area of foreign market development for U.S. feed grains. We are proud of the success that we have had in this work, however, our farmers are not interested in selling more grain into the export market, or even at the present level, if we can not sell it for a profit. To the extent that foreign production may be encouraged by our farm program, an export subsidy should be considered. We can not produce for this market when our production costs are higher than the world market price.

Our farmers received the best market prices for their grain this past fall that they have enjoyed in many years. An average price of $2.00 per one hundred pounds was typical even during the harvest period. We would hasten to point out, that this price plus the 53 cents per hundred price support is onlyl 90 percent of parity, and we only receive it on one-half of our feed grain base.

The point that we are trying to make is that we feel the present program is working for feed grain. Its income provisions should be strengthened to help farmers survive the ever increasing cost of production. This is why we support the farm coalition's bill which would keep production in balance with demand and strengthen farm income.

The Grain Sorghum Producers Association is not sitting around waiting on the government to solve all our problems. Developing markets and initiating research, for our commodity constitutes the major portions of our total program. We have been successful in this work. We are now selling over three times the amount of grain sorghum that we were 13 years ago, but we need a sound government program to help us keep the supply of grain in balance, and at prices the farmers can afford to grow it.

We want to again thank you for this opportunity of presenting our views to you and say that we look forward to working with you in the development of a sound agricultural policy. We will be glad to try to answer any questions which you may have of us.

DENVER, COLO., *February 20, 1970.*

Hon. ALLEN J. ELLENDER,
Chairman, Senate Committee on Agriculture and Forestry,
Senate Office Building, Washington, D.C.

DEAR SENATOR ELLENDER: The nation's beef cattlemen continually are more than concerned about the farm policies in the United States. We are proud to have remained free of price support programs and other controls. We nevertheless realize that other commodities and farm programs have and will continue to have an effect upon the cattle industry. It is for this reason that we appreciate the opportunity to present our views affecting the nation's cattlemen.

The beef cattle business has the largest stake in any farm legislation enacted by Congress. Our business represents nearly 25 percent of all agricultural income. Because of this economic importance, we are in a position to be helpful in trying to solve many farm problems. However, it also should be recognized that our business can be adversely affected and thus create a harmful reaction on all of agriculture should the wrong type of farm legislation be enacted.

The beef cattle business is firmly rooted in the free market system. We believe that eventually all farm programs and policies should be rooted in that same solid free market system. Within it, we affirm our dedication to produce continued ample supplies of high quality beef at reasonable prices for the American consumer.

The beef cattle business has gone through some marked changes in recent years. For example, immediately following World War II, approximately two-thirds of all cows, two years old and older, were of the dairy-type. Exactly the opposite is true today. Note Table I which shows the constant increase in beef cattle, particularly female beef cattle. The total female cattle herd has constantly been increased in the face of a declining dairy herd. Dairy cattle also add to the total market supply in the form of dairy type steer calves and aged dairy cows being slaughtered.

Coupled with this change has been a dramatic shift in the increase in the tonnage of beef, largely accomplished by the number of cattle being fed constantly in feedlots. We have moved from approximately 9 billion pounds of beef produced in 1946 to nearly 30 billion pounds in 1969—a record.

Putting it another way, beef consumption on a per capita basis in the United States has moved from 61.6 pounds per person in 1946 to 110 pounds in 1969, and about the same consumption rate will occur in 1970.

Because of this dramatic shift in production and the fact that more cattle are being fed, the domestic beef cattle industry consumes the greatest proportion of all feed grains produced. Table II graphically illustrates the domestic disappearance of feed grains through livestock as contrasted for human use and exports.

Note particularly that the export market has declined with no concrete indication that it will be revived substantially in the future.

Please refer to Table III, the utilization of wheat produced in the United States. It is expected that wheat exports will remain down similar to that which has occurred in recent years.

We are told that the major wheat exporting countries, in spite or because of the International Grains Agreement, desperately are trying to hold on to their traditional world markets through price cutting. It is nothing short of ironic that the United States should find itself in the unfortunate position of having exported its technology to the developing nations only to find now that these same nations are our competitors in the world wheat market.

With this change of events, it is a safe assumption that if wheat cannot be exported and the per capita consumption for human needs in the United States continues to decline, there is going to be even greater pressure placed against the feed grains of the United States. It will mean producing less or utilizing more wheat through livestock, largely beef cattle. This means also greater competition with all feed grains.

Past and present farm programs have had a marked effect upon the beef cattle business. This is from the quantities of the cattle produced and the beef

tonnage derived therefrom, because shifts in geographic production also have taken place principally since World War II.

Beef cattle in the Southeast have developed into a major source of agricultural income. Where we used to think of the Southeast as being the cotton producing section of the United States, we now find that much of this cotton land has been converted to grass or other crops. In those cases where grass is produced, many cattle now graze.

Improved technology and availability of irrigation water has contributed to the shift in cotton production to a point considerably west of the so-called traditional cotton producing states. Farm programs also have been an encouragement for this new land use, strengthened by guaranteed price supports.

As another illustration, improved technology and wheat price support programs have caused a shift to the production of milo. In western Texas, Oklahoma, Kansas, Colorado and eastern New Mexico, with the improved varieties of milo now raised, and the satisfactory climatic conditions existing in these areas, we have had a large growth of cattle feeding . . . principally because of the development of milo production.

There is little doubt in the minds of the leadership of the American National Cattlemen's Association that cattle feeding will continue to shift into commercial feedlots and that more of these feedlots will be located in the more arid sections of the United States. Much of the feed to supply these feedlots will be raised locally, but naturally, they will have to draw upon other feed producing areas to augment their supplies.

This will mean that adjustments will be made in the so-called traditional midwest farmer-feeding section of the United States. It is a safe assumption that to compensate for the availability of feeder cattle, more cow-calf operations will become necessary in those so-called farmer-feeder areas. This has been happening for some time. For example, in the January 1, 1970 livestock inventory the Cornbelt showed a 3% increase in beef cows.

More cattle likely will be producer-owned in custom feedlots where high fixed costs and geographic location will dictate feeder cattle being bid away from the Cornbelt. Therefore, there likely will be fewer feeder cattle available for purchase by the so-called traditional midwest feeders both in the way of percentage and absolute numbers. Ample supplies of roughage also will encourage the conversion to cow-calf units in the midwest.

Many of the problems we have outlined thus far have been caused by artificial means such as farm programs, but other adjustments have been made because of pure economics. Any way you look at it, however, there is a complete inter-tie with what happens to the cattle industry as a result of farm programs.

It is the judgment of the American National Cattlemen's Association that certain commodities in surplus or portions thereof, should be taken out of production until it becomes profitable to produce more. At such time as the free market dictates and it becomes economically sound to put land back into production, then the opportunity should be provided to the owner to reinstitute the production rights on this land. However, within this framework we plead that no legislation or regulations be adopted to adversely damage the supply—demand relationships of the beef cattle business similar to those which have adversely affected other commodities.

Your attention is called to Table IV. Note particularly the dramatic changes that have taken place in beef cattle production and consumption. This, in large measure, has been accomplished because of economic forces. Granted, a degree of it has been caused by what has happened in the way of farm programs. But, a combination of the two has, in effect, assured our consumers of enjoying a high level of beef consumption. Choice beef is a very high quality and wholesome product which has been developed into the most desirable food product produced anywhere in the world.

In Table V, note that average slaughter cattle prices have not yet achieved the level which existed in 1951. Meanwhile, the public is consuming nearly twice as many pounds of beef per person, while annual disposable income is at an all time high. Consumers now spend only about 2.3 percent of their disposable dollar for beef, whereas in 1951 that figure was 3.3 percent.

Let us take a close look at Chart A. Note the relationship of prices to increased beef production. While production has increased steadily, prices have remained relatively steady over the past 18 years.

However, we do believe that commercial beef production in the United States in the long term can increase from 3 to 4 percent annually without adversely affecting the economic condition of the cattlemen under the following conditions:

1. The ratio of total cows (beef and dairy) two years old and older to the United States population is a ratio of about one cow to four people and is maintained at that level. The expansion of the total U.S. beef cow herd should not exceed 1.5 to 2 percent annually.

2. Under the premise outlined in number one above, per capita beef consumption should increase at an annual average rate of approximately 1.2 pounds per person. This is based on U.S. population increase of 1.0 percent or more annually.

3. Disposable personal income should increase from 5 to 7 percent annually.

4. Meat and live cattle imports from foreign sources should not enter the United States at any faster rate than has been experienced for the past three years.

The principal point we are making is that even though we believe land should be retired in order to bring supplies of various commodities into balance with demand, we believe that the beef cattle industry cannot stand any *artificial* stimulation by permitting these acres to be grazed. We contend that the free market system and economic incentives will continue to dictate natural increases in beef cattle production. If the natural economic forces are allowed to work, price levels can remain profitable to cattlemen and reasonable to U.S. consumers. If it becomes apparent that additional land is needed to produce beef cattle, the repurchase revision of production rights as discussed earlier in the presentation might be put into effect so that supply control can be maintained by economic forces.

Our pledge is to continue to produce the finest product available for American consumers. We further pledge ourselves to the need for net profit in our business. Any artificial stimulus which causes rapid production increases will be highly detrimental to our business, agriculture in general, and the consumer in the long run.

We ask that you please include this letter in the hearing record of your committee's deliberations on the farm bill. Thank you.

Respectfully yours,

W. D. FARR, *President, American National Cattlemen's Association.*

TABLE I.—FEMALE BEEF AND DAIRY CATTLE BY CATEGORY, FROM USDA JAN. 1 ESTIMATE

[In thousands]

Year	Beef		Dairy		Total female cattle	All cattle
	Cows 2 years and over	Heifers 1 to 2 years	Cows 2 years and over	Heifers 1 to 2 years		
1953	23,291	6,535	23,549	5,893	59,268	94,241
1954	25,050	6,365	23,896	5,873	61,184	95,679
1955	25,659	6,514	23,462	5,786	61,421	96,592
1956	25,371	6,206	22,912	5,407	59,896	95,900
1957	24,534	5,926	22,325	5,267	58,052	92,860
1958	24,165	5,903	21,265	5,126	56,459	91,176
1959	25,112	6,557	20,132	5,050	56,851	93,322
1960	26,344	7,036	19,527	5,079	57,986	96,326
1961	27,327	7,115	19,271	5,016	58,729	97,700
1962	28,691	7,446	18,963	4,887	59,987	100,369
1963	30,589	8,108	18,379	4,708	61,784	104,488
1964	32,794	8,612	17,647	4,395	63,448	107,903
1965	34,238	8,989	16,981	4,149	64,357	109,000
1966	34,433	8,925	15,987	3,860	63,205	108,862
1967	34,685	9,121	15,198	3,636	62,640	108,645
1968	35,405	9,328	14,644	3,579	62,956	109,152
1969	36,227	9,313	14,152	3,525	63,217	109,885
1970	37,433	9,683	13,875	3,461	64,452	112,330

TABLE II.—TOTAL PRODUCTION AND UTILIZATION OF FEED GRAINS, 1940–68

Year	Production			Distribution [1]		
	Total supply	Livestock feed	Food, industry, feed (million tons)	Exports (million tons)[2]	Total use	Carryover at end of year
1940	114.7	80.5	10.4	0.7	91.6	23.1
1941	121.6	89.6	12.5	1.0	103.1	18.5
1942	133.4	104.0	12.8	.4	117.2	[3] 16.2
1943	124.0	99.5	12.3	.6	112.4	11.6
1944	122.4	92.2	14.3	1.0	107.5	14.9
1945	121.0	96.6	12.0	1.5	110.1	10.9
1946	125.6	93.0	13.5	5.3	111.8	13.8
1947	101.1	79.4	12.1	1.8	93.3	7.8
1948	135.5	87.7	11.9	5.5	105.1	30.4
1949	143.1	95.2	12.6	4.8	112.6	30.5
1950	144.4	95.7	13.7	6.4	115.8	28.6
1951	134.7	97.7	12.1	4.8	114.6	20.1
1952	132.8	88.8	11.7	5.3	105.8	27.0
1953	137.5	89.9	12.1	3.8	105.8	31.7
1954	146.7	89.7	12.4	5.5	107.6	39.1
1955	160.7	96.9	12.5	8.1	117.5	43.2
1956	163.4	94.3	12.6	7.7	114.6	48.8
1957	182.2	100.9	12.5	9.8	123.2	59.0
1958	203.5	110.4	13.0	12.6	136.0	67.5
1959	217.5	116.9	13.2	12.8	142.9	74.6
1960	230.5	119.4	13.4	12.7	145.5	85.0
1961	225.3	122.0	13.8	17.3	153.1	72.2
1962	214.1	119.0	13.9	16.8	149.7	64.4
1963	218.6	116.2	14.3	18.8	149.3	69.3
1964	203.9	113.0	14.5	21.6	149.1	54.8
1965	212.5	126.3	15.0	29.1	170.4	42.1
1966	200.0	125.7	15.2	22.0	163.9	37.1
1967	213.4	126.4	15.4	23.3	165.1	48.3
1968	216.7	139.2	15.5	18.0	172.7	44.0
1969	224.5	139.5	16.0	19.0	174.5	50.5

[1] October-September year for corn and sorghum grain, July–June year for oats and barley.
[2] Imports and exports include grain equivalent of products.
[3] Stocks of grain at interior mills, elevators, and warehouses, not included in computing 1942–43 disappearance.

TABLE III.—TOTAL PRODUCTION AND UTILIZATION OF WHEAT, 1940–68

[In thousands of bushels]

Year	Total production	Distribution		
		Domestic disappearance	Carryover	Exports
1940	814,646	675,456	279,721	33,848
1941	941,970	651,513	384,733	27,852
1942	969,381	920,635	630,775	27,769
1943	843,813	1,173,928	618,897	42,622
1944	1,060,111	936,535	316,555	143,500
1945	1,107,623	873,781	279,180	389,600
1946	1,152,118	743,770	100,086	396,700
1947	1,358,911	754,180	83,837	485,200
1948	1,294,911	672,209	195,943	503,600
1949	1,098,415	676,637	307,285	302,900
1950	1,019,344	676,545	424,714	365,900
1951	988,161	672,610	399,871	475,000
1952	1,306,440	645,359	255,978	317,500
1953	1,173,071	618,955	605,544	216,700
1954	983,900	598,134	933,506	274,000
1955	934,731	589,023	1,036,178	346,000
1956	1,004,272	574,451	1,033,415	549,100
1957	955,800	591,700	908,800	402,300
1958	1,457,435	608,600	881,400	442,800
1959	1,117,735	596,900	1,295,100	509,800
1960	1,354,709	603,400	1,313,400	661,500
1961	1,232,359	608,000	1,411,300	719,400
1962	1,091,958	580,300	1,322,000	643,800
1963	1,146,821	588,500	1,195,200	856,100
1964	1,283,371	643,600	901,400	725,000
1965	1,315,613	731,200	817,300	867,400
1966	1,311,702	681,200	535,200	744,300
1967	1,522,382	647,800	425,000	761,100
1968	1,576,200	754,000	819,000	544,100
1969 [1]	1,459,000	780,000	[2] 899,000	[3] 600,000

[1] Preliminary.
[2] Expected June 1, 1970.
[3] Estimated for 1970.

Sources: Ag statistics, 1952, table 11; Ag statistics, 1959, table 11; Ag statistics, 1968, table 10; 1967–68 domestic disappearance and carryover from July 1969; Wheat Situation. Exports: 1940–43 Ag statistics, 1962, table 8; 1944–45, Ag statistics, 1967, table 11, 1966–68, Wheat Situation, July, 1969, table 1.

TABLE IV

Year	Total beef cows 2 years older [1]	Percent of change [1]	Annual change in commercial beef production [2]	Percent of change [2]	Total beef per capita consumption (pounds) [3]	Percent of change [3]	U.S. population [4]	Percent of change [4]
1940	10,676	+6.9	6,948	+2.4	54.9	+.4	132,594	+1.2
1941	11,366	+6.5	7,858	+13.0	60.9	−11.0	133,894	+1.0
1942	12,578	+10.7	8,592	+9.3	61.2	+.5	135,361	+1.1
1943	13,980	+11.2	8,306	−3.3	53.3	+13.0	137,250	+1.4
1944	15,521	+10.2	8,801	+6.0	55.6	+4.3	138,916	+1.2
1945	16,456	+6.0	9,936	+12.9	59.4	+6.9	140,468	+1.1
1946	16,408	−.3	9,010	−9.3	61.6	+3.7	141,936	+1.1
1947	16,488	+.5	10,096	+12.0	69.6	+13.0	144,698	+1.9
1948	16,010	−.3	8,766	−13.2	63.1	−9.3	147,208	+1.7
1949	15,919	−.6	9,142	+4.3	63.9	+1.3	149,767	+1.7
1950	16,743	+5.2	9,248	+1.2	63.4	−.8	152,271	+1.7
1951	18,526	+10.6	8,549	−7.6	56.1	−11.5	154,878	+1.7
1952	20,863	+12.6	9,337	+9.2	62.2	+10.9	157,553	+1.7
1953	23,291	+11.6	12,055	+29.1	77.6	+24.8	160,184	+1.7
1954	25,050	+7.6	12,601	+4.5	80.1	+3.2	163,026	+1.8
1955	25,659	+2.4	13,213	+4.9	82.0	+2.4	165,931	+1.8
1956	25,371	−1.1	14,090	+6.6	85.4	+4.1	168,903	+1.8
1957	24,534	−3.3	13,852	−1.7	84.6	−.9	171,984	+1.8
1958	24,165	−1.5	12,983	−6.3	80.5	−4.8	174,882	+1.7
1959	25,112	+3.9	13,233	+1.9	81.4	+1.1	177,830	+1.7
1960	26,344	+5.0	14,374	+8.6	85.2	+4.7	180,684	+1.6
1961	27,102	+2.8	14,930	+3.9	88.0	+3.3	183,756	+1.7
1962	28,305	+4.4	14,931	+.1	89.1	+1.3	186,656	+1.6
1963	29,960	+5.9	16,049	+7.5	94.6	+6.2	189,417	+1.5
1964	32,794	+9.5	18,037	+12.4	100.1	+5.8	192,120	+1.4
1965	34,238	+4.4	18,325	+1.6	99.6	−.8	194,590	+1.3
1966	34,433	+.6	19,493	+6.4	104.2	+4.2	196,920	+1.2
1967	34,685	+.7	19,991	+2.6	106.3	+2.0	199,100	+1.1
1968	35,300	+2.1	20,662	+3.4	109.0	+2.5	201,100	+1.0
1969	36,227	+2.3	20,953	+1.4	110.0	+1.0	203,200	+1.0
1970	37,433	+3.2						

[1] Livestock and Meat Statistics, 1962, table 7.
[2] Livestock and Meat Statistics, 1962, table 113.
[3] Livestock and Meat Statistics, 1962, table 209.
[4] Business Statistics, 16 biennial edition, 1967, p. 65.

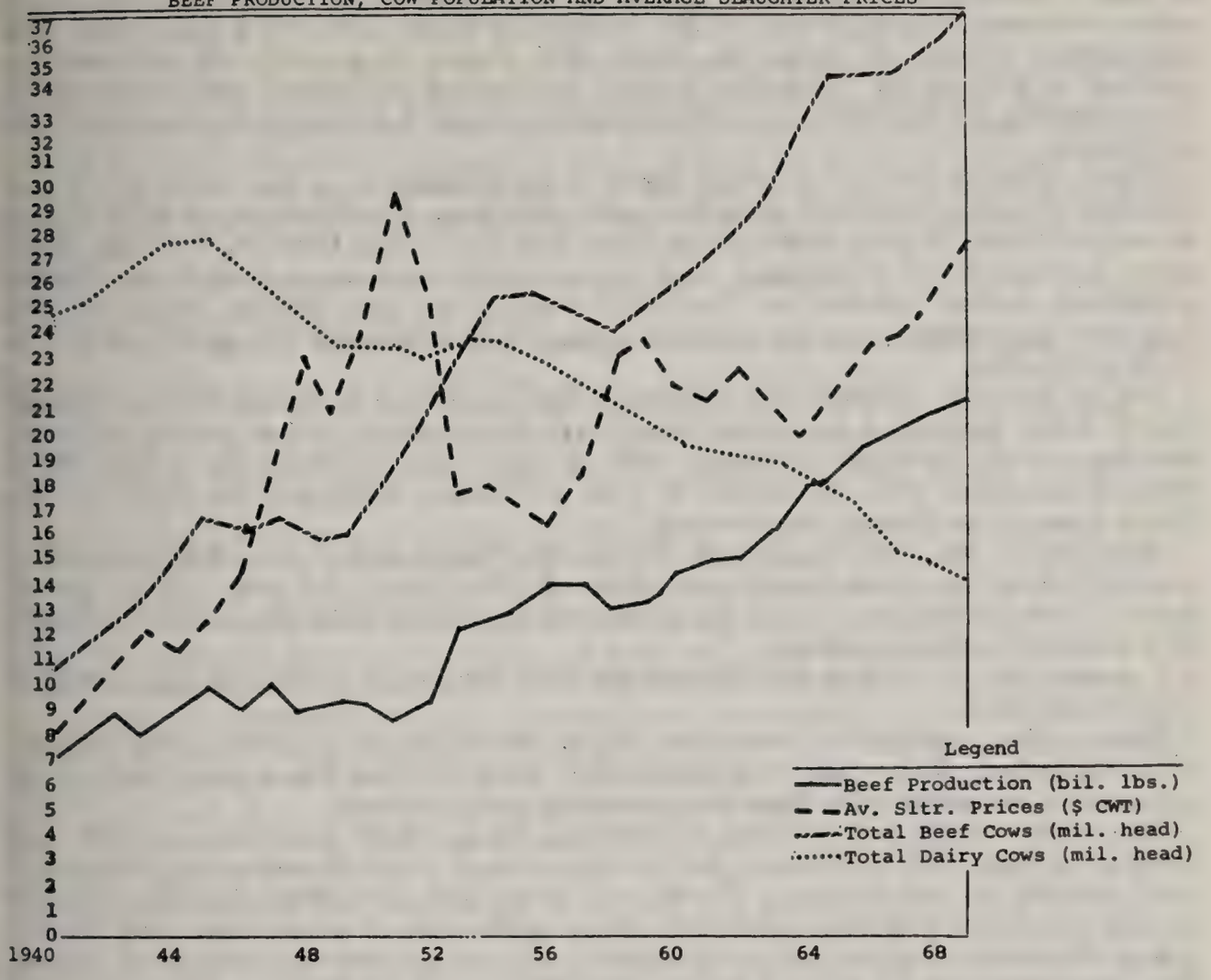
TABLE V

Year	Average slaughter cattle [1] prices per 100 lbs. for all cattle under Federal inspection	Percent of [1] change	Disposable [2] personal income	Percent of [2] change
1940	7.95		75.7	+7.7
1941	9.14	+20.1	92.7	+22.4
1942	10.98	+10.1	116.9	+26.1
1943	12.22	−9.3	133.5	+14.2
1944	11.08	+10.9	146.3	+9.6
1945	12.41	+20.3	150.2	+2.7
1946	14.66	+18.1	160.0	+6.5
1947	18.88	+28.8	169.8	+6.1
1948	23.29	+23.3	189.1	+11.4
1949	20.74	−10.9	188.6	−.3
1950	24.06	+16.0	206.9	+10.0
1951	29.69	+23.4	226.6	+10.0
1952	25.71	−13.4	238.3	+5.0
1953	17.66	−31.3	252.6	+6.0
1954	17.44	−1.2	257.4	+2.0
1955	16.92	−3.0	275.3	+7.0
1956	16.34	−3.4	293.2	+7.0
1957	18.50	+13.2	308.5	+5.2
1958	23.11	+24.9	318.8	+3.3
1959	23.91	+3.5	337.3	+5.8
1960	21.98	−8.1	350.0	+3.8
1961	21.41	−2.6	364.4	+4.1
1962	22.95	+7.2	385.3	+5.7
1963	21.10	−8.1	404.6	+5.0
1964	19.71	−6.6	438.1	+8.2
1965	21.37	+8.4	472.2	+7.8
1966	23.36	+9.3	508.8	+7.8
1967	23.44	+1.7	543.0	+6.7
1968	24.63	+7.9	590.0	+7.8
1969	27.33	+11.0	629.6	+6.7

[1] Livestock and meat statistics, 1962, table 150.
[2] Billions of dollars, Business Statistics, 16 biennial edition, 1967, p. 7, 1967, 68: Survey of Current Bus., April 1969, vol. 49, No. 4, p. 25.

CHART A

BEEF PRODUCTION, COW POPULATION AND AVERAGE SLAUGHTER PRICES



RUPERT, IDAHO, *February 25, 1970.*

Hon. Senator JORDAN: Whereas present Farm legislation expires at the end of 1970; and

Whereas the American farmers are in a tight squeeze; and

Whereas the farmer's economic position is likely to worsen without a sound farm program; and

Whereas the Omnibus farm bill supported by the National Grange and other farm organization offers the best reasonable probability of improving and stabilizing the farm income.

Now therefore be it resolved, This Pioneer Grange N. 71. does support the Omnibus farm bill, above described and does solicit the support of Idaho's Congressional Delegates for said proposed legislation.

Respectfully

Pioneer Grange Membership
By Mrs. Russell Acock
Acting Secretary.

STATEMENT OF LON MANN, PRESIDENT, NATIONAL COTTON GINNERS ASSOCIATION, MARIANNA, ARK.

My name is Lon Mann. I live in Marianna, Arkansas, where I farm and operate a cotton gin. I am submitting this statement as President of the National Cotton Ginners Association.

Like all other branches of our industry, ginners have a vital stake in legislation which will restore cotton as a sound and dynamic part of our American economy. As ginners, our commitment to cotton is complete. We have no other alternatives for our gin plants. They are totally useless for anything other than ginning cotton.

The fundamental problem confronting ginners today is one of volume. We believe the only solution to our problem is to provide the producers with an incentive tied to actual production of cotton, not to projections, nor to diversions.

Low volume and erratic production have resulted in many ginners being forced to take a "balingwire" approach to repair and maintenance of a vital cog in the cotton industry. The high cost of gin machinery today demands a reasonable and dependable volume of cotton to enable the ginner to provide the services demanded of him by the producer. Modern harvesting equipment and methods require modern gin facilities to produce quality cotton in a greatly reduced harvesting period.

Today ginners are not a breed apart from producers. A big majority of our gins are owned by farmers as individuals, partners, stockholders, or as members of cooperatives. In most instances ginners are just cotton farmers with the maximum investment in equipment and consequently maximum dedication toward continued cotton production. For this reason we are keenly aware of the fact that the cotton program must be designed to first serve the producer if it is to be successful.

We, as ginners, endorse the recommendations of the National Cotton Council which were developed by cotton producers themselves over a period of many months and in meetings from one side of the Cotton Belt to the other. These recommendations were presented to you gentlemen February 25, 1969, by Mr. Bruce Lynn, President of the Council.

Needless to say, not all ginners, nor all producers, are in complete agreement on every detail in these recommendations. As Mr. Lynn told you, they do reflect a very strong consensus among the producers and in the industry on the essentials of a practical cotton program.

I should like to confine my statements with the broad outline of this group of recommendations.

Maintaining competitive one-price cotton should be the starting point for any new legislation. This can be accomplished by providing for a loan level of 90 per cent of the world price from the preceding year, or years.

Due to the high cost of farm equipment, land, labor, chemicals, money, and everything else that it takes to make a crop, there must be some sort of government subsidy to the producer if cotton is to be sold competitively. This subsidy should relate the difference between the average cost of produciton and the average price of cotton on the world market. To get an adequate supply of cotton, this payment must be tied to actual production, not projections nor diversions.

Any limitation of payments will create more problems than solutions and therefore should be prohibited.

We must have dependable supplies of American cotton which can meet the requirements of modern competition at home and abroad. Acreage allotments based on the needs of the industry each year should be a basic part of new legislation. The number of acres of cotton allotted each year should be geared to domestic consumption, a workable export program, and a realistic carryover. Today's farmer is a businessman and he will respond intelligently to an incentive program tied to actual production.

The suggested changes in the sale and lease of cotton allotments provide a realistic approach to a painful problem for some ginners. Any ginner who is losing cotton acres from his territory naturally does not like to see any relaxation in this provision, but we realize that cotton is going to move to areas of the most efficient production within each state either naturally or by default.

Crop insurance has been a lifesaver for many producers and ginners and should be strengthened to allow adequate protection for high-cost, high-risk crops such as cotton.

Our long-range hope for the actual survival of the cotton industry is tied to research and promotion which can result in lowering our production costs and expanding our markets. We must therefore continue a crash program which will someday enable the cotton producer to achieve self-sufficiency. Government funds approved but not appropriated in years past should be put to work vigorously to help the producers with their CPI program and the other branches of the industry in their research efforts.

These few points on which I have touched are key points as far as ginners are concerned because they all relate to volume production. During the last few years, low and uncertain production has played havoc with the ginning industry. As stated before, if the producers can be given the proper incentive to produce the cotton the industry needs, the ginners can go a long way toward solving their own problems.

Thank you for your consideration of our ideas.

Statement of E. Clinton Stokes, Senior Associate-Agriculture, Chamber of Commerce of the United States [1]

The Chamber of Commerce of the United States appreciates the opportunity to present the views of the general business community on problems and program alternatives for agriculture, one of the Nation's most fundamental industries.

The National Chamber represents more than 2,700 local, state and regional chambers of commerce, 1,100 trade and professional associations and 37,000 firms, corporations and individuals, with an underlying membership of over five million.

The Chamber recommends the following key provisions be included in legislation to extend general farm programs.

1. Provide special transitional assistance to farmers and other rural businessmen who have gone out of business in the wake of structural adjustments.
2. Require that funds for making payments to producers be reviewed and authorized prior to obligation through the appropriation process.
3. Increase gradually land-use adjustment programs to help divert excess cropland to less intensive uses.
4. Gradually adjust price suppport programs which attempt to control prices and individual farm production, beginning with wheat, feed grains and cotton.

Agriculture is a complex industry which includes the business of farming and all of the affiliate service, supply, processing, transportation and marketing activities that are used to produce our food and fiber requirements.

The actions of Congress should reflect the changing needs and interests of the people it represents. These interests are increasingly and understandably urban, because a vast majority of Americans live and work in cities. Crime, unemployment, poverty, racial strife, pollution and other predominantly urban problems draw an increasing share of the national attention. Each of these issues represents more money than the subsidy programs for agriculture cost each year. But the impact of limited public funds will be felt on all federal programs. This was evidenced in the attempt to amend the appropriation bill for agriculture to limit the size of price support payments to producers. Urban interests, as well as the interests of farmers, along with the suppliers and customers, should be reflected in any agricultural program adopted by Congress. Therefore, the challenge to Congress and the Administration is to produce a farm program that meets the long-run interests of the agricultural industry and the national economy without imposing unacceptable burdens of adjustment on the people involved. This is a different country in terms of the distribution of population, industry and the resources of agricultural production than when the farm support program was first designed. New legislation must recognize these changes.

It was with these factors in mind that the National Chamber's Agriculture Committee during the past year studied the adjustment problems in agriculture and related areas. This study led to approval by the Chamber of the recommendations presented herein.

THE PROBLEM IN PERSPECTIVE

The National Chamber recognizes that there are really two different kinds of farm operations: (1) viable commercial production units possessing sufficient size, resources and management skills to enable the producers to compete in modern agriculture; and (2) marginal production units so limited in their capacity to compete that their operators must supplement their incomes by off-farm employment.

The basic problem facing agriculture, both now and in the foreseeable future, in *excess productive capacity*—too many crop-producing acres and too many people depending on farm production and employment as their primary source of income. New technology and management ability have greatly expanded the output per acre and per man, thereby increasing the size of farming units and reducing the need for labor. The accelerated rural-to-urban migration has virtually "dried up" many rural communities. On the demand side, the domestic market shows only limited potential for major increases in total food consumption. Increases are expected to be about in proportion to population growth. Much should be done in an effort to increase agricultural exports. However, the prospects for food exports to increase in sufficient amount to keep pace with increases in farm productivity over the next few years appear bleak indeed.

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[1] Senior Associate, Agriculture, Chamber of Commerce of the United States.

The "green revolution" is expanding agricultural productivity in the developing countries at a faster rate than was expected.

Despite the extent to which many farmers have adjusted their operations to improve efficiency and supplement income with off-farm employment, there is much need and opportunity for further adjustments. Economists suggest that the average commercial farm acreage in many areas could probably be doubled without running up against increasing costs per crop acre. In 1968 only 194,000 of the Nation's three million farms sold nearly half the total United States produce marketed. Slightly over one million farms accounted for 86 per cent of all farm marketings. As farm production efficiency improves further, even less land and labor will be needed. The inescapable fact is that we have too many acres of land available for crop production—particularly with respect to feed grains, wheat and cotton—and too many families unable to make a living from their inadequate farming units.

Current farm programs are not responsive to the needs of rural people. Commercial farmers could operate more efficiently with benefit to themselves and consumers if they were able to utilize all of the high-priced cropland on their farms. On the other hand, marginal farmers who lack the investment capital to produce competitively are encouraged by the price support programs to continue their uneconomic operations. As new technology and increased capital have caused production to expand faster than markets, these programs have become increasingly more expensive and less effective in dealing with the problem of excess production—and for that matter, farm income as well. We see no prospect that current types of farm programs can solve the problems of excess capacity and structural adjustments in farming over the next decade. The public can spend $4 billion annually on present programs for another 10 years, but the additional $40–50 billion spent by 1980 would undoubtedly leave many of the same capacity and adjustment problems still unresolved.

RECOMMENDATIONS

It is for these reasons that the National Chamber recommends that Congress act to gradually but deliberately redirect farm programs so as to bring agriculture into a healthy self-sustaining balance in a market-oriented economy. Accordingly, the Chamber recommends that the following features be included in the new legislation:

1. *Special assistance to rural people.*—Some of the farmers who choose to retire from farming will have sufficient resources to do so. Some will be eligible for social security and other retirement benefits. Others will have sufficient training to find employment elsewhere.

Those farmers who are not of retirement age and are without adequate income and skills to become employable need special assistance if they discontinue farming.

The Chamber would support direct one-time cash payments to help relocate these farm operators and workers whose farm employment has been terminated. This assumes that they cannot find employment locally, jobs are available elsewhere and adequate training is provided for such employment.

We recommend expansion of vocational-technical education to provide job training and employment for displaced agricultural workers. Congress, and the Administration too, should consider the feasibility of expanding regional vocational schools with programs especially designed for rural adults. Also, careful consideration should be given to the amendments to the Manpower Act to provide more training for rural workers and extension of the proposed JOBS Bank in rural areas.

2. *Advanced authorization and appropriations for commodity stabilization programs.*—Congress should require that funds for payments to producers be reviewed and authorized prior to obligation through the appropriation process. This will enable Congress to exercise more direct control over appropriations for the commodity price support programs. Under existing authority, these programs are financed with the Commodity Credit Corporation's Fund which is then reimbursed by subsequent appropriations to CCC. This is "back-door" spending. If the money for these programs had to be justified through the usual appropriations process, Congress and the public would be better able to justify and control these expenditures.

3. *Long-term land use adjustment.*—The Chamber supports an expanding program of land adjustment to help divert excess cropland (principally feed grains, wheat and cotton) acreage to less intensive non-crop uses. We believe the program should encourage the voluntary retirement of whole farms, lasting adjustments in land use and the diversion of less efficient land and labor resources to more productive alternatives.

The Secretary of Agriculture should be given discretionary authority to determine the amount of participation in any one area and to permit the diversion of cropland to less intensive uses such as recreation, grass and trees where appropriate; or to commercial uses such as airports, industrial parks, etc. This program should assist producers whose farms are unproductive and whose incomes are inadequate to seek better sources of income. It is also a more effective way of separating the problems of commercial farmers and those of the marginal, part-time farmers, so that adjustments can be adapted to the excess of cropland on the one hand, and underemployment on the other.

The Secretary of Agriculture should have sufficient authority to coordinate this type of retirement program with adjustments in the price support programs.

4. *Transitional program to gradually adjust price support programs as a means of achieving crop production and price objectives.*—Priority during the transition program should be given to those crops that are in greatest difficulty—feed grains, wheat and cotton. Price support loans should eventually be limited to a percentage of average market prices for recent years. This should serve as a type of standby assistance to prevent drastic price declines causing disastrous market consequences.

THE ADMINISTRATION'S DRAFT PROPOSAL

We have reviewed the provisions of the legislative draft submitted by the Department of Agriculture to Congress on February 3, 1970. We support the general intent of the proposal presented by Secretary Hardin as a consensus. It contains several provisions which, if enacted and wisely administered, should improve opportunities for agriculture and rural America with less dependence on the Federal Government.

The key provisions which merit favorable consideration by Congress include the following:

1. Set price support loans at market-clearing levels for feed grains, wheat and cotton.

2. Provide more flexibility for the producers of these commodities to plan for individual cropping programs through a new set-aside proposal which retains authority to limit acreage of these three crops for 1971 and 1972 only.

3. Expand long-term land retirement through several approaches to assist people needing to retire and to make excess cropland available for needed alternatives such as recreation, conservation, airports, etc.

4. Prohibit program payments without advance appropriations.

However, it is unfortunate that the draft bill retains the outdated "parity" formula as a reference point in establishing the level of price support loans and payments. The loan provisions should be limited to a form of credit and emergency protection against severe price declines. Relating the loans to a formula based on a percentage of average market prices is a more meaningful way to set loans at market clearing levels.

As the adjustments in the use of land and other resources in rural areas become more efficiently distributed, the authority to limit individual farm output by way of the set-aside program should be withdrawn completely.

In the meantime, consideration should also be given to adjustments in the rice program to make this commodity more responsive to the rapidly changing market.

More attention needs to be given to the impact on the non-metropolitan communities and regions to insure the development of these area for the greater good of our national economy—both agriculture and urban development interests.

RURAL COMMUNITY AND REGIONAL DEVELOPMENT

Adjustment assistance can be more readily administered to families than to the small business communities which serve these changing rural areas. The last vestige of many such communities is still in evidence throughout rural America. They represent the price of change. The decline in the number of

small towns was and continues to be as inevitable as the continuous decline in number and increase in size of farming units. Whether the people leave or stay in these communities depends largely on the availability of jobs. It takes leadership as well as the necessary resources to attract new businesses. This will require more attention on the need to restructure many of these communities if fewer but more viable growth centers are to materialize.

The National Chamber is moving aggressively to mobilize the total resources of these communities. We encourage the formation of regional organizations to help stimulate new business activities and employment in these areas.

In addition to the need for primary reliance on voluntary action, a number of existing federal programs are already available to assist in the development of economically depressed communities. Among them are the programs of the Economic Development Administration, Department of Commerce; the programs of the Small Business Administration; and the programs of the Office of Economic Opportunity, for more specialized assistance.

In addition, the Departments of Commerce, HUD and Agriculture provide assistance for comprehensive planning and development on a multi-county, district or regional basis. The plans developed through these programs can be tailored to take advantage of the resource potential of rural areas. They are also prerequisites to other public assistance programs of the Federal Government.

Additional recommendations which the National Chamber believes would be helpful in the development of rural areas suffering from the impact of structural adjustments in agriculture include:

—consolidated regional training and development programs;

—appropriate incentives for sound business investments in manufacturing and service industries;

—more adequate research information on factors affecting the location of population and industry.

The National Committee on Urban Growth Policy has recommended federal assistance in creating new communities averaging 100,000 population each, and 10 new communities of at least one million population each to meet the needs of housing 100 million new Americans during the next 30 years. Where should these cities be built? What types of industries would they attract? How will they affect commercial agriculture and the availability of productive farm land and rural communities? The answers to these and many more questions are needed. Wise research and planning today will help solve problems which are of vital interest to both the rural and urban leaders of the country.

A further substantial reduction in the farm population is in prospect regardless of what program Congress adopts. People, business firm and service institutions will continue to face substantial adjustments and relocations in rural America. Public programs can ease the impact and alter the rate of adjustments to the forces of new science and technology; but they cannot and should not attempt to circumvent or reverse these forces.

CONCLUSION

Geared appropriately to the transition period, the National Chamber's recommendations will (1) help marginal farmers become more productive; (2) enable commercial farmers to achieve a profitable farming structure responsive to changing technology and markets; (3) provide an eventual termination of federal outlays directed toward supply control; (4) product regional adjustments in land, labor and physical resources which are more consistent with economic growth; (5) stimulate the development of rural America to complement to the needs of a sound agricultural economy and to the needs of an expanding urban America.

We must somehow convince the urban majority that their interests in agriculture go far beyond the cost of farm programs and the assurance of an adequate supply of food at reasonable prices. All of us must be aware that:

—there are rural roots to many urban problems;

—agriculture has a key role in the competitive strength of the United States in world trade;

—the problem of finding a place for the next hundred million people to live and work and play will involve rural America;

—the future demands on the supplies and quality of land, water, and the air we breathe will be staggering and will fall largely on rural America.

We have little choice but to come up with a more acceptable program for agriculture or risk further erosion of urban support and understanding of farm problems. It is, therefore, imperative that we look beyond past programs and policies and adjust our efforts to more effectively meet today's needs and those of the next decade.

STATEMENT OF A. E. MERCKER, EXECUTIVE SECRETARY, VEGETABLE GROWERS ASSOCIATION OF AMERICA

In connection with S. 2524, the General Farm Bill, and S. 3068, the Coalition Farm Bill, the Vegetable Growers Association of America, established in 1908 and representing many hundreds of vegetable producers and Affiliated Associations of Vegetable Growers, wishes to make known to the Committee that it strongly supports many of the aspects of the Bills mentioned.

Vegetable growers have never received nor have they ever asked for price support for their fresh or processed vegetables. The Department of Agriculture, however, does buy fresh and processed vegetables for use in their school lunch programs and other programs for supplying the underprivileged and needy, with this essential food. In the past we have used the Department's Plentiful Foods Program in order to promote the commodities that were in oversupply and such programs have proven most helpful in relieving distressing surpluses of such commodities by increasing the consumption in the home and in public eating places.

The Vegetable Growers Association of America strongly supports the School Lunch Program, the Milk Program, the Food Stamp Program, and the Food for Peace Program. We support these programs, along with S. 2524 and S. 3068, in order to maintain incomes for the wheat, corn, soybean, cotton and feed grain producers. In the past the vegetable and potato growers have suffered serious monetary losses when the producers of the aforementioned grain and cotton commodities reduced their acreage, some of which excess acreage was planted to green vegetables and potatoes. The diversion of this acreage to these annual perishable crops resulted in disastrous reductions in income to the producers of green vegetables and potatoes. Therefore, in our opinion, these programs should be continued.

Further, we wish to recommend to the Committee that S. 146, which provides for equitable market sharing of fresh fruits and vegetables imported from other countries, be embodied into any general farm legislation which is considered by the Congress, as well as S. 612, which provides for more effective regulations of the importation of dairy products.

We also recommend that legislation be enacted which will provide for authorization to encourage youngsters, both in rural and urban areas, to be taught to grow crops during seasonal production periods. This would enable such young people to closely observe the wonders of nature and to learn how crops grow from small seeds, and the need to protect such crops from insects and disease infestations. It would further teach them respect for property, to be self-reliant and productive rather than destructive, and it would create a sense of pride in many young people who have never accomplished anything of their own origin. In this connection I want to point out that the late Mayor Fiorello LaGuardia, who as a member of the Appropriations Committee of the House of Representatives, was the foremost spokesman for increased agricultural appropriations in that he said repeatedly he wanted to provide his constituents with a plentiful supply of not only food—but high quality food.

I want to thank the Committee for permitting us to present this testimony and we trust that our views will be given due consideration.

Thank you.

Chairman ALLEN J. ELLENDER,
Senate Committee on Agriculture and Forestry, Senate Office Building, Washington, D.C.

DEAR CHAIRMAN ELLENDER: In answer to a letter I received from Senator Len B. Jordan, I am submitting to you the enclosed Summary of the Agricultural Adjustment Act of 1969, for your information.

I would like to submit this statement for the hearing on the Farm Bill, and the Senate public hearings which begin February 18th. I would be willing to appear as a witness before the Committe if you would like, and am respectfully submitting the enclosed statement.

I know the Farm Bill is a very important piece of legislation, and if I can be of any assistance, I will be happy to.

Thank you kindly for your consideration of this summary.

Yours truly,

STANTON M. HAWKES.

SUMMARY OF AGRICULTURAL ADJUSTMENT ACT OF 1969

FARM BUREAU'S LONG RANGE FARM PROGRAM FOR WHEAT, FEED GRAINS, COTTON, AND SOYBEANS

(1) The 5-year program would begin January 1, 1971 and run through December 31, 1975. It would amend the Food and Agriculture Act of 1965. The program would provide for a 5-year transitional period during which acreage controls, base acreages, marketing quotas, processing taxes and direct payments for wheat, feed grains, and cotton would be phased out.

(2) Limit the total funds that may be spent on all direct payments for wheat, feed grains, and cotton under the Food and Agriculture Act of 1965 to 80 percent of the amount spent on 1969 crops in 1971, 60 percent in 1972, 40 percent in 1973, and 20 percent in 1974.

(3) Reduce the cost of wheat certificates to processors to 80 percent of the 1969 level in 1971, 60 percent in 1972, 40 percent in 1973, and 20 percent in 1974.

(4) Effective with 1975 crops, discontinue all acreage allotments, base acreages, marketing quotas, processing taxes and direct payments (annual land diversion, compensatory, and certificate) for wheat, feed grains, and cotton.

(5) Continue the cropland adjustment provisions of the Act of 1965 with amendments:

A. To require that programs be operated on a competitive bid basis with emphasis on whole farms, and

B. To direct the Secretary of Agriculture to retire at least 10 million acres per year in 1971, 1972, 1973, 1974, and 1975.

The Secretary would announce in advance the maximum acreage to be contracted for each year. If accepted bids do not exhaust this acreage, higher bidders could be offered the opportunity to negotiate contracts at the accepted bid level.

(6) Provide that loan rates for wheat, feed grains, cotton and soybeans, shall be set at *not more than* 85 percent of the previous three-year-average price, beginning with the 1971 crop year.

(7) Prohibit the sale of CCC stocks at less than 150 percent of the current loan rate plus carrying charges, except when sales are offset by equivalent purchases in the open market.

(8) In addition to and conditional on the adoption of items 2, 3, 4, 5: Authorize the Secretary of Agriculture to offer a special transitional program in 1971, 1972, 1973, 1974, and 1975, which would be open to any farmer who has had average gross annual sales of farm products of not more than $5,000 and off-farm income of not more than $2,000 per year for husband and wife for the immediately preecding three years. Such farmers would be eligible to receive one or more of the following:

A. Compensation for acreage allotments and base acreages surrendered to the Secretary for permanent cancellation. (This would apply to all commodities having acreage allotments or base acreages. Such compensation would be in addition to land retirement payments under the cropland adjustment program.)

B. Retraining grants of not to exceed $1,000.

C. Adjustment assistance of not to exceed $2,500 per year for two years.

D. Loans under existing credit programs to further facilitate the transition of eligible farmers to more gainful employment.

(9) Authorize the appropriations of such funds as may be necessary to carry out the programs enumerated in this bill.

GRANGEVILLE, IDAHO, *February 5, 1970.*

Chairman ALLEN J. ELLENDER,
Senate Committee on Agriculture and Forestry, Senate Office Building, Washington, D.C.

Attention: Senate Committee on Agriculture and Forestry.

DEAR CHAIRMAN ELLENDER: I would like to submit a statement for the public hearings on the new farm bill.

I farm 620 acres in Idaho on which is grown mostly wheat, barley and Austrian peas. In my opinion agriculture, as any other healthy business should be operated on a supply and demand basis. I personally would find it very difficult to operate if the wheat subsidy payments were abruptly discontinued. However, in the best interests of agriculture in the future the eventual elimination of the present wheat certificate payments by a gradual phase-out should minimize the economic impact on the individual farmer. With the present surplus and resulting low prices on farm commodities some type of land retirement seems inevitable. I believe that this along with the gradual withdrawal of government supports would allow a supply and demand adjustment. I would like to encourage you to study and consider the Farm Bureau's ideas for a new farm program. Their program offers the best solution to our problems in this area of the Pacific Northwest.

Thank you for your consideration of this letter.

Sincerely,

RONALD C. FREI.

RESOLUTION

Subject: Coalition farm bill.

Whereas unwarranted high interest rates, constantly diminishing prices for most agricultural commodities and a gradual weakening of rural support and strength in the Congress has resulted in a continual exodus of farm families from rural America, and

Whereas the leadership of approximately 30 farm, agricultural and commodity groups have joined together in support of Federal legislation to strengthen present agricultural programs for the purpose of increasing farm income, and

Whereas the future economic growth, stability and national security is totally dependent upon the economic health and stability of the farming industry: Therefore, be it

Resolved, That Sheyenne Valley Electric Cooperative, Inc., firmly joins with the North Dakota Farm Bureau, the North Dakota Farmers Union, the North Dakota National Farmers Organization, and the Greater North Dakota Association in supporting the enactment of legislation known as the "Coalition Farm Bill"; and be it further

Resolved, That a concerted effort be made to provide a program of low income housing for the purpose of improving rural social standards and incorporate such a provision in the "Coalition Farm Legislation."

Respectfully submitted,

SHEYENNE VALLEY ELECTRIC COOPERATIVE, INC.
LOREN RICHARDS, *President.*

MCVILLE, N. DAK., *February 27, 1970.*

Hon. Senator MILTON YOUNG,
Senate Office Building,
Washington, D.C.

DEAR SENATOR YOUNG: At the regular meeting of the McVille Commercial Club held Feb. 24, 1970, at the McVille City Auditorium, with President Dale Nestegard presiding, the following resolution was adopted:

Be it resolved by the McVille Commercial Club, that it join the various farm organizations in supporting the enactment of legislation known as the "Coalition Farm Bill."

M. J. Gronaas offered the above resolution and moved its adoption. Said motion was seconded by Victor Reiten. The resolution was approved by a voice vote and declared by the president to have been duly passed and adopted.

Respectfully,

GERALD STUTRUD,
Secretary, McVille Commercial Club.

Whereas production costs including the costs of operating capital are ever increasing; and

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RESOLUTION DRAWN UP AND UNANIMOUSLY APPROVED BY THE NORTH DAKOTA FARMER ELECTED COMMITTEEMEN'S ASSOCIATION ANNUAL CONVENTION HELD IN BISMARCK, N. DAK., ON JANUARY 9, 1970

1. Whereas farm income is constantly declining; and

Whereas surpluses are still a major problem; and

Whereas the present farm program expires with the 1970 crop year: Be it therefore

Resolved, That in view of the above problems confronting Agriculture, we urge the enactment of the proposed Coalition Farm Bill early in this session of the Congress; be it further

Resolved, That a provision for the making of advance certificate and program diversion payments be included in this bill.

2. In view of the tightest money and the highest interest rates in a century, we ask the Administration to reconsider and make advance diversion payments this year as in times past.

3. We ask that Rye be included in the reseal program.

4. We ask the Department of Agriculture to return to the old method of figuring eligibility for FSF Loans, taking two years of production as a basis for eligibility.

5. We oppose any weakening of the committee system either by severely limiting the time a committee can put in or by limiting its authority.

6. We urge that Community Committeemen be elected for 3 years, on a staggered term basis, and that the limitation of 3 terms of County Committeemen be eliminated.

7. We urge continued Federal appropriations for the purpose of stabilizing the banks of the Missouri River between the Garrison Reservoir and the Oahe Dam and that a copy of this Resolution be sent to our Congressional Delegation and the Corps of Engineers.

8. We request the elimination of the 75 percent planting provision which is now part of the wheat allotment.

9. We oppose the trend toward ever increasing interest rates and urge the Administration to take measures to reduce the cost of money.

10. Whereas there has been a cooperative effort between 22 farm organizations to sponsor the Coalition bill. Therefore be it resolved that this organization be urged to continue to work with the other farm organizations in an attempt to resolve the differences so that we may speak to Washington with one voice.

11. We are in favor of limitation of payments.

No Resolution Committee could consider its work done without expressing its thanks to the host counties of Burleigh and Morton for their thoughtful efforts on behalf of our visit to Bismarck.

Further, we also extend a hearty thank you to National President, Ray Wax, for his presence and also his words of wisdom.

We are also greatly honored with the appearance of Senator Burdick and Congressman Kleppe, and Governor Guy at the noon luncheon, and are deeply grateful to them for taking time to be with us today.

To all the officers and persons who had a part in making this convention so successful, we extend a heartfelt thank you.

TONY TAVIS, *Chairman.*
JOHN EGGL.
GERALD OBERG.
ALBERT MADSEN.

BATTLE VIEW, N. DAK.

DEAR SENATOR YOUNG: I am writing you in behalf of the Battle View Thorson Local, encouraging you to support the Coalition Farm Bill.

We believe we must have some form of Farm Bill.

In the past 4 years the amount of land we can seed into wheat has halfed. And where is the price where it was several years ago. How are we as young farmers going to make it, unless something is done.

Now 25 farm and commodity organizations are supporting the Coalition Bill. Show us that you are thinking of the Young North Dakota farmers by supporting the bill. We'll be watching.

Sincerely yours,

MRS. DUANE TITUS,
Secretary, Battle View Thorson Local.

LIGNITE, N. DAK.,
January 29, 1970.

DEAR SENATOR MILTON YOUNG: Inclosed is a resolution of the Burke County Farmers Union Board regarding the Coalition Farm Bill.

RESOLUTION

Whereas, the relationship of farm commodity prices in comparison to cost of land, machinery, taxes, and labor is the worst it has ever been.

Therefore, we urge your affirmative vote for the Coalition Farm Bills.

Not because it will solve many of agriculture's major problems but because it might buy time in which to arrive at and enact the moves for realizing legislation which is necessary if the family farm as we know it is to remain a vital part of society.

Thank you.

BURKE COUNTY FARMERS UNION BOARD,
MRS. ERNEST D. ESSEN, *Secretary.*

AGRICULTURAL ACT OF 1970

MONDAY, MARCH 23, 1970

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to recess, at 10:10 a.m., in room 324, Old Senate Office Building, Hon. Allen J. Ellender (chairman) presiding.

Present: Senators Ellender (presiding), Holland, Talmadge, Jordan of North Carolina, Aiken, Young of North Dakota, Miller, Curtis, Dole, and Bellmon.

The CHAIRMAN. The committee will please come to order.

Several weeks ago this committee decided to hold hearings on the farm problem. We started out by listening to outside witnesses. The Secretary of Agriculture was advised that as soon as we got through hearing outside witnesses that we would expect him to analyze their testimony. Then he would come in and give us his views, either commenting on the evidence that was produced by the outside witnesses, or giving testimony of his own.

I regret that this committee is so unglamorous. Usually when a Member of the Cabinet appears before a committee the hearing place is filled with photographers and even television.

Mr. Secretary, I regret that you are coming before a committee that is very, very unglamorous. It is a hard-working committee. And usually we are bedamned if we do and bedamned if we don't. So I hope you understand. And I kind of sympathize with you, to be frank, for being Secretary of Agriculture and not having your picture in the paper on such an important matter as agriculture, which in my book is really and truly most important.

Without a good agriculture the economy would just go to pot, as you know.

STATEMENT OF HON. CLIFFORD M. HARDIN, SECRETARY OF AGRICULTURE

Secretary HARDIN. As a matter of fact, Mr. Chairman, far from feeling sorry for myself, I consider it a real privilege to be able to be here and discuss agriculture with your distinguished committee.

The CHAIRMAN. Without fanfare.

Secretary HARDIN. Either way.

Senator HOLLAND. Mr. Chairman, as far as I am concerned I have no sympathy for the Secretary and no sympathy for the committee. We are doing a job on behalf of the country in one of the most vital

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fields that the country has to face; that is, its food and fiber, and looking to the protection of an industry which means more to the country than any other group, unless we count the defense group. And I know the Secretary feels it is an honor to represent that group.

Secretary HARDIN. I do.

Senator HOLLAND. Certainly I as a member of the committee feel that that is an honor. I cannot control the publicity media, and I am not sorry that I cannot. But I think we are doing something that has to do with the backbone strength of this Nation.

Secretary HARDIN. That is my feeling.

Senator HOLLAND. And I am sure the Secretary feels the same way.

Secretary HARDIN. I do indeed.

The CHAIRMAN. That is my feeling. I have been on this committee ever since I have been in the Senate; since Januray 1937. And when I first came here it was a very, very popular committee, more popular than Foreign Relations, more popular than Judiciary. But in the last two Congresses we had to actually decrease the number of members in order to get enough members to serve. We had as many as 17 members at one time.

And then in the last August, that is, the 90th Congress, we reduced it to 15 members. And in this Congress we had to go down to 13 members.

But as I say, in my book it is the most important committee on this Hill. Because I do not know what would happen to this country if we did not have an abundance of food and fiber.

Secretary HARDIN. We literally touch the life of all 200 million people in one manner or another.

The CHAIRMAN. All right, Mr. Secretary, I notice you have a prepared statement. If you desire to read it throughout without interruption, you may do so, or if you consent to be interrupted—I will leave it with you.

Secretary HARDIN. Mr. Chairman, I have no objection at all to being interrupted as we go along, if that is your desire.

The CHAIRMAN. It is left to you, as I said.

Secretary HARDIN. No; I think you should feel privileged to break in at any time.

The CHAIRMAN. All right, if you do not mind being interrupted as we go along.

Secretary HARDIN. Not at all.

Let me comment, Mr. Chairman, that the tables you requested, showing a comparison of the various proposals that have been placed before the committee, are available to you. These are comparisons of the programs for wheat and feed grains, upland cotton, and special ones for wheat, feed grains, and cotton that go into more details, along with some of the other crops, longtime land adjustment, and so forth.

The CHAIRMAN. We will file them in the record at this point.

SUMMARY

Farm Program Proposals -- Comparison of Selected Provisions

Program and Item	No New Legislation	Extension of Present Act (H.R. 12430)	Farm Bureau Bill (S. 2524)	Farm Coalition Bill (S. 3068)	Set-Aside Proposal
Wheat:					
1. Loan level	Quotas approved: not more than 90% of parity. Quotas disapproved: 50% of parity to farmers complying with allotments.	Not more than 100% of parity.	Not more than 85% of average price received during preceding 3 years.	Not less than $1.25 per bu. after subtracting national average storage and interest costs (minimum of about $1.40 per bu.).	Not more than 90% of parity.
2. Domestic certificates	Quotas approved: difference between domestic support rate (65-90% of parity) and national average loan rate. Quotas disapproved: none.	Difference between 100% of parity and national average loan rate.	Same as present Act except total certificate and diversion payments may not exceed: 1971-80% of 1969 total 1972-60% of 1969 total 1973-40% of 1969 total 1974-20% of 1969 total	Same as present Act.	Not more than 35% of parity plus per bu. cost of processor certificates.
3. Export certificates	Quotas approved: "variable," farmers receive amount by which export certificates exceed subsidies--if any. Quotas disapproved: none.	"Variable," farmers receive amount by which export certificates exceed subsidies--if any.	Same as present Act except terminates after 1974 crop.	$0.65 per bushel.	None.
4. Processor certificates	Quotas approved: same as producer certificate value. Quotas disapproved: none.	Difference between $2.00 and national average loan rate.	1971 - $.60 per bu. 1972 - .45 per bu. 1973 - .30 per bu. 1974 - .15 per bu.	Same as present Act.	Not more than $.75 per bu.
5. Required diversion or set-aside	Quotas approved: amount by which announced farm allotment is less than one based on 59.3 mil. ac. national allotment. Quotas disapproved: none.	Amount by which announced farm allotment is less than one based on 59.3 mil. ac. national allotment.	Same as present Act except terminates after 1974 crop.	Same as present Act.	Acreage set-aside from total crop production equal to percentage of domestic allotment prescribed by Secretary.

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Farm Program Proposals -- Comparison of Selected Provisions (Continued)

Program and Item	No New Legislation	Extension of Present Act (H.R. 12430)	Farm Bureau Bill (S. 2524)	Farm Coalition Bill (S. 3068)	Set-Aside Proposal
Wheat: (Continued)					
6. Maximum additional diversion	None.	The larger of 50% of the allotment or 25 acres less the required diversion.	Same as present Act except terminates after 1974 crop.	Same as present Act.	Diverted from crop production to extent specified by Secretary but must not adversely affect economy of local community.
7. Diversion payment rate	None.	Not more than 50% of county loan rate.	See item 2.	Same as present Act.	For additional diversion, a fair and reasonable rate.
Feed Grains:					
1. Price support level	Corn: loans at 50-90% of parity as Secretary determines will not increase CCC corn stocks. Sorghum, barley, oats, and rye: levels comparable to corn.	Corn: loans plus payments at 65-90% of parity. Sorghum, barley, oats, and rye: levels comparable to corn.	Not more than 85% of average price received during preceding 3 years.	Corn: loans plus payments not less than 90% of parity with loan not less than $1.15 per bu. Sorghum, barley, oats, and rye: levels comparable to corn.	Corn: loan not more than 90% of parity. Sorghum, barley, oats, and rye: levels comparable to corn.
2. Price support or set-aside payments	None.	See item 1.	Total price support and diversion payments may not exceed: 1971-80% of 1969 total 1972-60% of 1969 total 1973-40% of 1969 total 1974-20% of 1969 total	Same as present Act.	Corn: not more than 25% of parity.
3. Required diversion or set-aside	None.	Not more than 50% of base.	Same as present Act except terminates after 1974 crop.	Same as present Act.	Acreage set-aside from total crop production equal to percentage of base prescribed by Secretary.
4. Maximum additional diversion	None.	Total diversion (required + additional) not more than 50% of base or 25 acres, whichever is larger.	Same as present Act except terminates after 1974 crop.	Same as present Act.	See item 6 (wheat).

- Continued -

Farm Program Proposals -- Comparison of Selected Provisions (Continued)

Program and Item	No New Legislation	Extension of Present Act (H.R. 12430)	Farm Bureau Bill (S. 2524)	Farm Coalition Bill (S. 3068)	Set-Aside Proposal
Feed Grains: (Continued)					
5. Diversion payment rate	None.	Not more than 50% of total county support price (loan + support payment).	See item 2.	Same as present Act.	For additional diversion, a fair and reasonable rate.
Upland Cotton:					
1. Loan level	If quotas in effect, 65-90% of parity.	90% of estimated average world price for middling 1-inch, average micronaire.	Not more than 85% of average price received during preceding 3 years.	Same as present Act.	Not more than 90% of estimated world price for middling 1-inch, 3.5-4.9 micronaire.
2. Price support or set-aside payments	None.	Payments + loan of not less than 65% of parity on permitted acreage.	See item 2 (feed grains).	Same as present Act.	Not more than 80% of estimated average world price (paid on domestic allotment).
3. Required diversion or set-aside	None.	Not more than 12.5% of farm allotment, except "small farms" not required to divert.	Same as present Act except terminates after 1974 crop.	Same as present Act.	Acreage set-aside from total crop production equal to percentage of domestic allotment prescribed by Secretary.
4. Maximum additional diversion	None.	Total diversion (required + additional) not more than 35% of farm allotment.	See item 3.	Same as present Act.	See item 6 (wheat).
5. Diversion payment rate	None.	Required diversion--not less than 25% of parity. Additional diversion--not more than 40% of parity.	See item 2 (feed grains).	Same as present Act.	For additional diversion, a fair and reasonable rate.

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Farm Program Proposals -- Comparison of Selected Provisions (Continued)

Program and Item	No New Legislation	Extension of Present Act (H.R. 12430)	Farm Bureau Bill (S. 2524)	Farm Coalition Bill (S. 3068)	Set-Aside Proposal
Upland Cotton: (Continued)					
6. Marketing quota, penalties, etc.	Same as present Act.	Continue in effect.	Continue for 1971 and 1972 crops, then repealed.	Same as present Act.	None.
7. Release and reapportionment	Same as present Act.	Continue in effect.	Continues through 1974, then repealed.	Same as present Act.	None.
8. Allotment sale, lease or transfer	None.	Continue in effect.	Continues through 1974, then repealed.	Same as present Act.	Continued but modified.
Soybeans (and flaxseed under Coalition bill)					
1. Price support level	Loans, non-mandatory, at 0-90% of parity--but must be supported if cottonseed is, at a comparable level.	Not covered so same as "no new legislation."	Loans, mandatory, at not more than 85% of average price received during preceding 3 years.	If no diversion program--loans, mandatory, at a fair and reasonable level. With diversion program--loan + support payment not less than 75% of parity.	Non-mandatory at 0-90% of parity--repeals cottonseed relationship requirement.
2. Diversion program	None.	None.	None.	Required whenever CCC combined stocks of soybeans and flaxseed (including products) on Aug. 31 exceed 150 mil. bu.	None.
3. Diversion payment rate	None.	None.	None.	Not more than 50% of county support rate (loan + support payment)	None.

- Continued -

Farm Program Proposals -- Comparison of Selected Provisions (Continued)

Program and Item	No New Legislation	Extension of Present Act (H.R. 12430)	Farm Bureau Bill (S. 2524)	Farm Coalition Bill (S. 3068)	Set-Aside Proposal
Milk and Dairy Products:					
1. Support price	75-90% of parity for milk and butterfat, and products thereof.	Not covered so same as "no new legislation."	Same as "no new legislation."	75-90% of parity for milk (repeals minimum for butterfat and products of milk and butterfat.	Same as Coalition bill.
2. Class I base authority	None.	No change.	None.	Made permanent with modifications.	Made permanent with modifications differing from Coalition bill.

3-18-70

PROVISIONS COMMON TO WHEAT, FEED GRAINS, AND UPLAND COTTON

Farm Program Proposals -- Comparison of Program Provisions

Item	No New Legislation	Extension of Present Act (H.R. 12430)	Farm Bureau Bill (S. 2524)	Farm Coalition Bill (S. 3068)	Set-Aside Proposal
Payment limitations	None.	None.	Total price support and diversion payments (including wheat marketing certificates) may not exceed: 1971 - 80% of 1969 total. 1972 - 60% of 1969 total. 1973 - 40% of 1969 total. 1974 - 20% of 1969 total. After 1974-0% of '69 total.	None.	Beginning at $20,000 reduced by 10% for each additional $20,000 with maximum payment $110,000 under each program to any one person sharing in payments. Set-aside requirements shall be reduced for affected persons by fair and reasonable amount.
Conserving base	None, except when wheat quotas are approved, then same as H.R. 12430.	In addition to regular diversion, must maintain avg. 1959-60 acreage of conserving crops (for feed grains) or acreage devoted to conserving crops in base period prescribed by Secretary (cotton and wheat).	Same as H.R. 12430 except program terminates after 1974 crop.	Same as H.R. 12430.	Participants "set-aside" acreage as specified by the Secretary plus the cropland on the farm devoted previously to soil-conserving uses as determined by the Secretary. Provision is made for adjustment.
Use of diverted or set-aside acres	Not applicable except when wheat quotas are approved, then cannot be used for crop production except for crops designated by the Secretary as not in surplus supply.	Must be devoted to conserving use, however, such acreage may be permitted to be planted to guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovata and flaxseed if it is determined such crops are not in surplus supply and will not be in surplus supply if permitted to be grown-subject to the condition that diversion payment with respect to diverted acreage cannot exceed 50% of the diversion rate.	Same as H.R. 12430 except program terminates after 1974 crop.	Same as H.R. 12430.	Must be devoted to conserving use except that the Secretary may permit producers to plant commodities on the set-aside acreage to such extent and subject to such terms and conditions as he may prescribe if he determines such action necessary because of drought or other disaster, or in order to prevent or alleviate a shortage in the supply of such commodities.

- Continued -

Item	No New Legislation	Extension of Present Act (H.R. 12430)	Farm Bureau Bill (S. 2524)	Farm Coalition Bill (S. 3068)	Set-Aside Proposal
Public access	None.	None.	None.	None.	Secretary could authorize additional payments for free access to farm by the public for hunting, trapping, fishing, and hiking.
Method of financing program payments	Through use of CCC funds in advance of appropriation or special authorization.	Same as "no new legislation."	Requires advance appropriation for carrying out purposes of Act.	Same as "no new legislation."	Payments could not be made unless CCC had received an appropriation to cover such payments but the Corporation could incur obligations for making payments in such amount as may be authorized in Appropriation Act.

3-20-70

UPLAND COTTON

Farm Program Proposals -- Comparison of Program Provisions

Item	No New Legislation	Extension of Present Act (H.R. 12430)	Farm Bureau Bill (S. 2524)	Farm Coalition Bill (S. 3068)	Set-Aside Proposal
National marketing quota, referendum and penalties	If for any mktg. yr. the total supply exceeds normal supply, a nat'l mktg. quota must be proclaimed for next mktg. year as an amount equal to the largest of (1) number of bales, together with the estimated carryover and estimated imports needed to provide a normal supply, or (2) number of bales equal to estimated domestic consumption and estimated exports (less estimated imports) adjusted as required to provide adequate stocks and a continuous and stable supply of the different qualities, or (3) ten million bales, or (4) number of bales required to provide a national acreage allotment of 16 million acres. Marketing quotas must be approved by 2/3 or more of cotton farmers voting in a national referendum. When in effect penalties apply to any farmer who exceeds his farm acreage allotment.	Same as "no new legislation."	Same as H.R. 12430 except repeals marketing quota penalties effective with the 1973 crop.	Same as H.R. 12430.	None.

- Continued -

Item	No New Legislation	Extension of Present Act (H.R. 12430)	Farm Bureau Bill (S. 2524)	Farm Coalition Bill (S. 3068)	Set-Aside Proposal
National acreage allotment	Must be determined & proclaimed for any mktg. yr. for which a national marketing quota is proclaimed and must be that acreage, based on the national average yield for the preceding four years, required to provide an amount of cotton equal to the national marketing quota.	Same as "no new legislation."	Same as H.R. 12430 except allotments terminated after 1974 crop.	Same as H.R. 12430.	None as such. Changes to a domestic allotment.
National domestic allotment and farm domestic acreage allotment percentage	None.	National domestic allotment established equal to the estimated domestic consumption. A farm domestic acreage allotment percentage is determined by dividing the national domestic allotment by the total product of the State acreage allotments and the projected State yields but such percentage cannot be less than 65% of the farm acreage allotment.	Same as H.R. 12430 except allotments terminated after 1974 crops.	Same as H.R. 12430.	Establishes a national domestic allotment for the 1971 crop of 11.1 mil. ac. and for subsequent crops not less than the acreage required to provide for estimated domestic consumption plus 25% if needed to provide adequate supplies.
Apportionment of acreage allotment (less reserve) to States and counties	The national allotment is apportioned to States and the State allotment to counties on the basis of the acreage planted & regarded as planted to cotton in the State and county during the preceding 5 years (i.e., the 5 yrs. immediately preceding calendar year in which quota is proclaimed).	Same as "no new legislation."	Same as H.R. 12430 except allotments terminated after 1974 crop.	Same as H.R. 12430.	National domestic allotment apportioned on the basis of apportionment for the preceding year, adjusted as necessary to provide fair and equitable allotments. State allotments apportioned to counties in same manner. State allotments can be apportioned directly to farms.

- Continued -

Item	No New Legislation	Extension of Present Act (H.R. 12430)	Farm Bureau Bill (S. 2524)	Farm Coalition Bill (S. 3068)	Set-Aside Proposal
Apportionment of county allotment (less reserve) to farms	Apportioned to old cotton farms on the basis of the farm base (previous year's farm acreage allotment for farms planting or regarded as planting, or releasing 75% or more thereof). Minimum farm allotment guaranteed each year. Old cotton farm is a farm with history acreage in at least one of the 3 years preceding the year for which allotment is being established.	Same as "no new legislation."	Same as H.R. 12430 except allotments terminated after 1974 crop.	Same as H.R. 12430.	Apportioned to old farms on basis of the preceding year's domestic allotment.
Minimum farm allotments	The smaller of 10 acres or the 1958 allotment as reduced for failure to protect the base each year under Section 344 (f)(8).	Same as "no new legislation."	Same as H.R. 12430 except allotments terminated after 1974 crop.	Same as H.R. 12430.	None. However, the apportionment for 1971 and subsequent years would be based on the apportionment for the preceding year including the minimum farm buildup from the national acreage reserve. For 1971, would exclude allotment temporarily transfered to farm in 1970.

Item	No New Legislation	Extension of Present Act (H.R. 12430)	Farm Bureau Bill (S. 2524)	Farm Coalition Bill (S. 3068)	Set-Aside Proposal
Reduction or loss of allotments	Allotment reduced if fail to plant or have regarded as planted or release 75% or more of prior year's farm acreage allotment. Release entire allotment 3 consecutive years and farm loses old farm status. Same result if 2 years release and no history earned for 3rd consecutive year. Also lose old farm status if 3 consecutive years of zero history. If no planting and no regarded as planting occurs for 5 consecutive years after a year with full history protected, farm would then have 3 zero years.	Same as "no new legislation."	Same as H.R. 12430 except allotments terminated after 1974 crop.	Same as H.R. 12430.	Failure to plant 90% of domestic allotment will result in the allotment base for the succeeding crop being reduced by the percentage underplanted, not to exceed 20% in any 1 year. Allotment lost if no cotton planted for 4 consecutive years. Acreage not considered as planted to cotton if not planted due to natural disaster.
Release and reapportionment of farm acreage allotments	Those not being used may be released to the county committee for reapportionment to other old cotton farms. Any acreage not utilized in the county may be surrendered to the State committee for use in other counties.	Same as "no new legislation."	Same as H.R. 12430 except allotments terminated after 1974 crop.	Same as H.R. 12430.	None.

- Continued -

Item	No New Legislation	Extension of Present Act (H.R. 12430)	Farm Bureau Bill (S. 2524)	Farm Coalition Bill (S. 3068)	Set-Aside Proposal
Sale, lease or owner transfer of farm acreage allotments	Temporary transfers by lease and by owner approved for 1966, 1967, 1968, 1969, or 1970 for a specified term beyond 1970 would remain effective. Otherwise, none.	A farmer may sell or lease his allotment to another farmer in the same county, provided the total allotment on the receiving farm after the transfer does not exceed the 1965 allotment by more than 100 acres. In counties where growers have voted approval, allotments may be transferred to other counties within the State. An owner may transfer his allotment to another farm which he owns or operates within the State. Requests for transfers can be filed only during the period June 1 through December 31.	Same as H.R. 12430 except allotments terminated after 1974 crop.	Same as H.R. 12430.	Would authorize permanent transfers only between farms in the same State. No referendum for transfers across county lines would be required and there would be no limit on the acreage transferred
Exchange of cotton and rice farm acreage allotments	None.	Authorized between farms in same or adjoining counties within a State.	Same as H.R. 12430 through 1974 crop, then repealed.	Same as H.R. 12430.	None.
Export market acreage reserve	None.	Depending on the estimated reduction in carryover, up to 250,000 acres may be established. It is allocated on the basis of farm applications. Farmers receiving export acreage forego all price support and all cotton produced on the farm must be exported.	For the 1971 and 1972 crops the amount shall equal the acreage needed to produce the estimated exports in that marketing year. Repealed effective with the 1973 crop.	Same as H.R. 12430.	None.

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Item	No New Legislation	Extension of Present Act (H.R. 12430)	Farm Bureau Bill (S. 2524)	Farm Coalition Bill (S. 3068)	Set-Aside Proposal
Loan level	If marketing quotas are proclaimed and approved, price support at 65-90% of parity to producers who comply with their allotments. If marketing quotas are disapproved, price support at 50% of parity to producers who comply with their allotments. If marketing quotas are not proclaimed, price support at 65-90% of parity (compliance with allotments could be required).	90% of the estimated average world market price for middling 1-inch upland cotton. Available to cooperators on total production from permitted acres.	Not more than 85% of average price received by farmers, excluding payments, during preceding 3 years.	Same as H.R. 12430.	At such level as Secretary determines will provide orderly marketing and retain share of world market, but not more than 90% of estimated world price for middling 1-inch, 3.5 - 4.9 micronaire. Available to cooperators on total production.
Price support or set-aside payments	None.	The payment, when added to the national average loan rate, must result in total price support of 65-90% of parity. Payment made on a quantity of cotton obtained by multiplying the projected farm yield by the acreage planted to cotton within the farm domestic acreage allotment.	Same as H.R. 12430 except that total payments under the cotton, wheat, and feed grain programs may not exceed: 1971-80% of 1969 total 1972-60% of 1969 total 1973-40% of 1969 total 1974-20% of 1969 total After 1974, no payments authorized.	Same as H.R. 12430.	Must not exceed 80% of the estimated world price for middling 1-inch cotton, micronaire of 3.5 - 4.9. The specific rate would be that which is determined as fair and reasonable, taking account of farm income, assurance that benefits go primarily to cooperators and the need to maintain a desirable balance among the various commodities. Payment made on the farm domestic allotment regardless of planted acreage.

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Item	No New Legislation	Extension of Present Act (H.R. 12430)	Farm Bureau Bill (S. 2524)	Farm Coalition Bill (S. 3068)	Set-Aside Proposal
Required diversion or set-aside	None.	Not more than 12.5% of farm allotment except small farms shall not be required to make any diversion.	Same as H.R. 12430 except program terminates after 1974 crop.	Same as H.R. 12430.	Acreage set-aside from total crop production equal to percentage of domestic allotment prescribed by the Secretary (not to exceed domestic allotment) plus normal conserving acreage.
Maximum additional diversion	None.	Total diversion (required + additional) cannot exceed 35% of farm allotment.	Same as H.R. 12430 except program terminates after 1974 crop.	Same as H.R. 12430.	To extent permitted by Secretary but total acreage diverted must not adversely affect economy of local community.

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Item	No New Legislation	Extension of Present Act (H.R. 12430)	Farm Bureau Bill (S. 2524)	Farm Coalition Bill (S. 3068)	Set-Aside Proposal
Diversion payment rate	None.	Required diversion--not less than 25% of parity. Additional diversion--not more than 40% of parity. Payment determined by multiplying acreage diverted by the projected farm yield.	Same as H.R. 12430 except payments are limited (see price support payments).	Same as H.R. 12430.	For additional diversion only, a fair and reasonable rate as determined by the Secretary.
Small farm payment provision	None.	Farms with an allotment of 10 acres or less, or a total projected production of 3,600 lbs. or less, who do not exceed their farm acreage allotment may earn a payment at the rate for required diversion on a quantity of cotton determined by multiplying the projected farm yield times an acreage equal to 35% of the farm allotment.	Same as H.R. 12430 except program terminates after 1974 crop.	Same as H.R. 12430.	None.
Farm yields for payment purposes	None.	Projected yield based on farm yield for preceding 3 years, adjusted for abnormal weather, trends and production practices, but not less than average of proven production for such period.	Same as H.R. 12430 except program terminates after 1974 crop.	Same as H.R. 12430.	Established on basis of farm yield determined for preceding year, adjusted as necessary to provide equitable yields.
Advance payments	None.	May make up to 50% of payments in advance of determination of performance.	Same as H.R. 12430 except program terminates after 1974 crop.	Same as H.R. 12430.	Same as H.R. 12430.

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Item	No New Legislation	Extension of Present Act (H.R. 12430)	Farm Bureau Bill (S. 2524)	Farm Coalition Bill (S. 3068)	Set-Aside Proposal
CCC sales policy	Sales for unrestricted use shall be at not less than 105% of the current loan rate plus reasonable carrying charges. An exception provides for sale at the market price, in an orderly manner and so as not to affect market prices unduly, a quantity equal to the number of bales by which the national marketing quota is reduced below estimated offtake for the marketing year. Sales for export are not restricted as to price and section 203 (Agricultural Act of 1956) would continue to apply.	Sales for unrestricted use shall be at the same price as sales for export, but not less than 110% of loan rate. Shortfall cotton (amount by which production is less than estimated offtake) is sold or made available for unrestricted use at current market prices, in an orderly manner and so as not to affect market prices unduly. Section 203 of the Agriculture Act of 1956 directs CCC to encourage the export of cotton by making it available at prices not in excess of those which cotton of comparable qualities are being offered in substantial quantities by other exporting countries.	Sales may not be made at less than the higher of (1) 150% of the then current loan rate, plus reasonable carrying charges, or (2) the market price at the time of sale. Authority for shortfall sales would expire. Section 203 (Agriculture Act of 1956) would continue to apply.	Same as H.R. 12430 except that when CCC stocks are not more than 3 million bales, cotton could not be sold for unrestricted domestic use, or in redemption of PIK certificates, at less than 100% of the current parity price, adjusted for class, grade and location.	Sales for unrestricted use shall be at not less than 110% of the national average loan rate plus reasonable carrying charges. An exception would permit the sale of certain qualities at lower prices, if this is determined necessary to achieve a balanced inventory, or to meet market demand, and provided such sales would not unduly affect movement of the current crop and market prices. Authority for shortfall sales would expire. Section 203 (Agriculture Act of 1956) would continue to apply.

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Item	No New Legislation	Extension of Present Act (H.R. 12430)	Farm Bureau Bill (S. 2524)	Farm Coalition Bill (S. 3068)	Set-Aside Proposal
Market development and research	The act of April 11, 1964 (P.L. 88-297) would continue in effect. This act authorizes and directs the Secretary to conduct a special cotton research program aimed at reducing the cost of producing upland cotton. The act authorizes not to exceed $10 million annually to be appropriated for this purpose.	Act of April 11, 1964, P.L. 88-297, would continue to apply.	Act of April 11, 1964, P.L. 88-297, would continue to apply.	Act of April 11, 1964, P.L. 88-297, would continue to apply.	The Secretary would be authorized to deduct not to exceed $10 million annually from funds available for payments in order to conduct a special cotton research program designed to reduce the cost of producing upland cotton and to improve the competitive position of the U.S. cotton industry. Payments to producers would be reduced by the amount of the deduction. Act of April 11, 1964, P.L. 88-297, would continue to apply.
Extension of loan maturity date	None.	None.	None.	The Secretary shall make extended loans available when estimated production will exceed estimated offtake during the marketing year. In any year this is done, and previously extended loans are called, if quantity under such extended loans are not offset by quantity placed under extended loans from the current crop CCC must purchase from the current crop an amount of cotton as will offset quantity under extended loans which are called.	None.

Note: Payment limitations, conserving base, use of diverted acres and public access are applicable to wheat, feed grain, and cotton programs and will appear on another table.

3-22-70

WHEAT

Farm Program Proposals -- Comparison of Program Provisions

Item	No New Legislation	Extension of Present Act (H.R. 12430)	Farm Bureau Bill (S. 2524)	Farm Coalition Bill (S. 3068)	Set-Aside Proposal
National allotment	Size of allotment equal to acreage needed to produce national marketing quota based on estimated domestic and export requirements with provision for adjusting to increase or decrease carryover, but not less than 1 billion bushel.	Same as "no new legislation."	Same as H.R. 12430 except allotments terminated after 1974 crop.	Same as H.R. 12430.	Changes to a domestic allotment. The number of acres, on the basis of expected national yield, which will produce on domestic allotments of participating farms an amount of wheat equal to estimated domestic food use.
Farm allotments	Based on allotment for preceding year.	Same as "no new legislation."	Same as H.R. 12430 except allotments terminated after 1974 crop.	Same as H.R. 12430.	National domestic allotment is apportioned to States, to counties, and then to farms.
Loan level	Quotas approved: set at level deemed appropriate, considering world market price of wheat, feed value in relationship of wheat to feed grains and price support level established for feed grains, but not in excess of 90% of parity. Quotas disapproved: 50% of parity to farmers complying with allotments.	Set at level deemed appropriate considering world market price of wheat, feed value in relationship of wheat to feed grains and price support level established for feed grains, but not in excess of 100% of parity.	Not more than 85% of average price received by farmers, excluding payments, during preceding 3 years.	Not less than $1.25 per bushel after subtracting national average storage and interest costs.	At such level as will encourage exports and not result in excessive total U.S. stocks but not to exceed 90% of parity.
Domestic certificate	Quotas approved: bushel amt. of dom. certificates equal to est. domestic food use issued to cooperators but not to exceed acreage of planted wheat multiplied by farm yields + excess wheat released from storage. Quotas disapproved: none.	Bushel amount of domestic certificates equal to estimated domestic food use issued to cooperators but not to exceed acreage of wheat planted multiplied by farm yields, plus excess wheat released from storage.	Same as H.R. 12430 except program terminated after 1974 crop.	Same as H.R. 12430.	Bushels equal to farm domestic allotment multiplied by farm yield established for preceding crop, as adjusted.

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Item	No New Legislation	Extension of Present Act (H.R. 12430)	Farm Bureau Bill (S. 2524)	Farm Coalition Bill (S. 3068)	Set-Aside Proposal
Domestic certificate value	Quotas approved: difference between domestic support rate and national average loan rate. Domestic support rate (for wheat accompanied by dom. cert.) between 65-90% of parity. Quotas disapproved: none.	Difference between 100% of parity and national average loan rate.	Same as H.R. 12430 except total payments for wheat, feed grains and cotton may not exceed: 1971-80% of 1969 total 1972-60% of 1969 total 1973-40% of 1969 total 1974-20% of 1969 total After 1974 no payments.	Same as H.R. 12430.	In such amount as Secretary determines fair and reasonable but not to exceed 35% of parity plus the per bu. cost of certificates acquired by processor.
Export certificate	Quotas approved: variable export certificates. If domestic market price is below world price, certificate equal to difference collected from exporters. If U.S. price above world price, subsidy paid. If total of certificates collected exceeds subsidies paid, balance distributed pro rata to cooperators. Quotas disapproved: none.	Variable export certificates. If domestic market price is below world price, certificate equal to difference collected from exporters. If U.S. price above world price, subsidy paid. If total of certificates collected exceeds subsidies paid, balance distributed pro rata to cooperators.	Same as H.R. 12430 except program is terminated after 1974 crop.	Export certificates issued to cooperators on not less than 40% of the bushels produced domestically.	None.
Export certificate value	Quotas approved: variable (see above). Quotas disapproved: none.	Same as "no new legislation."	Same as H.R. 12430 except program is terminated after 1974 crop.	Difference between loan rate and a level between 65-90% of parity, as Secretary deems appropriate.	None.
Processor certificate	Quotas approved: processors of wheat for domestic food use required to buy certificates for each bushel so processed. Quotas disapproved: none.	Processors of wheat for domestic food use required to buy certificates for each bushel so processed.	Same as H.R. 12430 except program is terminated after 1974 crop.	Same as H.R. 12430.	Same as H.R. 12430.

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Item	No New Legislation	Extension of Present Act (H.R. 12430)	Farm Bureau Bill (S. 2524)	Farm Coalition Bill (S. 3068)	Set-Aside Proposal
Processor certificate cost	Quotas approved: same as producer certificate value. Quotas disapproved: none.	Difference between $2.00 and national average loan rate.	1971-$0.60 per bu. 1972-$0.45 per bu. 1973-$0.30 per bu. 1974-$0.15 per bu. After 1974, none.	Same as H.R. 12430	Not more than $0.75 per bushel.
Required diversion or set-aside	Quotas approved: amount by which announced farm allotment is less than one based on 59.3 mil. ac. national allotment. Quotas disapproved: none.	Amount by which announced farm allotment is less than one based on 59.3 mil. ac. national allotment.	Same as H.R. 12430 except program terminates after 1974 crop.	Same as H.R. 12430.	Acreage set-aside from total crop production equal to percentage of the domestic allotment prescribed by Secretary, plus normal conserving acreage.
Maximum additional diversion	None.	The larger of 50% of the allotment or 25 acres less the required diversion.	Same as H.R. 12430 except program terminates after 1974 crop.	Same as H.R. 12430.	Diverted from total crop acreage to extent specified by Secretary but must not adversely affect economy of local community.
Diversion payment rate	None.	Up to 50% of county loan rate times normal production of acreage diverted.	Same as H.R. 12430 except total payments for wheat, feed grains and cotton not exceed: 1971-80% of 1969 total 1972-60% of 1969 total 1973-40% of 1969 total 1974-20% of 1969 total	Same as H.R. 12430	For additional diversion only, at rate determined by Secretary to be fair and reasonable.
Farm yields for payment purposes	Quotas approved: projected yield based on farm yield for preceding 3 years, with adjustments, but not less than normal yield for farm. Quotas disapproved: none.	Projected yield based on farm yield for preceding 3 years but not less than normal yield for farm.	Same as H.R. 12430 except program terminates after 1974 crop.	Same as H.R. 12430 except farm yield may not be less than 95% of the preceding year's farm projected yield if actual yield from farm is reduced as result of natural disaster.	Established on basis of farm yield determined for preceding year with such adjustments determined by Secretary to provide equitable yield.

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Item	No New Legislation	Extension of Present Act (H.R. 12430)	Farm Bureau Bill (S. 2524)	Farm Coalition Bill (S. 3068)	Set-Aside Proposal
Advance payments	None.	Optional with Secretary on not to exceed 50% of diversion payment.	Same as H.R. 12430.	Advance payments on 50% of certificate value required. Discretionary authority for advance on diversion payment.	Optional with Secretary on not to exceed 50% of certificate and diversion payments.
Permitted acres	Wheat allotment except with quotas in effect, excess wheat option may be used.	Wheat allotment less additional diversion except under substitution it is wheat allotment plus feed grain base less additional wheat diversion, total feed grain diversion and feed grain planted acres.	Same as H.R. 12430 except program expires after 1974 crop.	Same as H.R. 12430.	Cropland on farm less conserving base, required set-aside and any additional diversion.
Substitution	None.	If producer participates in both wheat and feed grain programs, wheat may be produced on feed grain acres or feed grains on wheat acres.	Same as H.R. 12430 except program expires after 1974 crop.	Same as H.R. 12430.	No special provision--nature of program allows freedom of choice of crops to be produced within permitted acres.
Excess wheat provision	Quotas approved: producer may plant 150% of allotment and be eligible for certificates if excess is stored. Quotas disapproved: not applicable.	Producer may plant 150% of allotment and be eligible for certificates if excess is stored.	Same as H.R. 12430 except program expires after 1974 crop.	Same as H.R. 12430.	Not applicable but excess wheat under prior programs may be released if production is less than domestic allotment times farm yield times 3. All wheat in storage 7/1/76 may be released
CCC sales price for unrestricted use	105% of loan rate plus carrying charges.	105% of loan rate plus carrying charges, except if carryover is less than 35% of utilization, it is 115% of loan, or if carryover is less than 25% of utilization, it is 120% of loan, plus carrying charges.	Not less than 150% of loan rate plus carrying charges.	Same as H.R. 12430 except when CCC stocks are below 200 mil. bu., minimum sales price is parity adjusted for class, grade and location, less value of processor certificates.	Not less than 110% of national average loan rate adjusted for current market differentials reflecting grade, quality and location, plus carrying charges.

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Item	No New Legislation	Extension of Present Act (H.R. 12430)	Farm Bureau Bill (S. 2524)	Farm Coalition Bill (S. 3068)	Set-Aside Proposals
Loss of allotment	Reduced for failure to plant 75% of allotment in 3 consecutive years. Allotment removed if no wheat in 5 consecutive years. Also, loss of wheat allotment for excess wheat production not satisfied by storage or by delivery to Secretary.	Same as "no new legislation", except no loss of wheat allotment for excess wheat production.	Same as H.R. 12430 except program expires after 1974 crop.	Same as H.R. 12430.	Failure to plant 90% of domestic allotment will result in percent reduction in allotment equal to percent of underplanting but not in excess of 20% in one year. If no wheat planted in 4 years, allotment removed, acreage not planted due to natural disaster considered planted.
Marketing quotas	Proclaimed when supply is excessive in absence of quotas. Quotas would be in effect if favored by 2/3 of farmers voting in referendum--then monetary penalties on excess wheat production and on crops in surplus supply harvested from required diverted acres. If not favored by 2/3, no quotas in effect.	None.	None.	None.	None.
Termination date	None.	None in bill (present Act expires with 1970 program).	Wheat diversion and certificate program would expire after 1964 crop; loan program in effect thereafter without quotas.	None.	None.

Note: Payment limitations, conserving base, use of diverted acres and public access are applicable to wheat, feed grain, and cotton programs and will appear on another table.

FEED GRAINS

Farm Program Proposals -- Comparison of Program Provisions

Item	No New Legislation	Extension of Present Act (H.R. 12430)	Farm Bureau Bill (S. 2524)	Farm Coalition Bill (S. 3068)	Set-Aside Proposal
Farm feed grain base	None.	1959-60 average acreage on farm. (U.S. total: 133.1 million acres).	Same as H.R. 12430, except program terminated after 1974 crop.	Same as H.R. 12430.	Same as H.R. 12430.
Feed grain crops in diversion program	None.	Corn, sorghums and, if designated by the Secretary, barley. If requested by farmer, oat/rye and barley acreage may be included in the farm base, but only for the purpose of having wheat considered as feed grains.	Same as H.R. 12430 except program terminates after 1974 crop.	Same as H.R. 12430.	Corn, sorghums and, if designated by the Secretary, barley. Also provided are price support levels for these grains as well as oats and rye.
Price support level	Corn: Loan at 50-90% of the parity price as Secretary determines will not increase CCC stocks of corn. Sorghum, barley, oats and rye: at such level of the parity as Secretary determines fair and reasonable in relation to the support for corn, taking into consideration the feeding value in relation to corn plus other factors listed in Section 401(b) of the Agricultural Act of 1949.	Corn: Loan and support payment at 65-90% of parity as Secretary determines necessary to achieve the acreage reduction goal. Sorghum, barley, oats and rye: Same as "no new legislation."	Loan not more than 85% of average price received (excluding payments made) during three preceding years.	Corn: Total support not less than 90% of parity, with loan of not less than $1.15 per bushel. Sorghum, barley, oats and rye: Same as H.R. 12430.	Corn: Loan at level determined by the Secretary that will encourage exports and not result in excessive stocks of all feed grains, but not in excess of 90% of parity. Sorghum, barley, oats, and rye: at levels fair and reasonable in relation to corn, taking into consideration feeding value in relation to corn plus other factors listed in Section 401(b) of the Ag. Act of 1949.

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Item	No New Legislation	Extension of Present Act (H.R. 12430)	Farm Bureau Bill (S. 2524)	Farm Coalition Bill (S. 3068)	Set-Aside Proposal
Price support or set-aside payment	None.	Such portion of the support price for any feed grain included in the diversion program as Secretary determines desirable to assure benefits of the program inure primarily to participants. Such payments to be made available on such portion of the permitted acreage as Secretary determines desirable, but not to exceed acres planted.	Same as H.R. 12430, except total payments under feed grain, wheat and cotton programs may not exceed: 1971-80% of 1969 total 1972-60% of 1969 total 1973-40% of 1969 total 1974-20% of 1969 total After 1974, no payments authorized under commodity programs.	Same as H.R. 12430.	At rate Secretary determines fair and reasonable, taking into consideration (1) farm income; (2) benefits to participants; (3) desirable balance of acreages devoted to price supported crops; and (4) for sorghums and barley (if designated) the corn payment. Payment rate for corn shall not exceed 25% of parity. Payments made available on 50% of base--regardless of acreage planted to feed grains. Planting 90% of acreage eligible for payment shall be considered 100% planted
Required diversion or set-aside	None.	Such percentage of the feed grain base as prescribed by the Secretary. If no diversion program in effect for any crops, he may require that producer not exceed feed grain base as condition of eligibility for price support.	Same as H.R. 12430 except program terminates after 1974 crop.	Same as H.R. 12430.	Acreage set-aside must equal percentage of feed grain base prescribed by the Secretary. (For 1971 and 1972 Secretary may also limit acreage planted to feed grains to provide orderly transition.)
Maximum additional diversion or set-aside	None.	Total diversion (required + additional) not to exceed 50% of the base, or 25 acres, whichever is larger.	Same as H.R. 12430 except program terminates after 1974 crop.	Same as H.R. 12430.	Additional acreage set-aside as authorized by Secretary but must not adversely affect economy of local community.

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Item	No New Legislation	Extension of Present Act (H.R. 12430)	Farm Bureau Bill (S. 2524)	Farm Coalition Bill (S. 3068)	Set-Aside Proposal
Payment rate for additional diversion or additional set-aside	None.	Not to exceed 50% of the total county support price (loan + support payment) times the farm yield.	See price support payments.	Same as H.R. 12430.	At rate determined fair and reasonable, considering the diversion and productivity of acreage diverted.
Farm yield for payment purposes	None.	Based on projected farm yield but not less than proven production for base period used to establish projected yield.	Same as H.R. 12430 except program terminates after 1974 crop.	Same as H.R. 12430 except farm yield cannot drop more than 5% from previous year if yield reduced due to national disasters.	Based on yields established for the farm the preceding year, with necessary adjustments to provide equity.
Advance payments	None.	Optional with Secretary on not to exceed 50% of any payments.	Same as H.R. 12430 except program terminates after 1974 crop.	Same as H.R. 12430 except that advance price support payments are required.	Same as H.R. 12430.
Substitution between feed grains and wheat	None.	If producer participates in both feed grain and wheat programs, wheat may be produced on feed grain acres or feed grains on wheat acres.	Same as H.R. 12430 except program terminates after 1974 crop.	Same as H.R. 12430.	No special provision. Program permits producer to plant freely within permitted acreage.
CCC sales price for unrestricted use	Not less than 105% of total support plus reasonable carrying charges.	Not less than 105% of total support plus carrying charges, except when voluntary adjustment program in effect and carryover less than 25% of utilization. In such case, the minimum is 115% of current loan, plus reasonable carrying charges.	Not less than 150% of loan plus reasonable carrying charges, or market price, whichever is higher.	Same as H.R. 12430, except when CCC stocks are not more than 15 million tons, minimum price is 100% of parity adjusted for class, grade and location less price support payment rate for maximum permitted acreage.	Not less than 110% of loan adjusted for current market differentials reflecting grade, quality, location and other value factors deemed appropriate plus reasonable carrying charges.

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Item	No New Legislation	Extension of Present Act (H.R. 12430)	Farm Bureau Bill (S. 2524)	Farm Coalition Bill (S. 3068)	Set-Aside Proposal
Loss of feed grain base	None.	None.	None.	None.	Failure to plant 90% of base eligible for price support payment will result in reduction of next year's base by amount of underplanting--but not to exceed 20% in one year. No planting for 4 consecutive years will result in loss of entire base. Failure to plant due to disaster, or acreage planted to soybeans, may be considered planted.
Termination date	None.	None.	Terminates present direct payment and diversion program after 1974. Beginning 1975, support limited to loans.	None.	None.

Note: Payment limitations, conserving base, use of diverted acres and public access are applicable to wheat, feed grain, and cotton programs and will appear on another table.

SOYBEANS (AND FLAXSEED UNDER COALITION BILL)

Farm Program Proposals -- Comparison of Program Provisions

Item	No New Legislation	Extension of Present Act (H.R. 12430)	Farm Bureau Bill (S. 2524)	Farm Coalition Bill (S. 3068)	Set-Aside Proposal
Price support level	Loans, non-mandatory, at 0-90% of parity--but must be supported if cottonseed is, at a comparable level.	Not covered so same as "no new legislation."	Loans, mandatory, at not more than 85% of average price received during preceding 3 years.	If no diversion program--loans, mandatory, at a fair and reasonable level: With diversion program--loan + support payment of not less than 75% of parity.	Loan, non-mandatory, at 0-90% of parity--repeals cottonseed relationship requirement.
Diversion program	None.	None.	None.	Required whenever CCC combined stocks of soybeans and flaxseed (including products) on 8/31 exceed 150 mil. bu. or exceed by 15% or more total use in previous yr.	None.
Diversion payment rate	None.	None.	None.	Not more than 50% of county support rate (loan + support payment)	None.
Soybeans counted as feed grains	None.	Secretary may permit soybeans to be planted on acreage eligible for feed grain price support payments without loss of payment or base history.	Same as H.R. 12430 for 1971-1974 crops, none thereafter.	Same as H.R. 12430.	Secretary may permit soybeans to be planted on feed grain acreage without loss of feed grain base history (or subsequent payments).

3-21-70

MILK AND DAIRY PRODUCTS

Farm Program Proposals -- Comparison of Selected Provisions

Item	No New Legislation	Extension of Present Act (H.R. 12430)	Farm Bureau Bill (S. 2524)	Farm Coalition Bill (S. 3068)	Set-Aside Proposal
Support price	75-90% of parity for milk and butterfat and their products.	Not covered so same as "no new legislation."	Same as "no new legislation."	75-90% of parity for milk (repeals minimum for butterfat and products of milk and butterfat).	Same as Coalition bill.
Class I base authority	None.	No change.	None.	Made permanent with modifications.	Made permanent with substantial modifications, differing from Coalition bill, which would: produce the incentives to overproduction arising from use of blended prices; provide access to markets for new producers; permit relative freedom for milk to move from one market to another; and hold the value of the base to moderate levels.
Donations to military and V. A.	None.	None--authority expires December 31, 1970.	None.	None.	Authorizes CCC to donate dairy products to the Administrator of Veterans Affairs and to military for utilization after they have made their usual purchase of dairy products in the normal channels of trade.

3-18-70

WOOL AND MOHAIR

Farm Program Proposals -- Comparison of Program Provisions

Item	No New Legislation	Extension of Present Act (H.R. 12430)	Farm Bureau Bill (S. 2524)	Farm Coalition Bill (S. 3068)	Set-Aside Proposal
Price support	Discretionary with Secretary through loans and purchases at not more than 90% of parity.	Support price fixed by formula. Payments are made compensating producers for the difference between support price and actual price, on a U.S. average basis.	Same as "no new legislation."	Same as H.R. 12430.	No provision (USDA proposal will be made at later date).

3-20-70

LONG-TERM ADJUSTMENT PROGRAMS

Farm Program Proposals -- Comparison of Program Provisions

Item	No New Legislation	Extension of Present Act (H.R. 12430)	Farm Bureau Bill (S. 2524)	Farm Coalition Bill (S. 3068)	Set-Aside Proposal
Cropland Adjustment Program	None.	Provides for long-term production adjustment agreements of 5 to 10 years, with a $225 mil. limitation on annual size of program. Extends CAP authority indefinitely.	Extends the CAP through 1975; requires bid procedure for accepting agreements; establishes a 10 million acre minimum per year; and removes the $225 million program limitation.	Same as H.R. 12430 except removes the $225 million program limitation.	None, except that public access and greenspan provisions would be included with authority for up to 10 year cropland conversion agreements (see below).
Cropland Conversion Program	Permanent authority which provides up to 10 year agreements with producers to convert designated cropland to other income producing uses--such as grazing, recreation, wildlife, and other conservation uses; authorizes program of $10 mil. per year.	Permanent authority not affected.	Permanent authority not affected.	Permanent authority not affected.	Expands permanent authority by increasing annual authorization to $50 mil.; also adds greenspan, public access, and special wildlife habitat provisions (described below).
Permanent production adjustment on farmland (purchase of cropping rights)	None.	None.	None.	None.	Authorizes permanent agreements to limit crop production to crops not in surplus supply or those which would not impair program, as determined by the Secretary; permits other income producing uses such as grazing, recreation, wildlife, and other conserving uses; authorizes program of 2 million acres per year indefinitely; agreements become covenants running with the land; authorizes "public access" (described below).

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- Continued -

Item	No New Legislation	Extension of Present Act (H.R. 12430)	Farm Bureau Bill (S. 2524)	Farm Coalition Bill (S. 3068)	Set-Aside Proposal
Acquisitions by local agencies (greenspan)	None.	Part of CAP authority. Provides grants to Federal, State, and local government agencies to assist in acquiring cropland for open spaces, natural beauty, wildlife or recreation facilities, and prevention of air and water pollution.	Same as H.R. 12430 except program is terminated after 1975.	Same as H.R. 12430.	Essentially same as H.R. 12430 except authorized under cropland conversion program.
Public access	None.	Part of CAP authority. Permits payments to producers who permit free access to the public for hunting, trapping, fishing and hiking.	Same as H.R. 12430 except program is terminated after 1975.	Same as H.R. 12430.	Essentially same as H.R. 12430 except authorized under cropland conversion and "purchase of cropping rights" programs.
Special wildlife food and habitat provisions.	No specific language.	No specific language.	No specific language.	No specific language.	Producers could receive fair and reasonable payments for using land retired under long-term adjustment programs for approved wildlife food plots or fish and wildlife habitat which are established under standards developed by Secretary of Agriculture in consultation with Secretary of Interior.
Farmer adjustment and retraining program	None.	None.	Authorized for the years 1971-1975. Limited to low income farmers. Provides for purchase of allotments and bases by the Secretary; adjustment payments; and retraining grants.	None.	None.

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Secretary HARDIN. We have tried to make a very objective analysis of the provisions of the various proposals for reference. I think that is what you wanted.

The CHAIRMAN. Yes.

Secretary HARDIN. I have permitted myself a bit of editorial comment in the statement that I would like to deliver now.

The CHAIRMAN. You may proceed.

Secretary HARDIN. Mr. Chairman and members of the committee.

I do appreciate very much this opportunity to appear before you, to outline the need for farm legislation as we see it.

Our agricultural production capacity is in excess of available outlets at home and abroad. In 1969 we harvested crops from 294 million acres and paid for nonproduction on 58 million acres. While there was some slippage in the program and while the acres retired were less productive on the average than the acres that were in crops, it is clear that at present prices our productive capacity considerably exceeds available markets.

Our productive capacity continues to grow, as do the demands upon us. Our analysts foresee no time in the early future when the gap between our capacity and our food requirement is likely to disappear—unless farm prices drop sharply from present levels. Some kind of program is required if we are to avoid being inundated by a flood of crops and livestock.

You have heard testimony from many people and many organizations as to how this problem should be met. Mr. Chairman, you asked that we prepare a chart comparing the various proposals that I mentioned earlier.

We have prepared such a chart. In fact, there are two of them, one in considerable detail and one in summary form. They are appended to my testimony. I shall first comment on these proposals in narrative fashion. Then we can examine the charts and hear your questions.

The Agricultural Act of 1965, as extended, expires after the 1970 crop. Thus the present year, 1970, is a critical one from a legislative standpoint. Seven alternative courses of action have been placed before you, some of them serious contenders and others of limited appeal. These I shall now outline.

1. DO NOTHING

The first option open to you is to do nothing.

If the act of 1965 were simply allowed to expire, we would not fall into a legislative void. We would go back to the basic farm legislation, some of it written as late as 1962, some of it much earlier. With agricultural legislation now so difficult to pass, there will be at least some inclination to fall back on the existing law.

What are the provisions of the laws to which we would revert if the act of 1965 were simply allowed to expire? Unfortunately, the fallback laws are unappealing. They were written for a different day. For wheat we would have to proclaim a marketing quota subject to a producer referendum.

Unless legislation is passed by April 15 of this year, we shall have to proclaim a marketing quota with a referendum to be held before August 1. For feed grains there would be no diversion program; for corn there would be a loan level at 50 percent of parity (around

90 cents per bushel for the 1971 crop), for which all corn would be eligible, setting the stage for excess production and a large takeover by the Commodity Credit Corporation.

For cotton we would go back to a high loan level (65 percent of parity), over 31 cents a pound for the 1971 crop. While this might have short-run appeal to cotton growers, it would have long-run adverse consequences. It would discourage domestic use, run much of the crop into the CCC, and make every export sale a matter of foreign policy since a subsidy of about 12 cents per pound would be required on all shipments.

The present wool program, authorizing direct payments, would expire; price support would come through loans and purchases discretionary with the Secretary at not more than 90 percent of parity. Price support near present levels would sharply raise the price of wool and would have an adverse effect on wool consumption.

If no new legislation is enacted, the authority for class I milk bases would expire. The cropland adjustment program, including the related Greenspan and public access programs, would likewise expire.

We estimate that if there is no new legislation, feed grain production would outrun use by 20 to 40 million tons—that is between 700 million and 1.4 billion bushels in corn equivalent, to get it in a frame of reference which you all understand better—virtually all of which would wind up in CCC hands.

Cotton production might exceed use by as much as 6 million bales, which also would come into CCC inventory. If wheat quotas were approved, the carryover would probably decline slightly; if they were rejected, production might outrun use by 200 to 300 million bushels.

May I just say, these are our best guesses. A great many people have had a hand in making these estimates. They are not infallible, but are an informed estimate of what would happen.

We estimated some time ago that during the first year of the return to basic legislation, net farm income might fall by $800 million below the level of the present program if wheat quotas were approved, and by $1.3 billion if they were rejected. Recent review indicates that the decline would probably be greater than that.

In the second and third years, as livestock production increased and prices of meat animals fell, income losses would be still greater.

While Government costs would at first decline, they would later increase through rising handling and storage costs and through export subsidies for wheat and cotton.

You will readily see that failure to act would not be a satisfactory solution to our farm problems.

2. EXTEND THE PRESENT ACT

A possibility with strong appeal to many people is simply to extend the act of 1965. The act is familiar; we have been operating under it for 4 years.

The present act, with payment levels for wheat, cotton, and wool based on parity, has built-in cost escalation. Payments to farmers under these three programs will total about $130 million more in 1970 than in 1969. Further increases appear inevitable if the act is extended. We in the Department do not favor an extension.

3. PHASE OUT THE ACT

The Farm Bureau has a proposal that would phase out present farm legislation over a 5-year period and replace it with a long-range land-retirement program, coupled with job retraining for boxed-in farmers.

We have become heavily dependent on these programs. I do not think we can disengage in 5 years from a dependence that has been built up during a third of a century.

I am simply saying here what I have said on many occasions. With farm payments near the levels that we now have them, they are built into land prices, mortgage structures, local tax structures, and family plans. Unless there can be some kind of guarantee that these payments will be offset by increased income from the market, we think that to reduce them would seriously demoralize farm communities across the country.

Long-range land retirement, a prominent feature of the Farm Bureau proposal, has strong economic appeal. It makes much sense to achieve a basic change in the use of our land resources; away from cropland, of which we have too much, toward those needs that are growing, such as recreation, urban uses, forest, wildlife, watershed protection, and conservation. So far the Congress has shown little interest in large scale programs of this type.

Early in 1969, Mr. Chairman, you asked us for an appraisal of long-range large-scale general land retirement programs. We replied that these have considerable merit but that they cannot quickly replace the annual programs. We continue of that opinion. We developed a general land retirement proposal and laid it before the House Committee on Agriculture, where it appears to have generated only limited interest.

The adoption of a long-range land retirement program seems too uncertain a prospect on which to base a 5-year phaseout of commodity programs.

Let me add parenthetically here, Mr. Chairman, that we remain interested in long term land retirement which in the long run would be economical.

Senator HOLLAND. Mr. Chairman——

The CHAIRMAN. Senator Holland.

Senator HOLLAND. I am interested in what you say, Mr. Secretary, about your recommendations to the committee and the other body. We have for the last 3 years in the Subcommittee on Appropriations that handles agriculture matters endeavored to get a continuance, an extension of the cropland adjustment program, which is of course long-range retirement. And it has been stated to us by your Department as being much cheaper retirement than the annual crop diversion programs under the 1965 act. That is correct, is it not?

Secretary HARDIN. That is correct.

Senator HOLLAND. We found an unyielding attitude on the part of the subcommittee in the other end of the Capitol, and later in the conference committees, to following that course. When you appeared before the Legislative Committee of the other body I note you say that your proposal for a general land retirement program, which I presume is a long-range retirement program, met with what you call "only limited interest."

I wonder if you would expand upon that so that we may understand better, first, what the attitude of the House may be, and second, what the reasons are so far as you can appraise them for that attitude.

Secretary HARDIN. I am not sure that I can help as much as I would like with this, Senator Holland. Let me say that there is interest in the pilot programs that we proposed. I think I am correct in saying the House feels that we should move slowly and cautiously.

Such things as these have been mentioned, and they should be. There may be a drastic effect in some areas on small communities if a significant amount of land is retired without an alternative use. Alternately there has been concern expressed that if some of this was used as livestock pasture it could adversely affect the cattle industry. This can be guarded against.

Senator HOLLAND. Cropland adjustment does not have the fear attached to it, does it?

Secretary HARDIN. I do not believe it would, certainly not on the scale on which it has been contemplated in the past. The retirement of whole farms does.

Of course, there is a way this could be corrected or prevented. At the time that title or control was taken by the Government you could make payments larger and require that it not be used for grazing. It would be within the purview of the Congress to do that.

Senator HOLLAND. Certainly our committee has not been of the feeling that the Department of Agriculture would not have the discretion and would not use the discretion so as to avert any collapse of any small community or group of small communities. Certainly we would not assume that that would be a necessary evil to be confronted in connection with the cropland adjustment program.

Secretary HARDIN. In my mind there is no question but what it would be the most economic way, over any period of years, to handle part of our diversion needs.

The other criticism of it, to complete the tabulation, is that when whole farms are left idle and left to go to weeds, they can become centers for pests of all kinds to breed and develop. That is a valid concern.

We are recommending that we proceed in three different directions with modest programs to gain experience and to see if these things cannot be handled in a way that will reassure the people most concerned that it can be done responsibly.

Senator HOLLAND. I just want to ask one question. Have you devised any way whereby we can use all of our acres that are subject to cultivation and at the same time have a balanced production insofar as the needs for our production exist?

Secretary HARDIN. Sir, unless we can greatly broaden our markets in the foreseeable future that will not be possible. And when I say broaden them, I mean greatly increase—double or triple our exports—not just a nominal increase. I think we will continue to have, as I indicated here, too much production capacity for quite some years.

Senator HOLLAND. This is the case with us, when we see what is happening up in the Canadian wheat-production area, which is a heavy factor in world wheat production, we are bound to realize that this problem does not exist just here.

Secretary HARDIN. Yes. And I think that we all agree that the action which has now been taken by the Canadian Government, which we might wish had been taken earlier, is a courageous action.

Senator HOLLAND. Has there been any sizable response to that offer of the Canadian Government to retire wheatland for a period?

Secretary HARDIN. I have not seen any figures at this time to indicate to what extent farmers are responding. The general feeling we have from conversations with Canadian officials is that they feel the response will be good.

Senator HOLLAND. Of course, they plant later than now, and the response will not be known for the next 60 days, will it?

Secretary HARDIN. Right.

Senator YOUNG. Mr. Chairman, I would like to comment further on what the Senator from Florida had to say about obtaining funds for a long-term land retirement program. We have an unusual situation. For the past several years all the general farm organizations have been for some type of sizable long-term land retirement program. Usually when they all get together they are fairly effective, but they haven't had much success on land retirement. They do, of course, differ considerably in their views as to how such a program should be carried out. Here in the Senate we have put a sizable amount of money in each agricultural appropriations bill in the last several years for the cropland adjustment program, but we have lost all of it in conference with the House.

I might comment further. If you had a big land retirement program and brough production down to the extent that you raised prices, wouldn't we have to have a little more protection from imports than we now have? There would be more pressure to import farm commodities.

Secretary HARDIN. Yes, I think so, Senator Young. But I think in any event you do have to move over a period of years. And I think for several years you could make this your sole means of diverting acres, at least in my judgment. We could move fairly rapidly. But you still ought to do it over a period of several years, and take advantage of the fact that it would be voluntary. Farmers do not all make up their minds at the same time when they want to quit farming. And if you would extend this over a period of 6 or 8 years I think you would get a much better job done to everybody's satisfaction than if you tried to do it all in 2 or 3 years.

Senator YOUNG. That is right. It would be much cheaper too.

Secretary HARDIN. That is right.

Senator JORDAN. What kind of payments are the Canadians offering for their farmers to retire wheat production?

Secretary HARDIN. $6 an acre.

Senator JORDAN. $6 an acre?

Secretary HARDIN. Yes; and I think there are some other penalties tied to that if they do not.

Senator JORDAN. If they do not?

Secretary HARDIN. If you are interested I could ask Mr. Palmby to explain the details.

STATEMENT OF HON. CLARENCE D. PALMBY, ASSISTANT SECRETARY OF AGRICULTURE

Mr. PALMBY. Mr. Chairman and members of the committee. Actually, as I understand the proposal, they pay $6 per acre for summer fallow, and $10 per acre for a limited number of acres—I believe it is two million—for applying a cover crop to that many acres. In addition to this, they have a wheat board which allocates to each producer the amount of wheat that can be delivered during the course of a year, and they have used this program to make it more attractive to those who do participate by not planting wheat.

Secretary HARDIN. This simply means that people who have wheat on hand from the previous years may not be able to sell it—get a permit to sell it—unless they participate.

Mr. PALMBY. That is correct. And those who do participate can sell it more rapidly.

The CHAIRMAN. To what extent can they cut back on deliveries from one farm, do you have any idea?

Mr. PALMBY. No; I do not think I could answer that.

Secretary HARDIN. The total acreage in wheat is about 28 million acres, and they are talking about retiring 20 to 22 million this year. So it is indeed sizable.

The CHAIRMAN. They have over a year's supply on hand, I am told, maybe a year and a half or 2 years.

Mr. PALMBY. As I understand it, their carryover will be somewhere between 930 to 950 million bushels the first of July of this year.

Senator HOLLAND. Which is almost 2 years?

Mr. PALMBY. Yes.

Senator CURTIS. This is presented to the committee and farmers as more or less temporary, isn't it, that is, the available sizable cut of 22 million?

Mr. PALMBY. Senator, it is offered to them, as the Secretary said, as a very courageous and very substantial adjustment program.

Senator CURTIS. But it carries the idea that it is permanent, that it is to get rid of existing stocks?

Mr. PALMBY. Right.

Senator CURTIS. Consequently they might avoid some of the resistance that comes from various segments of agri-business, because the individuals, while they will not buy as much tractor fuel and fertilizer, still hope ultimately to be in the market for farm equipment. And they are facing a problem of getting support from their friends in town and the people they deal with in town. They could avoid facing this if they launched on something like this as a permanent thing, is that right, this large?

Secretary HARDIN. That is right.

Senator MILLER. Mr. Chairman, may I ask a question on this point?

The CHAIRMAN. Proceed.

Senator MILLER. You refer to a general land retirement proposal that you presented to the House committee. I would like to inquire about that a little. Does that include longer term contracts than the present 1 year, for example, shifting to 5-year contracts or 10-year contracts?

Secretary HARDIN. Yes; we discussed all kinds.

Senator MILLER. Did you discuss a mix?

Secretary HARDIN. I guess we did not call it that. Senator Miller, but in effect we did, because whatever we recommended combining them with our present land-diversion programs, which are 1-year contracts.

Senator MILLER. So there would be 1-year, 5-year and 10-year and permanent, all in one package?

Secretary HARDIN. There could be.

Senator MILLER. And do you establish a guideline limiting the amount of productivity in a community area which may be retired so that the viability of the economy of the local community would be retained?

Secretary HARDIN. Yes; we did discuss various means of limiting the use of this in any one community.

Senator MILLER. And did you also discuss the possible guideline that if whole farms were retired the program would be administered in such a way as to preserve the job opportunities for tenant farmers?

Secretary HARDIN. I don't know as we got into that particular phase of it.

Senator MILLER. The reason I mention that is because in my State, while it is a great agricultural State, about half of my farmers are tenant farmers, and there is great concern about job opportunities for those tenant farmers if there is a long-range whole-farm retirement program, unless there are some safeguards cranked into it.

Secretary HARDIN. There was great concern expressed on this very point. I remember one farmer wrote in—and this was quoted a few times—that he owned some land and he was renting additional land from five landlords. If three of these should elect to retire their land—and they could make this decision—that he would be in difficulty as an operator because he would have his volume greatly reduced. This is regarded as a very significant problem.

Senator MILLER. But could not that be handled by administration?

Secretary HARDIN. I think there would have to be some guidelines in the legislation.

Senator MILLER. Certainly to mandate you to administer it in that fashion?

Secretary HARDIN. Yes, sir.

Senator HOLLAND. I ask you, would you be prepared to submit and propose the guidelines which you think should be in the legislation?

Secretary HARDIN. We can do that; yes, sir.

(The information is as follows:)

Title VI of the proposed new legislation contains general provisions for safeguarding the interests of tenants and sharecroppers. They are similar to provisions of the Cropland Adjustment Program legislation in the Food and Agricultural Act of 1965. These provisions of the new legislation will likely be implemented in the same manner as they were under the CAP. The applicable CAP instructions are as follows:

TREATMENT OF TENANTS AND SHARECROPPERS

Agreements shall not be approved nor payments made under approved agreements if the county committee determines that:

The landlord or operator has not afforded tenants and sharecroppers on the farm an opportunity to participate in the program.

In anticipation of or because of participating in the CAP the number of tenants or sharecroppers on the farm was reduced. See paragraph 11 regarding replacement of tenants or sharecroppers.

There exists between the landlord or operator and any tenant or sharecropper a lease, contract, agreement or understanding unfairly exacted or required the effect of which is to:

Force the tenant or sharecropper to surrender to the landlord or operator any payment he earned under the agreement.

Change the status of the tenant or sharecropper so as to deprive him of any payment which he otherwise would be entitled to receive. This includes reducing the acreage normally farmed by such tenant or sharecropper.

Increase the rent to be paid by the tenant or sharecropper or reduce his share in crops.

Any other scheme or device was adopted which deprives a tenant or sharecropper of any payment or other benefit he would otherwise be entitled to receive under the program.

REPLACEMENT OF TENANTS OR SHARECROPPERS

If the number of tenants or sharecroppers on a farm is reduced, such tenants or sharecroppers must be replaced unless:

The departing tenant or sharecropper files a written statement with the county committee that he was not forced to leave the farm because of participation in the CAP, or

The county committee determines that the tenant or sharecropper was not forced off the farm because of participating in the CAP and that the farm would normally be operated without a tenant or sharecropper, or

The tenant or sharecropper dies or disappears and the county committee determines that it is not practicable to replace such tenant or sharecropper, or

The tenant was a cash, fixed, or standing rent tenant who DID NOT:

(a) Live on the farm during the year preceding the first year of the agreement period, or

(b) Earn at least 50 percent of his total income in such year from farming.

If under subparagraph A the replacement of a tenant or sharecropper is required, the county committee shall prescribe a date by which such replacement must be made. Failure to replace a tenant or sharecropper by such date will be noncompliance with the agreement; see paragraph 190.

If under subparagraph A the replacement of a tenant or sharecropper is not required, the agreement may be approved if otherwise eligible. If the agreement has already been approved, the interest of the tenant or sharecropper may be transferred to other parties to the agreement. See paragraph 165.

A landlord or operator who in the past had tenants or sharecroppers on his land for purposes of producing base crops designated under an agreement, may pay these individuals on a wage basis. This action shall not be considered as reducing the number of tenants or sharecroppers on the farm provided such individuals are classified as employees under the Fair Labor Standards Act.

The CHAIRMAN. Mr. Secretary, I presume that you are going to propose to us a program. And I imagine what you stated to the House in respect to land retirement you are going to propose to us here so that we can discuss it as your proposal.

Senator BELLMON. Mr. Chairman——

The CHAIRMAN. Senator Bellmon.

Senator BELLMON. Mr. Secretary, you have testified that the present program pays for nonproduction on 58 million acres.

Secretary HARDIN. Yes.

Senator BELLMON. Now, this term "nonproduction" is a relative term, do you realize it?

Secretary HARDIN. Yes, sir.

Senator BELLMON. How much less production do you really think you are getting on that land than you would if it were in full production? Do you have your figures?

Secretary HARDIN. I do not have an educated guess on that, Senator Bellmon. I am sure you are referring to the fact that on some of the diverted acres there are so-called grass crops that are planted, some of which have very high productivity, and limited grazing is permitted on some of them. This erodes away part of the effect of the diversion.

Mr. Palmby, do you want to make a comment?

Mr. PALMBY. I would not, Mr. Secretary. This is an educated guess at best.

Secretary HARDIN. There are two factors. The one I mentioned is the fact that there are crops that are grazed. The other is, farmers normally, if they are good managers, do not set aside their best acres.

Senator BELLMON. And do you also realize that at the present time it is possible for land that was in the soil bank which is still carried as a part of the crop base to be set aside in the nonproductive category, and all summer produces the growth of new grass, and that after the first of October it is grazed, so the production is not much different than it was in this category at all?

The thing I am getting to is, I really doubt that you reduce the production on this 58 million acres by more than 50 percent. I really do not know. It probably varies from one part of the country to another.

Secretary HARDIN. It varies tremendously. I suspect it is much more effective in North Dakota than it is in the Southern States, Senator.

Senator YOUNG. It is quite effective in North Dakota.

Senator BELLMON. Also you have to realize that a lot of this land, if it is in a totally nonproductive State one year, in summer fallow, that the next year you get a bumper crop from it, 30 to 50 percent more than the normal yield. I am just curious why the Department does not put together some figures to give the committee some guidance as to just how much we are reducing our production by keeping out this 58 million acres.

Secretary HARDIN. We will be glad to provide an estimate for the record.

(The information is as follows:)

The potential production on the 58 million acres diverted in 1969 under the annual and long-term programs affect the production of many crops including peanuts, tobacco, cotton, and other non-allotment crops. The major impact was on the production of feed grains and wheat. Rough estimates would indicate that the potential production on these acres diverted from feed grains would be about 70 million tons, and diverted from wheat about 300 million bushels.

Senator BELLMON. My point is that I doubt that you would need anything like 58 million acres in a long term land retirement program, because under that kind of program you would take the land totally out of production.

Secretary HARDIN. Yes. I think that point is absolutely valid.

Senator MILLER. I think what Senator Bellmon would like to have, I know what I would like to have, is some estimate of the difference. I know the Secretary is aware of the Iowa State University study about a year and a half ago which made a comparison between the effectiveness of the one year annual contract program that we have now and the effectiveness of 5- and 10-year contracts. That is why I am very interested in seeing what we might do on a better mix with 5- or 10-year contracts in the picture instead of the annual contracts, because that would eliminate one of the problems which Senator Bellmon mentioned.

Secretary HARDIN. There is one figure in the statementI just mentioned that does lead in this direction, Senator Bellmon.

Back in the middle of page 3, we estimate if there was no new legislation and therefore no restrictions on feed grain production, that the production would increase from between three-quarters of a billion and a billion 400 million bushels. This is at least an indication that the diversion program, in our judgment, is effective.

The CHAIRMAN. What gave rise to the enactment of the present law was the fact that we had around 82 million tons of feed grains, and through the diversion payments we were able to reduce that to about 45 to 48 million. And the same thing obtains for cotton, and the same thing for other crops that are protected.

Secretary HARDIN. I certainly would not want to give the impression that the diversion program is not effective in regulating production. It is. It would be more effective, of course, if these acres could be sterilized and not used to produce any feed. I think you agree with that, Senator Bellmon.

Senator BELLMON. Yes.

Senator YOUNG. Mr. Secretary, it certainly was effective in the case of wheat. We were able to cut down the large surplus of wheat to the point that some people were worried about the scarcity. And we built it up to a surplus again when the acreage was increased too much.

The CHAIRMAN. That is right.

Senator HOLLAND. Mr. Chairman, if I may just ask one question.

Will you supply again the substitute figures in bushels for the 20 to 40 million tons that you mentioned at the middle of page 3 of your testimony?

Secretary HARDIN. Yes.

Senator HOLLAND. By which you say feed grain production would outrun use or demand by that amount, 20 to 40 million tons. What is that in bushels?

Secretary HARDIN. If you put it in terms of corn equivalent it is about 700 million to 1.4 billion bushels of corn.

Senator HOLLAND. 700 million bushels of corn to 1.4 billion. That runs it from 20 to 40 million-ton figure.

Secretary HARDIN. These are U.S. tons.

Senator AIKEN. Thirty-three bushels to the ton.

Secretary HARDIN. I do not know if you are like I am but I cannot think in terms of tons. I always revert to bushels.

Senator HOLLAND. I think it is well to have the record show very clearly the figures you are predicting by which feed grain production would outrun any market use in the event there was no new legislation. I agree with you that it would not be just unfortunate, but intolerable for us to have no new legislation.

The CHAIRMAN. I presume, Mr. Secretary, you could give us some figures on other crops?

Secretary HARDIN. Yes.

The CHAIRMAN And it might be well for your Department to prepare this information and present it for the record in connection with your testimony.

Secretary HARDIN. We will do that.

(The information is as follows:)

With no new legislation, it is estimated that cotton production would outrun market use by almost 6 million bales. With no quotas, wheat production would exceed use by about 200 to 300 million bushels under permanent legislation.

Senator MILLER. Could I ask that he also include an estimate, on a comparative basis, between the 1 year and the 5 and 10-year long-term contract, as far as the economics are concerned?

Secretary HARDIN. All right, we will do that.

(The information is as follows:)

Production adjustment can normally be achieved at a lesser cost per unit of production to the Government under long term agreements than under one year agreements. This is due largely to the fact that farmers are willing to make reductions in crop production for a lower payment when they have the assurance of continuing payments for a period of several years. This enables them to plan long term adjustments in their farming operations with the assurance that program benefits can be relied on for several years.

The CHAIRMAN. Proceed.

Secretary HARDIN. There are two more points on the Farm Bureau plan which we are discussing. It includes the job retraining feature, which is similar in some respects to the program the President has recommended for family assistance.

The CHAIRMAN. We have been toying with that for quite some time.

Secretary HARDIN. Yes.

The CHAIRMAN. I think under Mr. Benson we tried it and we did not go too far.

Senator HOLLAND. Do you approve or disapprove that part of the Farm Bureau program?

Secretary HARDIN. We think that some such program is needed, Senator Holland, to help the people at the lowest end of the income scale in rural areas. We are talking here about the people that simply are not reached effectively by farm programs such as we now have or as we propose, because such programs have their greatest effect on and give assistance to the commercial farmers who have volume production. These smaller units, are not helped very much, because they do not have the base upon which they can be helped. We feel rather strongly that something is needed for the people in the depressed areas.

Senator HOLLAND. You mean to keep them in production, but supplement their farm income, or do you mean to remove them from the farm picture?

Secretary HARDIN. There may be a few who can be helped to develop viable economic units. These we would like to help, of course. But the great majority are people who probably need some retaining and some help in relocating into other lines of work.

The CHAIRMAN. There are a few programs now in effect in order to try to keep the country people where they are instead of going to large cities where they will become dependents. And it strikes me that your Department, together with others, can certainly work to the end that some kind of industry can be started in an area so as to keep the people where they now are.

Secretary HARDIN. The key to it is jobs.

The CHAIRMAN. That is right.

Secretary HARDIN. And of course we have some wonderful examples of where this has happened.

The CHAIRMAN. Certainly.

Secretary HARDIN. In most of the States. We just need more of it.

The CHAIRMAN. That is right. And it is my belief that that can be accomplished, if only industry knew what the resources were in a

particular area, instead of increasing the size of their factory, let us say, in New York or Boston or any other big city, they could branch out into the small areas and retain the people there.

And I am sure they would be prone to do that if they knew of the resources that were located there both in manpower as well as water and communications as well as roads, schools, and so forth.

Secretary HARDIN. Mr. Chairman, this perhaps is not the place to get into a detailed discussion of the development of rural America. But as we have studied this—and we have spent a great deal of time on it—we are convinced that we must go much further in our concept than we have in past years. As we look to the economic and social development of the entire country, we must actually create a reverse migration. We must be effective enough in building up our rural areas so that we convince people to move from the cities.

We are not talking about making the cities smaller. We are simply talking about redistributing the growth in population and economic expansion that will take place in the next three decades.

Senator TALMADGE. Would you yield at that point, Mr. Secretary.

I received in the mail just a day or two ago a letter and a study from the University of South Carolina on that exact point. What they are trying to do is get some of these people to relocate from the cities back into semirural communities. Apparently job opportunities would be available. Maybe they could have a garden, a few chickens, and even a cow. And it would have a higher standard of living than if they lived in the ghetto. Have you seen that study?

Secretary HARDIN. I have not seen the study, Senator Talmadge, but I have visited some of the people of South Carolina, and I know in general their philosophy.

Senator TALMADGE. I read the conclusion yesterday, as a matter of fact, and I thought so much of it that I turned it over to some of my assistants for further study. I do not know whether it is practical or not, but the idea behind it is excellent.

Secretary HARDIN. I agree.

Senator YOUNG. I would like to cite an example which illustrates the great desire people have to return to our rural areas. A Los Angeles-based industry is putting a plant in North Dakota. They put one ad in the Los Angeles Times to locate North Dakota people working in industry in the Los Angeles area that would want to go back to North Dakota to work in this plant. They were flooded with mail just from that one ad.

Senator BELLMON. I do not know whether it is out of order to talk to the Secretary in this broad way, but I have a couple of thoughts to offer about how to get people back.

In the first place, under the Farm Home Administration program, if the person wishes to build a home in a rural area, and you limit him to one area, that is all the land he can buy with Farm Home Administration money with which to build a house. And yet there are many of these people that have jobs who live and work in the city would like to buy maybe 20 or 40 acres and have room enough to keep a couple of calves or perhaps even produce some crops of some kind. I really cannot understand why the FHA has been so restrictive in land. And I would like to suggest that the Department consider letting a person buy a larger area upon which to build a home provided that they do

not use the land to produce crops that are in surplus. This could automatically retire a large amount of land over the years. And it would put land into a much more desirable use than producing crops that we do not need. And it would not cost the Government anything except the interest, and, of course, whatever interest subsidy there is.

I realize that the Congress would have to provide more money for the FHA. But you would see a very rapid increase in the amount of land taken out of production in connection with housing.

Secretary HARDIN. I think that has some merit.

Senator BELLMON. The other proposal is that Senator Stevens in debate in the tax reform bill proposed that the Congress offer an incentive to companies that provide job opportunities in areas where there is underemployment or unemployment. And I do not know why this could not be in a farm bill. We need to put things in our bill to appeal to city people. And his proposal is to give a $1,500 tax credit for every job they create in a rural area.

And I would like to suggest that we consider that in connection with the farm bill.

Senator TALMADGE. If the Senator will yield on that point, it is a matter of committee jurisdiction. The Finance Committee has jurisdiction on tax measures. I am a cosponsor of the bill to which you refer. I also have a bill over there, along with several others, to give tax incentives on training these people, the hardcore unemployed.

One of the big problems is that we have got 30-odd different training programs and 19 different Federal agencies doing it. It is so complicated the folks running it do not even know what they are doing.

Senator BELLMON. It seems to me that this all ties in with the farm problems.

Senator TALMADGE. I agree.

The CHAIRMAN. It is a matter of jurisdiction, as I stated. We could not in this committee handle a bill of that kind because of the rules of the Senate.

Secretary HARDIN. This again is beside the point, Mr. Chairman. I spent two days last week with the French Minister of Agriculture who is here for a visit—some of you met him. We spent some time exchanging information on farm problems and farm programs. They have a new program that they are just putting into effect to create more privately owned forests over the next few years by exempting from taxes both property and revenue income. They have made certain that property planted to certain species of trees will not be taxed, at least not at certain tax levels and they also provide that certain income will be exempt.

Senator TALMADGE. Unfortunately our country has gone the opposite direction. We have done a tremendous amount of reforestation in the south under the land retirement proposal, and that retires the land permanently, because when one has trees growing on land they do not put it back in agriculture.

But now the rural population has such little political influence in the states that the tax rate on that land is at exorbitant levels. I know some land on which the taxes now are half of what the land cost 20 years ago.

The CHAIRMAN. Louisiana has pioneered in that area. I am glad to say. The assessments were reduced where farmers planted trees, but a tax was imposed when the trees were severed from the soil.

Senator TALMADGE. That is what it ought to be, based on the severance tax.

The CHAIRMAN. We have had that for 40 years, since I was in the Louisiana Legislature.

Senator TALMADGE. And then when the farmer gets income he pays the taxes.

The CHAIRMAN. That is right. It is a very good program. And I think it has paid off in Louisiana in that today Louisiana is becoming green again.

You may proceed, Mr. Secretary.

Secretary HARDIN. I just want to make one summary statement on the farm bureau legislation, and we will come back to that. I want to say that we find merit in certain features of it, but we are not disposed to favor the proposal in its entirety as it stands before you.

The CHAIRMAN. I presume you are going to discuss those features that you favor?

Secretary HARDIN. Yes, I have tried to discuss the land retirement and so on.

4. EXPAND THE PRESENT ACT

The next option we have is to expand the present act.

A number of farm organizations have joined in a farm coalition. The coalition proposes a series of changes in the act of 1965 that would increase benefits over a wide range of commodities. Among other things, there would be an export certificate for wheat, a higher loan for corn and wheat, higher payments for feed grains, and a new price support and diversion program for soybeans and flaxseed.

Price supports for soybeans, either through loans or loans plus payments at over $2.80 per bushel, as provided in the coalition bill whenever CCC stocks of soybeans and flaxseed exceed 150 million bushels, would be required. The proposed increase to a $1.15 per bushel loan rate for corn and the higher loan rate for wheat ($1.35 to $1.40 per bushel) would also inhibit our exports and our domestic use.

It appears that farm program costs, under the farm coalition bill, would be increased by upwards of a billion and a half dollars above the present program. Feed grain and wheat program costs alone would be increased by about $1.5 billion above the present program—primarily reflecting higher feed grain payments and export certificates for wheat.

The cost of the soybean and flaxseed programs would also be increased substantially whenever an acreage diversion program is required.

While we are sympathetic with the desire to increase farm income, we cannot support a proposal which would be so costly both in dollars and in its effect on market growth.

Senator HOLLAND. Does this coalition bill suggest increased production costs, Mr. Secretary, in any other field except the feed grain and the wheatfields?

Secretary HARDIN. It is on the chart there.

Can you respond to that, Mr. Palmby?

Mr. PALMBY. We have these tables, Senator Holland, which go through these several proposals commodity by commodity—wheat feed grains, and upland cotton.

The question you specifically asked is on production cost of commodities other than——

Senator HOLLAND. I understood from the testimony we heard on that coalition program that there was a frank admission that they proposed to increase rather heavily the costs of production of feed grains and support the feed grains and the wheat. I believe there was no suggestion for a change in the field of cotton production.

Mr. PALMBY. That is correct.

Senator HOLLAND. Senator Talmadge can correct me on that.

Senator TALMADGE. That is correct. They wanted to extend the cotton program as it exists.

Senator HOLLAND. I do not remember what the suggestion was with reference to soybeans and flaxseed.

Mr. PALMBY. The proposal for soybeans and flaxseed is primarily one of the level of support, so that when the carryover as of July 1 exceeded 150 million bushels, which would be the case at the present time, then the support price, or a combination of support, loan rate and price support payment, would be at least 70 percent of parity. This is where the $2.80 figure comes from that the Secretary discusses. Under those type situations the cost would go up substantially for oilseed.

Senator HOLLAND. Then the coalition bill does provide for a quite large increase of the price support program with reference to feed grains and with reference to wheat, and a possible increase of the program with reference to soybeans and flaxseeds?

Mr. PALMBY. That is correct.

Senator HOLLAND. But it does not provide for other increases in the price support program?

Mr. PALMBY. That is correct.

Senator HOLLAND. I wanted to be clear in my own recollection of that testimony which we heard some time ago. Thank you, sir.

Senator YOUNG. Mr. Secretary, with respect to wheat, though, if you increased the price support loan level—at least this is the argument of the previous Secretary—you would reduce the amount of the wheat certificate payments. This comes about because the wheat certificate payments are based on the difference between the price support loan level and parity. Isn't that correct?

Mr. PALMBY. Under the coalition bill, Senator Young, the additional cost of the certificate that we are referring to is one of export certificates, which are provided for.

Senator YOUNG. There would be some reduction, though, in domestic wheat certificate payments because the law provides that the wheat certificate payments be based on the difference between parity and the price support loan level.

Mr. PALMBY. Yes; that would be correct.

The CHAIRMAN. Proceed, sir.

5. MANDATORY CONTROLS

Secretary HARDIN. The next option that has been presented is that of the United Grain Farmers. It was proposed to us and to you that the price support for grain be at 100 percent of parity, with no controls on any one crop but with sufficient cropland retired so as to bring the

price up to the specified level. Grain farmers would vote on this plan in a referendum. If favored by referendum vote, the program would become mandatory on all grain farmers.

The degree of price increase contemplated in this proposal is evident from this table, which I will not read, but which if you will grant me permission, I will include in the record.

The CHAIRMAN. It is so ordered.

(The table referred to is as follows:)

[In dollars per bushel]

	Parity price, February 1970	Farm price, February 1970
Corn	1.76	1.14
Wheat	2.79	1.30
Soybeans	3.74	2.40
Oats	.95	.59
Barley	1.44	.86
Sorghum	1.61	1.08
Rye	1.49	.95

Secretary HARDIN. Price increases of this magnitude would drastically curtail export markets, or necessitate a large export subsidy, and stimulate the use of substitute products at home. A very large share of a man's cropland would have to be retired.

Mandatory controls have not been welcomed in the past and probably would be similarly distasteful in the future when applied to all farmers.

6. QUANTITATIVE CONTROLS

The Kansas Cooperative Council proposed to this committee a wheat program that would provide:

Price supports at two-thirds of parity or about $1.85 per bushel.

Mandatory controls, with allotments in terms of bushels rather than acres.

No certificates, either for domestic or export wheat.

Administration through licensed marketing firms.

No requirement for idling land taken out of wheat production.

A farmer referendum.

Many of the features of this proposal have been tried in the past: high price supports, mandatory controls, and permission to plant other crops on acres diverted out of the controlled crop. All of these provisions have been eliminated from programs presently operating.

The important new features (quantitative controls and the licensing of market firms) have not been accepted by the Congress, chiefly because they would require greater interference with individual decisionmaking than has been thought good.

For the Congress to accept this proposal would be to return to features that have been discarded after a fair trial, and to introduce new features that are more stern than have yet been imposed.

Senator HOLLAND. You mean, more forced regimentation than any we have had?

Secretary HARDIN. Certainly restricted.

And now we come to the program that we have discussed with the House Committee and with other groups over the past many months.

7. SET-ASIDE PROPOSAL

This surely is a time when farmers and farm groups, acting through their enlightened self-interest, must find as much common ground as possible. Farmers now comprise only 5 percent of the population; 30 years ago it was 24 percent. We can no longer afford the deep divisions that have so long characterized debates on farm programs.

We cannot afford to be partisan, and we cannot afford quarrels between the executive and legislative branches. What we want is a good bill.

In the summer of 1968 the Congress passed a 1-year extension of existing farm legislation so as to provide time for a new administration to study alternative farm programs. We appreciate the time provided us and have tried to use it to best advantage.

It has been our purpose to make available to the Congress the considerable experience and analytical resources of the Department of Agriculture. We in the Department do not consider ourselves to be the sole architect of farm policy. This is a role shared by the farm organizations, the Department of Agriculture, and above all, by the elected representatives of the people.

We have consulted with the farm organizations, we have had listening conferences directly with the farm people, and we have conferred with eminent farm policy people from the land grant colleges.

I have had individual conferences with many members of this committee, and have met with you as a group. We have worked with the House Committee on Agriculture in a series of informal sessions, trying to accommodate divergent views.

What I shall now describe is a proposal on which we are willing to stand if it is acceptable to the Congress. It does not represent our original position; many modifications have been incorporated as a result of our numerous consultations. Nor does it represent our last and final position; some additional changes could be accepted.

Senator YOUNG. That is the best statement you could make.

Secretary HARDIN. Thank you.

Senator YOUNG. That is exactly what I have been telling people all the time. Some of them would not believe me.

Secretary HARDIN. We have laid before the House Agriculture Committee a proposal that is in three major parts: Commodity programs; resource adjustment; Public Law 480.

COMMODITY PROGRAMS

For the commodity part of this package we offered what has been called the set-aside approach. The concept behind the set-aside is that we have an excessive amount of cropland available, that this excess is general rather than specific as to certain crops, and that if a proper amount of cropland is set aside farmers will make good decisions as to how to use their remaining acreage.

The major features of the set-aside are these:

1. The program would be voluntary.

2. It would apply to the major crops: wheat, cotton, and the feed grains. There has been no attempt to apply the proposal to tobacco, rice, peanuts, or other farm products.

3. Those farmers who wished to participate could do so by setting aside a certain proportion of their base acreage, thus making themselves eligible for program benefits.

4. There would be a loan, set at a relatively low level, so that the market would clear in most years. The loan would be a means of obtaining credit, not a method of holding prices permanently and substantially above where they otherwise would be. But it would provide solid insurance in case of an unforeseen price decline.

5. Benefits would be in the form of payments, which would serve to induce participation and to supplement incomes. The level of payments could be set in accordance with various criteria. I have indicated that for some specified period, payments should be approximately at the levels of recent years.

We have agreed with the House Committee on a class I milk base plan that makes more workable the plan written into the act of 1965. The agreed plan, which is voluntary on the part of dairymen and discretionary with the Secretary, would reduce the incentives for overproduction that are natural to the blended price found in most milk marketing orders.

It would provide access to markets for new producers on what we think are reasonable terms, would permit relative freedom for milk to move from one market to another, and would hold the value of the base to moderate levels.

RESOURCE ADJUSTMENT

The resource adjustment part of the proposal includes activation and modest expansion of the small scale cropland conversion program, and revival of what was known as the greenspan program, which is a means of helping towns and small cities acquire the land needed for parks, recreation, and open space.

We also propose the launching of a pilot program using the easement technique for long-range whole1farm voluntary land retirement. On land retired under these programs, provision would be made for payments that would improve wildlife habitat and promote recreational use. Even when combined, these three programs would be small scale, adding some 3 or 4 million acres a year to the land retired from cropping. In recent years, cropland diverted under Government programs has generally ranged from 50 to 65 million acres.

Our proposal would move in the direction of greater reliance on individual decisionmaking and a stronger role for the commercial market. By making our farm products more competitive at home and abroad, it would open the possibility for market growth.

By permitting more efficient use of resources, we would somewhat reduce production costs, relatively. The long-range cropland retirement provisions, though of small scale, would give some promise of enduring resource adjustment, with the hope that we might in time get away from the annual diversion programs that carry the problems along without solving them.

Meanwhile, the payments would cushion what would otherwise be a disastrous blow to farm income. Hopefully, if markets grew, and cost-reducing regional shifts in production occurred, and if constructive long-range land retirement were achieved, the payments could be tapered off.

PAYMENT LIMITATIONS

Incorporated in our proposal is a provision limiting the amount of money that could be paid to any person under any one commodity program. We have suggested a graduated scale, beginning at $20,000. Under this scale, payment would be as follows:

Payment in the absence of a limitation	Payment under the proposed limitation
$10,000	$10,000
20,000	20,000
50,000	46,000
100,000	80,000
200,000	110,000
400,000	110,000
1,000,000	110,000
3,000,000	110,000

You note that the maximum payment for anyone would be $110,000.

To the same degree that the payment limitation restricted a man's benefits, he would be exempted from the set-aside provisions. In order to make the limitation administratively feasible, the limitation would be applied crop by crop, rather than producer by producer. Some farmers produce several price-supported crops. If the limitation were applied to the farm instead of to each of his respective crops we would have great difficulty in knowing how the wheat and the cotton programs should be administered on a particular farm, while staying within the total limitation.

I know that members of this committee have had grave concern about the workability of a payment limitation, and properly so. If a low limit were imposed, some of the larger farms would be driven out of the program and the small farms would have to bear the brunt of the acreage reduction.

The limits we have suggested are at such a level that minimal interference with the family-sized farms that produce the bulk of our food and fiber would result.

Using 1968 program payment data, we have estimated the potential impact of a payment limitation on the proposed set-aside program—assuming payments would continue at about present levels. If the limitations suggested were 100 percent effective, the results would be approximately as follows:

Number of payees affected:

Cotton: 5,800 out of 449,376.

Feed grain: 1,884 out of 1,506,948.

Wheat: 1,416 out of 831,830.

Reduced government payments, millions of dollars:

Cotton: 42 out of payments totaling 780.

Feed grain: 6 out of payments totaling 1,522.

Wheat: 5 out of payments totaling 909.

Additional acres that would have to be set aside to compensate for large farmers who would go outside the program:

Cotton: 343,000 out of a domestic allotment of 11,100,000.

Feed grain: 146,000 out of a base acreage of 133,100,000.

Wheat: 63,000 out of a domestic allotment of 18,100,000.

These additional acres, diverted on smaller farms, would require additional expenditures that would in part offset the savings achieved through limiting payments on large farms.

The CHAIRMAN. Have you given thought as to the maximum that a farmer could receive if he planted, let us say, three crops?

Secretary HARDIN. Well, theoretically it could be three times these figures. In practice I know of no farm that would fit that definition.

The CHAIRMAN. You restrict this to one crop. And it is entirely possible that you might have some plant as many as three crops?

Secretary HARDIN. That is correct. And of course separate set-asides would be required for the three crops. The total set-aside would be greater if they participated in all three programs. However, to put the limit on a farm basis rather than a crop basis makes administration extremely difficult.

The CHAIRMAN. You said under this set-aside program that you have been advocating that it would leave the farmer with more liberty as to what to plant, give him more leeway?

Secretary HARDIN. Right.

The CHAIRMAN. That is somewhat along the lines of the Farm Bureau program.

Secretary HARDIN. Let me give you an example. You are familiar with the provision of several years ago where a 15-acre exemption was built into the program. This has been continued in some form down to the present time, so that we have wheat being grown all over the country. It is our thought that a great many farms in the heart of the corn belt—with a set-aside proposal, simply because corn is a more profitable crop—would choose to plant all their land in corn rather than grow a small field of wheat. Eventually these allotments would dry up and be reallocated to the commercial wheat areas. This is what we think would happen, Mr. Chairman.

The CHAIRMAN. Would you do away with the historical plantings of the past?

Secretary HARDIN. We would not require them to give them up, but if they did, then we would not reestablish them.

Senator YOUNG. Mr. Chairman, would you yield for a question?

The set-aside would be optional; would it not? The farmer would have the option of deciding whether or not to use the set-aside program.

Secretary HARDIN. Yes; he would have the choice of entering the program, but if he came into the program he would have to set aside certain acres. This would be compulsory to get the benefit of the program. Once his acres were set aside he could plant them all in wheat, corn, or any combination at his discretion.

Senator YOUNG. He would not have the option, though, of operating under the present procedures or the set-aside?

Secretary HARDIN. No, I do not believe so. If I understand your question, the answer is no.

Senator MILLER. May I ask a question about the first sentence on page 13, what that means?

Secretary HARDIN. I do not understand your question.

Senator MILLER. In the case of a $100,000 payment, in the absence of limitation, the payment under the proposed limitation would be $80,000. That is a 20-percent reduction. Does that first sentence mean that

he would be able to increase his acreage by 20 percent that he otherwise would have had to put in the set-aside? I do not quite understand that.

Secretary HARDIN. Yes, Senator Miller. We would require only the set-aside at the same rate as the farmers who were not limited.

Senator MILLER. In other words, the set-aside acreage would be reduced by the same percent that his payments would be reduced? In other words, in the example I gave you, a $100,000 payment now cut to $80,000 is a 20-percent reduction in payments, and the acreage which he otherwise would have had to retire——

Secretary HARDIN. He would not have as large a set-aside acreage as would be the case if he had a full payment.

Senator MILLER. Would it be in the same percentage, or do you have that refined out?

Secretary HARDIN. Yes, it is refined out.

Mr. Palmby, would you please explain further?

Mr. PALMBY. The answer, Senator Miller, is to the extent that his payment is reduced through the statute, his set-aside requirement would be reduced commensurate with the reduction in payment.

Senator MILLER. When you say commensurate, would that be a percentage basis, or how would that work?

Mr. PALMBY. Yes.

Senator MILLER. So a 20-percent reduction of payment means that he is exempted by 20 percent in the amount of acreage he has to set aside?

Mr. PALMBY. Yes.

Senator MILLER. That was the Wilcox proposal of a couple of years ago, as I recall.

Mr. PALMBY. This graduated payment schedule is intended as a tapering off mechanism that would not unduly jeopardize the program and at the same time make it somewhat palatable to those people who do want to participate.

Senator TALMADGE. Aren't you saying that if you buy this land out of production, if you do not pay him for it he can produce on it, to put it simply?

Mr. PALMBY. Correct.

Secretary HARDIN. We get a broader participation by doing it this way.

Senator CURTIS. I would like to ask a couple of questions on the payment limitation. Up until now I felt that this was one of the things that would have to be accepted. The schedule set forth here I think would not cause any great hardship to the State of Nebraska. But I would like to ask the Secretary what crop would be reached to the greatest extent by this limitation or a similar one?

Secretary HARDIN. That is shown on page 14. Senator Curtis, of the testimony. The number of payees affected by the program would be 5,800 in the case of cotton out of almost a half million, 1,800 out of a million and a half feed grain producers, and about 1,400 out of 831,000 wheat producers.

Senator CURTIS. That leads me to my next and final question at this point. Have any studies been made as to whether or not a payment limitation would increase the production of livestock?

Secretary HARDIN. That is a deep one.

Senator CURTIS. While livestock producers benefit from the farm program, they are not directly under it. If limitations are imposed, is that going to send a lot of people into livestock?

Secretary HARDIN. Senator Curtis, I do not believe it would affect livestock production, because the objective would still be to divert as many acres in total as if you did not have limitations. Therefore, the total effect on grain production would be the same—it would be only the pattern that would be different.

Senator CURTIS. I am thinking in reference to the cotton producer who has to take this limitation.

Senator MILLER. Would the Senator yield?

Senator CURTIS. Yes.

Senator MILLER. On page 14 of the Secretary's statement he shows the offset or the trade-off that cotton farmers affeced by the payments would have; namely, those cotton farmers which would have their payments cut would also as a trade-off have 343,000 more acres to grow cotton on, if I read that table correctly on page 14. The idea behind that is that they are not going to come out of the program and get into livestock operations; they are going to stay in the program. And you are willing to trade that off, that additional production, for the amount of the savings to the Federal Government is that about it?

Secretary HARDIN. Yes. Now, there is this additional feature on cotton. We do want to have a set-aside which is not large in terms of national total, but large in terms of cotton acreage. There is land in many parts of the cotton belt that might be available to grow soybeans or corn if it were not in cotton. This is one of the reasons we would like to have the cotton farmers participating in the set-aside. Again, I do not think this would have any significant effect on the livestock industry. I just do not see, Senator Curtis, that it would affect it in any way, to any degree.

Senator CURTIS. That is all.

Senator HOLLAND. Mr. Chairman, I notice on page 10 the statement that the administration program is to be called the set-aside program. And I note that in subsection 2 of the description of that program he says: "It would apply to the major crops: Wheat, cotton, and the food grains. There has been no attempt to apply that proposal to tobacco, rice, wheat, peanuts, or other program products." Does that mean that any price support received for those other crops which you have mentioned would not be included in the limitation figure?

Secretary HARDIN. That is right.

Senator HOLLAND. It would not be included?

Secretary HARDIN. No; each has a separate law under which they are now operating.

Senator HOLLAND. I understand. But suppose a commodity producer produces feed grains, let us say, and goes above the figure where he can claim all of his price support; suppose he also produces tobacco or peanuts or rice or beet sugar. I want to be very clear as to whether your program includes those payments within the total amount which would be covered by the limitations. And I understand now that you say it would not be included.

Secretary HARDIN. As we worked it out with the House committee, they would all be considered separately and not included in these totals.

Senator HOLLAND. Now, as to cane sugar, of course, in my State those who produce sugarcane for cane sugar do not as a rule engage, or not at all, to my knowledge, in the production of these three commodities which you have mentioned. But as to beet sugar there may be cases where they do. And that is the reason I asked the question that I did.

Mr. PALMBY. I would like to make two comments. No. 1, the sugar legislation is separate and distinct and does not come into play with what we are talking about here.

Senator HOLLAND. Does that apply also to wool?

Mr. PALMBY. The same applies to wool.

Now, one other comment. This payment limitation does not include the normal price support operations, meaning the loan program, or the costs of the Commodity Credit Corporation as that cost is affected by the loan or the price of the program itself. I am specifically thinking of peanuts, rice, and tobacco. There are costs inherent in the price-support loan program, as is the case with the commodities that we are talking about, that do not come into play or which are not covered by this payment limitation. Affected are the direct payments applying to cotton, feed grains, and wheat, but not the loan operations.

Senator HOLLAND. Does this mean that if the loan program is used by a producer who does come within that program, and is entitled to over $200,000 of payments, unless this reduction program would apply to him, he could obtain loans and then could fail to repay those loans, and forfeit the products, and by that device raise the total of what he receives above the limitations?

Mr. PALMBY. The producer will have an open end authority to use the loan program.

Senator HOLLAND. In other words, a producer of feed grains, for instance, to use that only as an illustration, who would produce enough feed grains to where he would be entitled to receive above $200,000 except for this limitation, could extend what he would actually receive by the use of the loan device?

Mr. PALMBY. That is correct, except that it is quite a different feature of the program. One is a direct price-support payment program, and the other is a loan program.

Senator HOLLAND. Yes. But if the loan was at a sufficient level to repay a cost of production, it seems to me that the door would be left open for the building of the limitation—the building of the amount received well above the limitation.

Mr. PALMBY. That is correct; the benefits would still be there.

Secretary HARDIN. But we are hoping very much that the Congress will not provide for that high a support program.

Senator HOLLAND. What higher loan program are you suggesting?

Secretary HARDIN. We would like to have it at a level that would prevent a catastrophe in case there is a drastic drop in prices, but in most years it would be such that the market would clear.

Senator HOLLAND. What level do you suggest, for instance, for feed grains and for wheat and for cotton? They are the three commodities which you embrace in our so-called set-aside recommendations.

Secretary HARDIN. These are areas that we still are discussing. At today's general price levels I think we have to think in terms of corn, 95 cents to a dollar a bushel as a loan level, wheat perhaps a dollar ten to fifteen, in that range, cotton at about——

Senator BELLMON. Is this net to the farmer, or do you take off the storage on that?

Secretary HARDIN. Mr. Palmby, can you help me on that?

Mr. PALMBY. It takes off the storage as of now, unless it is a farm loan, and then it would be net.

Senator BELLMON. You mean to say it is a dollar fifteen for wheat and you take off 15 cents storage and the farmer gets a dollar?

Mr. PALMBY. It would be a dollar fifteen on a farm storage loan, in this instance. He would be required to carry it, however, for the duration of the loan.

Senator BELLMON. What about if the farmer desires his wheat in a terminal?

Mr. PALMBY. The storage would be deducted.

Senator BELLMON. So he would net about a dollar?

Mr. PALMBY. The cost to the farmer of the storage, depending upon the part of the United States, would be somewhere from 7 to 10 percent.

The CHAIRMAN. Would this be a repayable loan?

Mr. PALMBY. Yes. It is a nonrecourse loan, however.

Senator HOLLAND. That is the thing I am exploring. If this is a nonrecourse device, and if the loan level is sufficiently large so that it would serve as a temptation to enlarge the limitation, why we want to know that before we act upon any legislation of that type.

Secretary HARDIN. I think, Senator Holland, that we need to look very seriously at these levels. In the long pull we are far better off to let the market price prevail and use our payments to offset any reduction, and try to broaden our markets.

We have seen, for example, what has happened in soybeans this last 12 months and I think you know the story—where the markets were greatly broadened as a result of lowering support, and exports have increased—the highest increase we have ever had, I guess. It looks like we will sell practically all of the 1969 crop, and the price has come back up.

The levels of on-the-spot prices out in the farming area, are now back very close to what they have been with the higher support. We would like to keep this option open. It will not always work. In the case of wheat, we would have to get concessions from some of our importing countries to permit the price to be more effective than it is now. We think there is a possibility that this could be done. If we look ahead to the decade of the seventies, we think this offers promise of enhancing farm income much more than can be done in any other way.

We are quite concerned as we look back over the past decade that until right now we have been doing the production adjustment on wheat for the rest of the world. At times our higher support has made it difficult to export. In any event, our share of the world market on wheat has declined, for whatever reasons. We think we can recoup some of this.

Senator HOLLAND. Of course, that is true even in a larger way in cotton. What is the loan price that you have determined upon?

Secretary HARDIN. About 90 percent.

Senator TALMADGE. It is 90 percent of the world price, about 18 or 19 cents a pound.

Secretary HARDIN. That is right.

Senator TALMADGE. The latest Government figure on cost of production, 1966, was 26 cents a pound. And since that time the Congress has placed a minimum wage law on farmers. That, and the inflation factor, have probably kicked that up to 30 cents a pound now. You will remember in 1965 we allotted a certain amount of cotton to be produced without any allotments whatever for export only. And that would address itself largely to the Western States. And only about 20 percent of that allotment was produced. So that means that the cost of cotton production in this country is so high that it cannot even be produced in California without subsidy.

Secretary HARDIN. I think there was one provision in the program that you just mentioned, though, that made it difficulty. The identity of the export cotton had to be maintained on through the marketing process. This was very inhibiting, we are told.

Senator TALMADGE. Yes, sir.

Senator YOUNG. Mr. Chairman, may I ask a question?

Mr. Secretary, I do not follow you at all when you compare soybean exports with wheat exports. Oil crops are in a worldwide shortage and there is an increasing demand. Wheat is quite the opposite. The price support you are suggesting for wheat, a dollar and ten cents a bushel, is only 40 percent of parity. You are moving further in the direction of the Brannan proposal than Brannan himself proposed, of lower and lower prices and production payments.

And I do not see any assurance whatever that this would increase wheat exports. There is no true world wheat price any more. It is a price that is set day by day, largely by the Canadians and the United States. They set their price every day, and we set an export subsidy to meet it. The export subsidy now is only about 10 or 12 cents a bushel. If you reduced the price to as little as 85 cents a bushel, what assurance would there be that the Canadians would not set their price at 80 cents a bushel?

Secretary HARDIN. I think the assurance you have that it would not happen is that, when you reach feed grain support prices, the wheat price has to stabilize.

Senator YOUNG. France sets an export subsidy in excess of a dollar and a half a bushel right now.

Secretary HARDIN. Yes; they do.

Senator HOLLAND. Mr. Secretary, what was the reaction of the committee in the other body to this limitation suggestion which you have outlined to us?

Secretary HARDIN. Well, I guess we are still to get the final reaction, sir, because the committee has not yet voted out a program, but conversations have indicated great interest in a schedule of this kind.

Chairman Poage has stated on several occasions that our support prices have at times constituted a target for other producing areas to get under, and therefore it interferes with our ability to do as well as we might otherwise have done in foreign sales.

Senator BELLMON. Mr. Chairman, may I ask a question?

The CHAIRMAN. Surely.

Senator BELLMON. These payment limitations, what is the purpose of them, really and candidly? Isn't it just to lessen criticism that comes from the Congressmen and Senators who represent urban constituents?

Senator TALMADGE. That is what the Secretary says in his own testimony; they are a way of increasing public acceptance of the program.

Senator BELLMON. You have said here that it is going to be possible, in your proposal, for some producers to qualify for up to $333,000 theoretically.

Secretary HARDIN. Theoretically.

Senator BELLMON. You are perhaps not any more of a politician than the rest of us, but do you think that it will accomplish the objective? It seems to me that there will still be a lot of criticism. And I wonder why the Department has chosen to make this kind of a proposal rather than a flat $20,000 or $50,000 limit?

Secretary HARDIN. Senator Bellmon, many of the provisions we are describing here represent a consensus that we have worked out with the members of the House committee. This seemed to be one that they were willing to support; whereas for a smaller or larger one, there was not as much enthusiasm.

Senator BELLMON. The House voted for a $20,000 one.

Secretary HARDIN. I am talking about the committee at this point, with whom we have been working. And while some of you refer to this as an administration bill, it is a program to be worked out jointly with the House, and one which we think we can support. It is not necessarily in all instances our first choice. There has always been a great deal of compromise in it and I want you to recognize that.

The CHAIRMAN. Mr. Secretary, I understood you to say during the course of your remarks that it was your idea to provide income to the farmer at least equal to what he is now getting.

Secretary HARDIN. Yes.

The CHAIRMAN. That is your idea. How can you achieve that if you do away more or less with the parity concept? That is what you are doing with cotton, and that is what your goal is for the others. And I am wondering whether, without some kind of a floor for each commodity, you can expect the farmer to get as much as he is now getting. I just cannot follow you.

Secretary HARDIN. We are proposing that this be offset with the payments, Mr. Chairman.

The CHAIRMAN. And then we would have to appropriate that?

Secretary HARDIN. Yes.

Senator TALMADGE. If the chairman will yield at that point, I want to pursue that one step further, Mr. Secretary.

The CHAIRMAN. Go ahead.

Senator TALMADGE. The question is how much you are willing to spend. I am interested to know how much the administration is willing to spend on the cotton program. A chart prepared by the Department shows that the payment should total about $902 million in 1970. And the Department's projections indicate that under the set-aside program $840 million would be spent in 1971. There is no indication of the amount of money to be spent in subsequent years. If the farmers of this Nation are to make outlays on equipment they must know what to expect from the administration.

Has the Department reached any conclusions on this issue, Mr. Secretary?

Secretary HARDIN. Yes. We think you may want to specify maybe 3 years or something like this, so that these levels would be protected.

I do not think you can go beyond that because I do not know what the circumstances will be.

Senator TALMADGE. I agree with the chairman on that. I think we are going to have to have some firm basis so that the farmer can anticipate what he is going to receive. I concur with your view and apparently that of Chairman Poage that the loan level must be left relatively low so that we can compete in the world channels of trade and so that these commodities can flow into the market channels rather than the CCC warehouses. But I think the farmer is going to have to have some indication of what his payment rate is going to be over and above his loan if he complies with this program.

Secretary HARDIN. We feel that way too, Senator.

Senator TALMADGE. And I think we are going to have to amend the bill substantially in that regard.

The CHAIRMAN. Are you proposing a bill?

Secretary HARDIN. Not a bill.

The CHAIRMAN. It is just ideas.

Senator TALMADGE. I thought I saw a draft bill, though.

Secretary HARDIN. We did have a draft bill. It has been substantially modified now. Hopefully the House will have one shortly.

The CHAIRMAN. I did not see it.

I am very hopeful that you can draft a bill that will maintain the parity concept, construct a floor under which prices will not go lower. We have been dealing with 65 percent of parity all along, and I do not see how we can deviate from that and at the same time assure the farmer the same income that he is now obtaining. It is just that simple.

Senator HOLLAND. Mr. Chairman, I want to pursue the matter that Senator Bellmon brought up. I agree with his suggestion, or the implication at least that I got from his questions. I do not believe that the limitation here, which could come to as much as $330,000 payments, without any loan for the future to a single producer producing the three commodities mentioned, I do not believe that is a salable limitation. And as the Senators know, I have been pretty much against this situation now for about 3 years in meeting this effort to impose limitations. I do not believe that that limitation is sufficiently practical to be salable. And I do not know whether Senator Bellmon goes that far. He indicated he might. But that is my feeling, and a very strong feeling, that we cannot go into the forum of the Senate and the House and sell it with limitations that tie.

I regret that that is the case. But I think it is the case.

I wonder if the Senator from Oklahoma meant just that in his suggestions of a while ago?

Senator BELLMON. Yes, sir; that was my thought on the matter. I am not sure that even if the Bureau were qualified for only two crops that would give him 225,000. And this is still a very large amount to a lot of urban representatives.

Senator HOLLAND. He might have payments on these crops not within these commodities at all. That would further complicate his situation.

Secretary HARDIN. Let me just say here, if I may, Senator Holland and Senator Bellmon, that we have been a little hesitant to come out with a flat limitation program because of the political history of this particular issue. Once the Congress has determined what these limita-

tions should be, we would like an opportunity to refactor the finer points of the program to accomplish the objectives that we all want to accomplish. As we indicated to you when that was debated some months ago—the rider on the appropriations bill—we made a strong plea that it be taken off and reconsidered along with new legislation. We still feel that there are several types of things that can work effectively, but we need to know what they are before we finally lock up the program.

Senator HOLLAND. I think you want us to be frank. And my frank reaction is, Mr. Secretary, having been through this fight for 3 years, that the limitations proposed here do not approach the practical level to make them salable to the Congress.

It may that I will find other Senators who differ from that, but that seems rather clear to me as I look at this set of suggestions. As I say again, I regret that the feeling is as it is, because I think it is not very sound. I think that to try to apply a $20,000 limitation overall applicable to all commodities covered by the program simply would invite destruction rather than any constructive solution of the problem. And I believe that other Senators who have always participated in this effort here to keep the program constructive rather than to simply destroy it will be of that same feeling. But I hope that they will express themselves.

Senator MILLER. Mr. Secretary, last year at the time that $20,000 payment limitation was being considered, I understand you testified very strongly against it——

Secretary HARDIN. Right.

Senator HOLLAND. No, he was very, very helpful.

Senator MILLER (continuing). One reason being that that would have discouraged a number of large producers from participating in the programs so that it would have aggravated the surplus problem. And the other is, as I recall it, that it would have cost the Department of Agriculture several million dollars because of the snapback provision in the Cotton Act.

Secretary HARDIN. That is correct.

Senator MILLER. What was your estimate on the cost that the snapback provision would cause?

Mr. PALMBY. At that time it was estimated at about $165 million.

Senator MILLER. I find a lot of misunderstanding among some people who like this $20,000 limitation idea. They do not understand some of the implications of it. And to avoid a cost of $160 million you would have to change the snapback provision, would you not?

Senator HOLLAND. That would bring up the cost, the snapback.

Secretary HARDIN. You are correct.

Senator MILLER. May I ask, did you consider a payment limitation commodity by commodity? For example, the problem with cotton seems to be considerably different from the problem with feed grains and wheat, because there are so many large cotton producers. Would it be feasible to have a limitation with respect to cotton, and another with respect to wheat, and another limitation with respect to feed grains? It seems to me that that might meet the realities a little better.

Secretary HARDIN. I think it could certainly be done.

The CHAIRMAN. I think you could do it as to wheat and corn. Corn stands out because you consume about 85 or 86 percent of your products. It is not as bad in that area as it would be in wheat and cotton, which depend so much on the export of much of their crop.

Senator MILLER. That is right. And then, Mr. Chairman, the number of large producers in each of those commodities is considerably different, being especially heavy in cotton.

The CHAIRMAN. I wonder if we could not get around this problem altogether by simply working out some guarantee to the farmer that he will get 65 percent of parity on the cotton produced on allotted acres through Government purchase of the cotton. Why can't we just fix the amount and do away with the direct payments altogether?

Secretary HARDIN. I think you can do that.

The CHAIRMAN. Surely. Do away with payments altogether.

Secretary HARDIN. But if you do it there are certain things that have to go with it, or it would not work.

The CHAIRMAN. I think it would be workable primarily with wheat and cotton. Now, when you come to corn I doubt that it would work so well, because corn, as I have heretofore said, has never been wedded to any of these programs. Corn has been a commodity that would never vote upon itself a limitation of acres. And yet it has had a support price as much as a dollar and a half a bushel without any such limitations. And it strikes me that we ought to give thought to making it certain that on allotted acres of cotton, let us say, the farmer will get a certain percentage of parity, and forget about the loans, because if a loan program is put into effect, sooner or later the Commodity Credit takes over. Why not let the Commodity Credit buy directly?

Let us give thought to that.

Secretary HARDIN. Well, it will mean that practically all the cotton will be handled by Commodity Credit.

The CHAIRMAN. Well, you could give options. It may be that some farmers would like to gamble a little bit on their cotton. Let them keep it if they desire, if they think they can get more than 65 percent of parity.

Senator TALMADGE. Mr. Chairman, one variation of that that the committee might want to consider at the present time in reference to cotton is a variation of the payment system used in sugar which would mean a high payment for so many bales, and a gradual reduction on payments, according to the bales produced. If we introduce a payment limitation on cotton, I think that is the best way to do it.

The CHAIRMAN. What I have in mind is that unless you can provide support for the price, what the farmer expects to obtain, at, say, 65 percent, that those farmers will have a lot of trouble getting financed. If it is left to guesswork as to what they will finally get, what Congress will finally vote, why I am sure it would cause a lot of trouble.

Senator TALMADGE. Of course, I think you do have to have some guarantee on what the farmer is going to get. But a guarantee against loans and payments amounts to the same thing. Of course, the big problem is letting it all flow into the CCC; it all goes into the hands of the Government. The Government has got to handle the warehousing of it, the sale of it, and giving it away, and it would not compete in world markets. Therein lies your problem.

The CHAIRMAN. I concede that. But it strikes me that we ought to work some way so that we can trade.

Senator MILLER. When you say you concede that, it need not be that way. The Commodity Credit Corporation could meet the world prices. How are we going to handle it? Are we going to handle it through allotment to the CCC and the export market, or are we going to handle it through an export subsidy, or in low loan prices which will compete in the market or make up for it by taxes to make more payments?

You can skin the cat in any one of those ways. But we have got to meet that export problem. And the thing is, I think, which is the most efficient way to do that.

Secretary HARDIN. Senator Miller, as you well know, if we should put Commodity Credit into the driver's seat and do the marketing both domestically and abroad, there would have to be what amounts to an export subsidy to move it abroad. We immediately run into a violation of the rules of the GATT and I think it complicates our situation on other farm exports.

We have attempted to accomplish the same thing here in a manner that does not run afoul of the GATT rules. As long as we make our payment on a domestic allotment and permit the domestic price to be tied to the world market price, we can continue our across-the-board effort in Government to develop an atmosphere of freer trade around the world. I believe ultimately that this will help us more than it will hurt us in our balance-of-payment problems. I think you can accomplish the same thing by payments and the somewhat lower export price which will permit the market to clear and keep the Commodity Credit out. I believe sincerely that we will have a stronger cotton and wheat economy in the years ahead if we do this.

Senator MILLER. Mr. Secretary, let me just quote from the GATT rule, because I am running into a lot of concern on the part of farmers on this point:

> Contracting farmers should seek to avoid the use of subsidies on the export of primary products—

Which of course includes agricultural products—

> if, however, a contracting party grants directly or indirectly any form of subsidy which operates to increase the export of any primary product from its territory, such subsidy shall not be applied in a manner which results in that contracting party having more than an equitable share of world export trade in that product.

Now, we can make an argument, I would think, of what is an equitable share for us. Quite obviously, since our export trade has gone down in recent years we can certainly go back up to what it was and probably have some play beyond that. So I run into people who say, why can't we operate within the GATT rule, because of the rather indefiniteness of the rule? And some farmers are concerned that if they do not have a fair price they are going to have a lot of trouble in their economy. And they cannot understand why they cannot have a fair price either in the market price, which I know you are ultimately aiming at, or in higher price exports. and make up for that through export subsidies which indeed meet the GATT rule.

Now, I must confess my ignorance on this point until just recently. I thought that export subsidies were pretty much taboo. I am now advised that they are not taboo at all, certainly not to restore the share of the market that we had before, and probably some price beyond that, because the word is an equitable share.

Secretary HARDIN. Could I ask Mr. Palmby to respond to this?

The CHAIRMAN. Sure.

Mr. PALMBY. Senator Miller, you are absolutely right, that subsidies of course are being used, probably more rather than less by exporting countries, particularly now that the European Community has become a major exporter of many items. However, in the last few years we have not used export subsidies generally on coarse grains. We do continue in some manner to subsidize the export of wheat. Through this one price system on cotton direct subsidies have not been used.

What the Secretary is saying is that this one price system on cotton—and if the same would be applied on wheat—is a more effective way to service the export market day by day, and over a period of time should give us a greater chance for growth in the export market.

Senator MILLER. In other words, it is the most efficient of those three ways I mentioned.

Mr. PALMBY. Yes.

And if I could go on just a bit more. It has proven to work quite well in the coarse grains, and, of course, on the one big oilseed that the Secretary described, because, by having the market free of the premiums and discounts, et cetera, private trade can best administer and come into play. If it comes through the Corporation as such, there is not that flexibility from day to day. I think history has proven to us that this is a much more cumbersome way to be a major factor in the export market.

Senator MILLER. May I carry this just a step further? I know the objective of the Secretary and the Department has been to move toward stronger markets, domestic markets. Now, if we do achieve that objective, those stronger domestic markets certainly are going to be higher than world markets in a good many cases.

The question is, if we do achieve that objective on our domestic prices, how can we compete in world markets without going to a subsidy?

This is perhaps the most difficult question I have on the whole follow-on program, because I want to see better market prices for our farm commodities in the domestic market, and at the same time I want to see our exports increase. And I cannot see how we are going to achieve those two objectives without some kind of an export subsidy.

Mr. PALMBY. I would like to make one more comment. The whole principle of the set-aside as it relates specifically to cotton and wheat—and to a lesser degree to corn and feed grains—is to gear the payment and the reward to the producer on that portion which is used domestically, so as to maintain income, and to give an open end muscle approach to the export market. That is the concept.

Now, carrying it a bit further, when you say that the domestic market price feels the pull of the export market, then at what point do we then no longer become competitive? I think our experience has been generally that it is not so much the increase in the price through the years, but the guarantee of holding an umbrella over many other countries that invites more competition.

This does not mean that the market cannot rise, but it is just a matter of holding this umbrella.

Senator MILLER. So your answer is really that you anticipate that the world price would be coming up, so that we will not have to worry about the subsidy as our own domestic price comes up?

Mr. PALMBY. Yes. And I would hasten to say that there undoubtedly will be times when I am sure we and the Congress will want to continue to utilize the subsidy authority, if that is necessary.

Senator MILLER. That is the necessary question. You do feel that you ought to have subsidy authority in here so that within the limitations of the GATT, if it was necessary to enable us to compete, as our domestic prices were improved, you could then put those subsidies into effect?

Mr. PALMBY. And the Secretary has ample authority under the Charter Act of Commodity Credit.

Senator MILLER. Thank you very much.

Senator CURTIS. On this subject of payment limitations, may I ask what is included in the limitations? Just the direct subsidies?

Secretary HARDIN. Just the direct payment as it is now written.

Senator CURTIS. In other words, the Commodity loans would not be included in that?

Secretary HARDIN. No.

Senator CURTIS. It seems to me, Mr. Chairman—and I cannot speak for the cotton, I just do not know at what level it would be disruptive or at what level other problems might arise—that politically this is as easy to sell as any other plan to the nonfarming public, because the point is, the restriction begins at 20,000. There is something to be said for tapering in order to make things equitable and workable.

And also it would eliminate some of the very large payments that generate publicity, and therefore add to the hardship of getting any legislation through the Congress for the benefit of agriculture.

The CHAIRMAN. Gentlemen, it is now 12:05. We have reached only page 14 of the Secretary's statement of 19 pages. The committee will stand in recess, if there is no objection until 2 o'clock.

(Whereupon, at 12:05 p.m. the committee recessed, to reconvene at 2 p.m. on the same day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will please come to order.

Mr. Secretary, you may proceed.

Secretary HARDIN. Mr. Chairman, I am on page 15 of my prepared statement.

If limitations were imposed, some large farms would be divided either by sale or lease, and operated as several units. We do not know how many farms would be affected in this way. Whatever the experience would be, savings and program impact would be affected proportionately. The more we study the problem the more convinced we become that payment limitations are not a very effective way of reducing program costs. They are a way of increasing public acceptability of the programs.

Now we come to Public Law 480.

The CHAIRMAN. Before you go into that, Mr. Secretary, what difference does it make if the acreage that is to be diverted comes from a large farm or a small farm, when the objective is to produce only a

sufficient amount of cotton or wheat or corn in order to meet our export and domestic needs?

Secretary HARDIN. In terms of total needs, it probably makes very little difference. You could get to a point where, if all of the large farms were staying out of the program and all adjustments were being made on the small farms, the acreages on the small farms could be reduced below the point of efficiency. That would be the only concern there, I think.

The CHAIRMAN. But the point I wanted to stress was that the costs would not vary much, except that it is necessary that acreage be reduced if we are to reach our goal of production in keeping with what you say is necessary for domestic and export needs.

Secretary HARDIN. It could have the effect, if too much adjustment was made on the small farms of taking a farm that was marginally efficient anyhow and pushing it below the line. I think this is something that should be watched.

The CHAIRMAN. Proceed.

PUBLIC LAW 480

Secretary HARDIN. We recommend extension of Public Law 480, which is scheduled to expire December 31 of this year, as part of the package. The act, we think, should be extended with only a few changes. These changes would remove the present prohibition against sales agreements with the Soviet Union and Communist China and make these countries subject to the same provision of the act as other countries if the President should deem it in the national interest to do so. And may I add, but retain the prohibition against the sales to countries which sell anything to North Vietnam.

Senator DOLE. That eliminates those two countries.

Secretary HARDIN. Yes, sir.

Senator DOLE. That is an improvement.

Mr. CURTIS. Could I ask a question?

The CHAIRMAN. Yes.

Senator CURTIS. You mean it eliminates Soviet Russia and Communist China?

Senator DOLE. It does now.

Secretary HARDIN. Surely.

The CHAIRMAN. I wonder if you could give us an idea as to under what conditions this authority would be used, and what would be the terms of the sales?

Secretary HARDIN. It probably would be used very sparingly if at all. It is of particular concern to two or three of the Eastern European countries where we have trade relations. I suspect the President feels that this would give him a little more elbow room in bargaining.

The CHAIRMAN. I have been advocating cash sales with Russia for quite some time. I do not see why we should not. In the past our erstwhile allies from the West have been buying from us and then converting that into usable commodities and selling it to the Russians. In other words, they have been more or less like our agents. And I do not see why we should not have sold directly to the Russians, since our allies have been doing so. And I think they have created a trade with the Soviet as well as all the countries of Eastern Europe amounting to

$4 billion or $5 billion while we were there with our mouths open doing nothing about it.

Secretary HARDIN. I think the key line is the last one. I put in, keeping the prohibition against the countries selling to North Vietnam.

Senator CURTIS. May I ask a question.

I remember the enactment of Public Law 480, and I have followed it over the years somewhat. Just concisely tell us how it is operating now. When you make a sale what happens?

Secretary HARDIN. Clarence, you may need to help me on this. Public Law 480 consists of four separate titles. First of all, total sales under title I, Public Law 480 amount to about a billion dollars a year. Increasingly, under directions from the Congress, the terms have become harder and harder. This year we are at—what are we, 60 percent or 80 percent?

Mr. PALMBY. About two-thirds.

Secretary HARDIN. About 60 percent?

Mr. PALMBY. Yes.

Secretary HARDIN. About 60 percent of sales is in hard currency and about 40 percent is in soft currency.

Mr. PALMBY. That is right.

Secretary HARDIN. Next year hard currency sales are scheduled to go up to 80 percent against 20 percent in soft currency sales.

Mr. PALMBY. That is right. After this year we expect that all that will be left will be local currency sales to Vietnam.

Senator YOUNG. There is also a section where we give away food for famine relief.

Secretary HARDIN. That is right.

The CHAIRMAN. That is under title I you are speaking of now?

Secretary HARDIN. No, sir; famine relief is an aid program under title II. Title I is where the curbs are stiffening.

The CHAIRMAN. Those are sales of hard currency on time, are they not, 20 years?

Secretary HARDIN. Yes.

The CHAIRMAN. What is the rate of interest?

Mr. PALMBY. A minimum of 2 percent during the grace period and 3 percent thereafter.

The CHAIRMAN. You might as well give it to them. That is what I have been saying all along, that they do not amount to a cash sale in my book. So when you say a cash sale I think it is a misnomer, because it is payable in 20 years at 2 percent interest.

Senator CURTIS. What advantage if any does a foreign country have buying under Public Law 480 if they use hard currency and pay for it? Do they get a better deal?

Secretary HARDIN. Yes; the low-interest loan.

Senator CURTIS. The low-interest loan?

Secretary HARDIN. Yes.

The CHAIRMAN. And they repay that in 20 years.

Senator CURTIS. Do they get any advantages in delivery cost?

Secretary HARDIN. No.

Senator CURTIS. What is the net cost of our Public Law 480 program?

Mr. PALMBY. Might I comment on that?

Our annual expenditures are about a billion dollars a year. These funds are used in sales programs all the way from nearly hard terms

down to the long term credit or local currency. As indicated, a higher and higher percentage of sales are moving away from the local currency into harder terms.

Senator CURTIS. The net loss under the program is not a billion dollars?

Mr. PALMBY. No; not on an annual basis.

Senator CURTIS. Do you have any idea what it is?

Mr. PALMBY. You really have to take each category by itself. In the early years of the program we figured a 15- or 20-percent recovery. In my judgment we are up to a recovery of about 50 percent. Recovery is very slow, and assumes collection of long term dollar and convertible currency obligations.

That is a judgment figure, as compared to an outright dollar sale on the barrelhead.

Senator CURTIS. About how much do we give away?

Mr. PALMBY. $360 million in our present budget. And that has been running $360 or $365 annually, consistently.

Senator CURTIS. What are the guidelines? Who qualifies it?

Mr. PALMBY. It is a joint determination by Government, the Department of State and AID being much more a determining factor than Agriculture. There are many projects in many countries. One that comes to mind immediately is the Nigeria or Biafra problem. There are projects in countries like that around the world. I would like to supply you a list of the countries and the recipients of last year.

(The information is as follows:)

TABLE 23 Title II, Public Law 480, Recipients by category, fiscal year 1969

	Total	Food for Development			Food for Work	Emergency Assistance		Welfare
		Maternal Child Feeding	School Feeding	Other Child Feeding		Refug.	Disaster	General Relief
AFRICA - Total	11,913,846	1,229,934	1,681,277	160,890	3,602,541	33,500	4,493,315	712,389
Algeria								
Volag	877,180	164,000	9,600	63,500	6,000		222,680	411,400
Bostwana								
WFP	266,600	107,000	72,000		87,600			
Burundi								
Volag	1,600	1,600						
WFP	15,600		13,200		2,400			
Total	17,200	1,600	13,200		2,400			
Cameroon								
Volag	22,400	10,500	10,000	1,000	600			300
Central Africa Rep.								
Volag	1,300	1,300						
WFP	23,760	6,000			1,260	16,500		
Total	25,060	7,300			1,260	16,500		
Chad								
WFP	101,950	100,950			1,000			
Congo								
WFP	3,700				3,700			
Dahomey								
WFP	28,800				28,800			
Equatorial Guinea								
WFP	42,135						42,135	
Ethiopia								
Volag	26,500	26,500						
Gambia								
Volag	73,700	10,000	11,200	3,000	47,500			2,000
WFP	180,000						180,000	
Total	253,700	10,000	11,200	3,000	47,500		180,000	2,000

Volag - American Voluntary Agencies, UNICEF and UNRWA unless otherwise noted.
WFP - World Food Program

TABLE 23 itle II, Public Law 480, Recipients by category, fiscal year 1969

		Food for Development				Emergency Assistance		Welfare
	Total	Maternal Child Feeding	School Feeding	Other Child Feeding	Food for Work	Refug.	Disaster	General Relief
Gabon								
Volag	1,000	1,000						
WFP	2,880		2,880					
Total	3,880	1,000	2,880					
Ghana								
Volag	181,200	25,515	94,830	28,655	10,000			22,200
WFP	24,600				24,600			
Total	205,800	25,515	94,830	28,655	34,600			22,200
Ivory Coast								
WFP	16,500		15,000			1,500		
Kenya								
Volag	87,550	53,600	30,800					3,150
Lesotho								
Volag	76,650	25,300		4,100	47,250			
WFP	287,260	167,000			120,260			
Total	363,910	192,300		4,100	167,510			
Liberia								
Volag	52,250	6,000	45,000	500	750			
WFP	11,000		3,200		7,800			
Total	63,250	6,000	48,200	500	8,550			
Malagasy Rep.								
Volag	58,750	1,500	53,000		4,250			
WFP	12,750				12,750			
Total	71,500	1,500	53,000		17,000			
Malawi								
Volag	9,190	6,600	600	290	1,200			500
WFP	5,100				5,100			
Total	14,290	6,600	600	290	6,300			500
Mali								
Gov't to Gov't	660,000						660,000	
WFP	20,900				20,900			
Total	680,900				20,900		660,000	
Mauritius								
WFP	124,000		124,000					

TABLE 23 Title II, Public Law 480, Recipients by category, fiscal year 1969

	Total	Food for Development				Emergency Assistance		Welfare
		Maternal Child Feeding	School Feeding	Other Child Feeding	Food for Work	Refug.	Disaster	General Relief
Morocco								
Volag	845,300	62,100	178,300	29,300	361,200			214,400
Gov't to Gov't	550,000				550,000			
WFP	112,000		30,000		82,000			
Total	1,507,300	62,100	208,300	29,300	993,200			214,400
Niger								
Gov't to Gov't	230,000	10,000	10,000	10,000			200,000	
Nigeria								
Volag	3,075,000	75,000					3,000,000[a]	
Rwanda								
Volag	59,200	26,000	10,000	1,450	19,050			2,700
Senegal								
Volag	1,241,686	17,885	40,300	9,770	1,137,851	3,500		32,380
WFP	65,000				65,000			
Total	1,306,686	17,885	40,300	9,770	1,202,851	3,500		32,380
Seychelles								
Volag	6,655	2,500	4,055	100				
Sierra Leone								
Volag	168,000	21,000	126,000		18,000			3,000
WFP	1,600				1,600			
Total	169,600	21,000	126,000		19,600			3,000
Somalia								
WFP	32,400				2,400		30,000	
St. Helena								
Volag	1,429	629	800					
Sudan								
Volag	7,000	7,000						
Swaziland								
WFP	58,500						58,500	
Tanzania								
Volag	337,455	72,455	250,000	5,000				10,000
WFP	24,600				24,600			
Total	362,055	72,455	250,000	5,000	24,600			10,000

a/ Estimate of recipients in Emergency Feeding Program

TABLE 23 · Title II, Public Law 480, Recipients by category, fiscal year 1969

		Total	Food for Development			Food for Work	Emergency Assistance		Welfare
			Maternal Child Feeding	School Feeding	Other Child Feeding		Refug.	Disaster	General Relief
Togo									
Volag		48,200	5,000	21,200	2,000	17,000			3,000
WFP		8,775		3,200		5,575			
	Total	56,975	5,000	24,400	2,000	22,575			3,000
Tunisia									
Volag		447,446	21,000	417,112	1,975				7,359
Gov't to Gov't		645,000	170,000			475,000			
WFP		468,860				368,860		100,000	
	Total	1,561,306	191,000	417,112	1,975	843,860		100,000	7,359
Uganda									
WFP		12,000					12,000		
Upper Volta									
Volag		142,250	25,000	105,000	250	12,000			
WFP		21,220				21,220			
	Total	163,470	25,000	105,000	250	33,220			
Zambia									
WFP		7,465				7,465			
EUROPE - Total		1,097,200	60,700	192,950	537,280				306,270
Malta									
Volag		47,700		150	1,980				45,570
Poland									
Volag		1,049,500	60,700	192,800	535,300				260,700
NEAR EAST-SOUTH ASIA -	Total	25,380,778	3,752,509	16,419,966	426,685	2,015,509	1,575,850	867,500	322,759
Afghanistan									
Volag		45,061	42,972	1,445	644				
WFP		73,000		41,500		31,500			
	Total	118,061	42,972	42,945	644	31,500			
Ceylon									
Volag		2,110,000	90,000	2,000,000	11,000				9,000
WFP		91,000				91,000			
		2,201,000	90,000	2,000,000	11,000	91,000			9,000

TABLE 23 Title II, Public Law 480, Recipients by category, fiscal year 1969

	Total	Food for Development				Emergency Assistance		Welfare
		Maternal Child Feeding	School Feeding	Other Child Feeding	Food for Work	Refug.	Disaster	General Relief
Cyprus								
WFP	20,000				20,000			
Gaza								
Volag	273,690	13,840	39,000	2,500	50,000	122,650		45,700
India								
Volag	17,184,000	3,398,000	11,885,000	352,000	1,425,000			124,000
Gov't to Gov't	317,500						317,500 b/	
WFP	69,450				69,450			
Total	17,570,950	3,398,000	11,885,000	352,000	1,494,450		317,500	124,000
Iraq								
Volag	30,000	30,000						
Israel								
Volag	38,019	1,452	31,478					5,089
Jordan								
Volag	199,850	10,000	15,750	6,500	7,200	134,550		25,850
Gov't to Gov't	200,000					200,000		
WFP	61,545				61,545			
Total	461,395	10,000	15,750	6,500	68,745	334,550		25,850
Jordan W. Bank								
Volag	203,944	7,365	5,793	5,366	21,850	83,850		79,720
Lebanon								
Volag	50,530					50,530		
WFP	19,100				19,100			
Total	69,630				19,100	50,530		
Nepal								
WFP	2,000				2,000			
Pakistan								
Volag	163,170	107,170	56,000					
Gov't to Gov't	320,000						320,000	
Total	483,170	107,170	56,000				320,000	
S.Yemen								
Volag	6,500	4,500			2,000			
Syria								
Volag	84,020					84,020		

TABLE 23 Title II, Public Law 480, Recipients by category, fiscal year 1969

	Total	Food for Development			Food for Work	Emergency Assistance		Welfare
		Maternal Child Feeding	School Feeding	Other Child Feeding		Refug.	Disaster	General Relief
Turkey								
Volag	2,367,935	45,610	2,240,000	48,675		250		33,400
WFP	548,864		104,000		214,864		230,000	
Total	2,916,799	45,610	2,344,000	48,675	214,864	250	230,000	33,400
UNRWA								
Gov't to Gov't	900,000					900,000		
Yemen								
Volag	1,600	1,600						
FAR EAST - Total	15,904,026	804,267	4,991,454	202,347	4,607,544	1,319,000	3,000,000	979,414
British Solomon Islands								
Volag	5,500	1,000	4,500					
Burma								
Volag	120,000	61,000	59,000					
Cambodia								
Volag	1,950	1,950						
Fiji								
Volag	1,200	1,200						
Hong Kong								
Volag	197,667	29,536	76,156	53,240		5,500		33,235
Indonesia								
Volag	802,500	60,000	500,000	83,500	77,000	35,000		47,000
Gov't to Gov't	543,780				543,780			
Total	1,346,280	60,000	500,000	83,500	620,780	35,000		47,000
Korea								
Volag	240,042	12,000	37,600	22,000	51,000			117,442
Gov't to Gov't	7,928,044		1,860,000		3,068,044		3,000,000	
WFP	188,380				188,380			
Total	8,356,466	12,000	1,897,600	22,000	3,307,424		3,000,000	117,442

TABLE 23 Title II, Public Law 480, Recipients by category, fiscal year 1969

	Total	Food for Development			Food for Work	Emergency Assistance		Welfare
		Maternal Child Feeding	School Feeding	Other Child Feeding		Refug.	Disaster	General Relief
Laos								
Volag	28,142	16,000	5,642	1,500				5,000
Gov't to Gov't	110,000					110,000		
Total	138,142	16,000	5,642	1,500		110,000		5,000
Macau								
Volag	26,703	2,272	18,083	3,150				3,198
Malaysia								
Volag	219,890	34,875	174,875	1,220	5,100			3,820
Gov't to Gov't	83,465				83,465			
WFP	151,500				151,500			
Total	454,855	34,875	174,875	1,220	240,065			3,820
Philippines								
Volag	1,494,741	460,250	929,100	17,075	81,250			7,066
WFP	100,275				100,275			
Total	1,595,016	460,250	929,100	17,075	181,525			7,066
Ryukyus Islands								
Volag	328,618	9,233	245,898	5,984	750			66,753
Singapore								
Volag	23,429	12,351	6,400	4,678				
Thailand								
Volag	271,600	62,600	199,000	10,000				
Vietnam								
Volag/Gov't to Gov't & Unicef	3,036,600	40,000	875,200		257,000	1,168,500		695,900
LATIN AMERICA -Total	19,508,287	3,315,277	12,284,331	481,558	2,658,398	25,050	427,220	316,453
Antigua								
Volag	9,500	2,000	7,500					
Barbados								
WFP	7,000		7,000					
Bolivia								
Volag	259,750	34,000	200,000	7,000	10,750			8,000
Gov't to Gov't	60,865				60,865			
WFP	61,600				61,600			
Total	382,215	34,000	200,000	7,000	133,215			8,000

TABLE 23 Title II, Public Law 480, Recipients by category, fiscal year 1969

	Total	Food for Development				Emergency Assistance		Welfare
		Maternal Child Feeding	School Feeding	Other Child Feeding	Food for Work	Refug.	Disaster	General Relief
Brazil								
Volag	1,070,074	96,140	46,456	92,107	771,926			63,445
Gov't to Gov't	6,663,720	630,000	5,520,000		513,720			
WFP	125,000		125,000					
Total	7,858,794	726,140	5,691,456	92,107	1,285,646			63,445
British Honduras								
Volag	28,525	3,000	25,000	185				340
Chile								
Volag	1,558,165	500	1,312,164	116,853	81,000			47,648
Gov't to Gov't	483,846	418,902			44,244		20,700	
WFP	172,180				142,180		30,000	
Total	2,214,191	419,402	1,312,164	116,853	267,424		50,700	47,648
Colombia								
Volag	1,829,311	251,039	1,278,268	134,721	98,250			67,033
WFP	1,059,026	941,226			117,800			
Total	2,888,337	1,192,265	1,278,268	134,721	216,050			67,033
Costa Rica								
Volag	365,000	11,000	306,000	3,000	40,000			5,000
WFP	6,000				6,000			
Total	371,000	11,000	306,000	3,000	46,000			5,000
Dominica								
Volag	17,260	13,500	505	255	3,000			
Dominican Republic								
Volag	921,200	214,200	525,000	10,200	156,000			15,800
WFP	240,000						240,000	
Gov't to Gov't	18,640				18,640			
Total	1,179,840	214,200	525,000	10,200	174,640		240,000	15,800
Ecuador								
Volag	669,500	70,000	500,000	30,000	44,000			25,500
WFP	67,775				67,775			
Total	737,275	70,000	500,000	30,000	111,775			25,500
El Salvador								
Volag	363,000	90,000	200,000	8,000	60,000			5,000
WFP	25,000					25,000		
Gov't to Gov't	10,525	925			9,600			
Total	398,525	90,925	200,000	8,000	69,600	25,000		5,000
Grenada								
Volag	15,800	6,140	6,500	860	1,000			1,300

TABLE 23 Title II, Public Law 480, Recipients by category, fiscal year 1969.

	Total	Food for Development			Food for Work	Emergency Assistance		Welfare
		Maternal Child Feeding	School Feeding	Other Child Feeding		Refug.	Disaster	General Relief
Guatemala								
Volag	643,485	185,000	408,000	20,800	17,500			12,185
Guyana								
Gov't to Gov't	60,000				60,000			
WFP	1,000				1,000			
Total	61,000				61,000			
Haiti								
Volag	186,645	12,170	127,200	3,000	26,175		200	17,900
WFP	12,500				12,500			
Total	199,145	12,170	127,200	3,000	38,675		200	17,900
Honduras								
Volag	291,900	51,000	220,000	2,800	16,000			2,100
Jamaica								
Volag	27,685	22,500		1,675	2,400	50		1,060
Gov't to Gov't	220,403	100,000	120,403					
WFP	18,578				18,578			
Total	266,666	122,500	120,403	1,675	20,978	50		1,060
Montserrat								
Volag	3,250	1,250	2,000					
Nicaragua								
Volag	132,000	30,000	92,000	3,500	1,500			5,000
Panama								
Volag	225,470	25,372	166,900	6,295	11,780			15,123
Paraguay								
Volag	262,570	40,000	161,750	5,700	49,000		3,120	3,000
WFP	6,200				6,200			
Total	268,770	40,000	161,750	5,700	55,200		3,120	3,000
Peru								
Volag	197,780	34,413	72,685	22,607	64,835			3,240
Gov't to Gov't	908,555		750,000		29,955		128,600	
WFP	3,825				3,825			
Total	1,110,160	34,413	822,685	22,607	98,615		128,600	3,240
St. Kitts								
Volag	11,000	5,000	6,000					

TABLE 23 Title II, Public Law 480, Recipients by category, fiscal year 1969

	Total	Food for Development			Food for Work	Emergency Assistance		Welfare
		Maternal Child Feeding	School Feeding	Other Child Feeding		Refug.	Disaster	General Relief
St. Lucia								
Volag	10,000	7,000	3,000					
St. Vincent								
Volag	7,000	3,000	4,000					
Surinam								
WFP	6,200				1,600		4,600	
Trinidad & Tobago								
WFP	1,200				1,200			
Turks & Caicos								
Volag	1,500	500	1,000					
Uruguay								
Volag	161,279	15,500	90,000	12,000	26,000			17,779
Grand Total	73,804,137	9,162,687	35,569,978	1,808,760	12,883,992	2,953,400	8,788,035	2,637,285
Volag	44,733,041	6,470,684	25,893,395	1,798,760	4,882,917	519,900	3,226,000	1,941,385
Gov't to Gov't	23,950,943	1,369,827	9,135,603	10,000	5,714,313	2,378,500	4,646,800	695,900
WFP	5,120,153	1,322,176	540,980		2,286,762	55,000	915,235	

Senator CURTIS. Has this ever been merged with our economic foreign aid programs?

Mr. PALMBY. Yes. Because, as I pointed out, State and AID sit in on these interagency staff groups.

Senator JORDAN. Is any of that in cash?

Mr. PALMBY. Not under our title II appropriation, except for the provision relating to ocean transportation costs.

Senator JORDAN. This is above the soft currency that we take?

Mr. PALMBY. This is above the sales authority that we have under the other title, that is correct.

Senator JORDAN. This is title I?

Mr. PALMBY. Title I; yes.

Senator CURTIS. Suppose you make a sale in a given country for soft currency. Is the currency transported back here until we can spend it some time, or is it left there for spending there?

Mr. PALMBY. It is left there, or agreed to on certain projects.

Senator CURTIS. And are we limited in what we can use it for?

Mr. PALMBY. Yes.

Senator CURTIS. Usually by agreement, or by law?

Mr. PALMBY. It is always by agreement. This is a country to country agreement. It is a signed agreement by the two parties to the agreement. The terms and the conditions under which the currency will be used are spelled out in each agreement.

Senator CURTIS. I think that while the program has problems, it does eliminate from our marketplace a considerable amount of commodities; does it not?

Mr. PALMBY. During the life of the program there has been between $18 and $19 billion worth of agricultural commodities moved, since 1954.

Senator CURTIS. Do you think that has any beneficial effect upon the price structure here?

Mr. PALMBY. Certainly it has.

Senator CURTIS. And, of course, it does fit in with the expressed sentiments of a great many Americans of making our surpluses available to the world. I do not know whether there are any changes or anything that we could do to make it more effective. But viewed in the light of its beneficial effect upon our local markets, domestic markets, plus fulfilling the desire of the American people to make food available to feed countries that do not have any money, or not very much money, it certainly has a place.

The CHAIRMAN. There is no doubt but that the Public Law 480 program has done a lot of good in draining surpluses off the market. My criticism a while ago was aimed at the statement of the Secretary, who said that some of these sales were for hard currency. But it is not cash. You are paid as soon as delivery is made.

Senator CURTIS. You are talking about this because the interest is too low?

The CHAIRMAN. Low, and then there are 20 years to pay. That is what I am saying. It ought to be put in a different category than cash sales.

Secretary HARDIN. Mr. Chairman, starting 3 years ago, we began to step up 20 percent a year the requirement that there be a loan executed for repayment in dollars on this 20-year basis. We are in the third

year of that, and on schedule. So you are quite right. I think you would agree it is harder terms, but I should not have said hard.

The CHAIRMAN. We tried to put harder terms in, but the administration would not go along with us, that is, the past administration.

Secretary HARDIN. May I say this, in the operation of title I, we are attempting to operate so that we are building term markets. I think it indeed is helping us in this direction.

So there is an additional plus here that is important, because these countries as they mature economically become potential cash customers.

The CHAIRMAN. Have you any suggestions to make as to any changes?

Secretary HARDIN. No, no additional ones.

The CHAIRMAN. Are you satisfied with the law as it is now written?

Secretary HARDIN. Yes.

The CHAIRMAN. And all you want is just an extension of it?

Secretary HARDIN. Yes, sir.

The CHAIRMAN. Nothing now at all?

Senator CURTIS. Mr. Chairman, isn't it true that you sometimes meet with resistance selling wheat, for instance, to some country that, say, has been buying it from Canada? We offer the credit arrangement, and Canada objects and sometimes prevails, is that right?

Mr. PALMBY. I think generally as far as the acceptability of Public Law 480 with competing countries is concerned we have come a long way since a year ago. And it probably has contributed to some of our competitors offering more sales of wheat specifically on some credit terms that generally are at the rate of commercial credit, but sometimes with concessional rate of interest. But I think as far as our Public Law 480 sales are concerned, we do have a system by which we keep our competitors informed. And I think it is fairly well accepted.

Senator YOUNG. I think this is by far the best foreign aid program we have. I remember the late President Hoover following World War II recommended a foreign aid program of just giving our surplus food alone to other countries. Probably it would have made more sense right at the start.

This act has an unusual history. It was sponsored by the former Secretary of Agriculture, Benson, and the Farm Bureau. And they were largely responsible for its enactment. But neither one of them now seems to want to claim much credit for it now. It is a great program. The main sponsor here in the Senate was Senator Schoeppel of Kansas. Several of us were cosponsors. It is unusual that a big program like this has been known by a law number rather than by the name of the sponsor of the program itself.

The CHAIRMAN. Mr. Secretary, when you say that you would want to sell to Russia and China you do not mean on a long-term basis, 2 percent, do you?

Secretary HARDIN. I do not think so really.

The CHAIRMAN. I did not think you meant that.

Secretary HARDIN. But particularly to make the Eastern European countries eligible in the event certain things happen in the future, it would give the President some flexibility here.

The CHAIRMAN. So you could sell out of your regular stocks if you desired to even to China, if it is to the benefit of our country to do so?

Secretary HARDIN. There is a limitation on those countries that do business with Vietnam.

The CHAIRMAN. I understand that. But under CCC credit sales I do not know of any inhibition, if it is to the best interest of our country, if the President makes that determination. You say here in your paragraph on the Public Law 480 that restrictions ought to be removed and we ought to sell to China and Russia. You mean on a regular CCC credit sales and not Public Law 480; is that right?

Mr. PALMBY. Mr. Chairman, we presently have granted limited lines of credit to some of the East European countries under the CCC credit program, but not under Public Law 480. This reference in the proposal has to do specifically with Public Law 480.

The CHAIRMAN. Surely you would not want to sell to Russia or to China——

Secretary HARDIN. We could not under the present arrangement.

The CHAIRMAN (continuing). If we give you the authority you would not want to sell it on a 20-year loan with a 2-percent interest repayment, would you?

Secretary HARDIN. Certainly not at this time.

The CHAIRMAN. I guess not. I would surely object to that, because I want all the trade we can obtain. I think we ought to trade with Russia in particular, and the countries of East Europe.

Senator MILLER. But on a commercial basis.

The CHAIRMAN. But on a commercial basis. Yes, I have been advocating that for 10 or 15 years.

Let me ask this question. You are not suggesting that we amend the Public Law 480 law so that you can sell to China and to Russia under the same terms as you would sell to——

Secretary HARDIN. No. Really what we have in mind is trading with Eastern European countries in the event that they should quit selling to North Vietnam, and then certain other things would happen.

Senator MILLER. Could I ask a question?

The CHAIRMAN. Senator Miller.

Senator MILLER. Mr. Secretary—and perhaps Secretary Palmby can help out on this—when you said, Secretary Palmby, that we gave away $360 million worth last year, what did that consist of mainly, the $360 million related to giveaways of what?

Mr. PALMBY. The largest single item as I recall is wheat and flour. This is by far the largest. There is a fair volume as I recall of nonfat dry milk. There is also a fair volume of this fabricated food item, C.S. & M. corn meal, soybean, and nonfat dry milk.

Senator MILLER. Could you furnish for the record a breakdown of that?

Mr. PALMBY. Certainly.

(The information is as follows:)

Commodity or item—Public Law 480—Title II	
Feed grains:	
Corn (and products)	$15,938,632
Grain sorghum	2,783,120
Barley	[1] 194
Oats (and products)	4,357,510
Rye (and products)	----------
Total feed grains	23,079,068
Wheat (and products)	132,114,052
Rice	1,693,081
Tobacco	----------
Cotton, extra long staple	88,213
Cotton, upland	----------
Dairy products:	
Butter (and products)	29,084,237
Cheese	62,737
Milk	78,483,978
Total dairy products	107,630,952
Oils and oil seeds:	
Soybeans (and products)	6,262
Peanuts (and products)	----------
Cottonseed (and products)	60,041
Flaxseed and linseed oil	----------
Tung oil	----------
Castor beans (and products)	----------
Total oils and oilseeds	66,303
Beans, dry edible	695,788
Wool	----------
Honey	----------
Naval stores: Rosin	----------
Commodities not separately identified:	
Blended food products	33,282,899
Grains and seeds	----------
Vegetable oil products	25,245,207
Mixed feeds	----------
Seeds and plants	----------
Meat (and products)	----------
Strategic and other materials	----------
Offshore procurement premiums	----------
Ocean transportation on commodities donated through voluntary Agencies	39,117,085
Total commodity operations	363,012,648
Storage facilities	----------
Research expenses	----------
Accounts and notes receivable	----------
Purchases of foreign currencies for use in self-help activities	1,192,650
Interest:	
Expense	----------
Income	----------
Net	----------
Operating expenses (net)	----------
Direct payments:	
Cotton	----------
Feed grains	----------
Wheat	----------
Total	----------
Total other costs and losses	1,192,650
Recoveries of costs	----------
Grand total	364,205,298

[1] Denotes negative item which results from adjustment of prior activity.

Senator MILLER. The second question is, how do you determine the cost portion of these various elements that go into that $360 million? Is that based upon the market value of wheat or wheat flour, or this bulgar, or is it the cost to the Federal Government?

Mr. PALMBY. It is the cost to the Federal Government. You understand that a good share of this is bought on tenders, or on bids.

Senator MILLER. Where it is not bought on bids, would it be Commodity Credit Corporation stocks?

Mr. PALMBY. It is the cost to the Government. But I am not sure of that.

Senator MILLER. I am interested in how the cost is computed. For example, let us say some corn is given away. What costs to the Government would be taken into account? Would that be the cost to the Commodity Credit Corporation if it acquired the corn, or would it be the cost of that plus the allocable portion of the cost of the particular farm program for retiring acres, or how is that cost figured out?

Mr. PALMBY. My response is, Senator, most of this comes from the free market. That which comes from Commodity Credit I will supply for the record.

Senator MILLER. That will be fine.

(The information is as follows:)

Corn that comes from Commodity Credit Corporation is priced at the average inventory cost as shown in the cost records for the latest crop year, plus transportation, handling and administrative costs of acquisition.

Senator MILLER. On these concessional sales, those sale prices, are those at a cost to the Federal Government?

Mr. PALMBY. Yes.

Senator MILLER. In other words, if in the open market we bought corn for a dollar would we sell it for a dollar?

Mr. PALMBY. Now, you are talking about the local currency sale or the long-term credit sale?

Senator MILLER. That is right.

Mr. PALMBY. This operates in the manner that an agreement is first negotiated with the country. The recipient country is issued a purchase authorization by the Department of Agriculture and it is free to go in the market and buy. So they buy at competitive prices. This does not go through Commodity Credit Corporation.

Senator MILLER. Only the giveaway goes through the CCC?

Mr. PALMBY. Yes, and very limited amounts. The flour is, for instance, purchased, and this is bought on a bid basis.

Senator MILLER. Thank you very much.

Senator DOLE. Mr. Chairman.

The CHAIRMAN. Senator Dole.

Senator DOLE. What is the budget request for fiscal 1971 for Public Law 480?

Mr. PALMBY. It is about a billion. I do not have that exact figure here.

Senator DOLE. Is it as much as it was in 1970?

Mr. PALMBY. It is about at the same level. In fact, 1970 and 1971 are almost identical, and about the same level. It is in the billion-dollar area.

Senator Dole. The reason I asked is, as I recall, the budget request was $894 million in 1970, and it was reduced by $112 million for 1971. I am just wondering what that reduction will do to the program, and whether you envision that this is a correct figure.

Mr. Palmby. Senator, I would like to supply that figure. I believe the $894 was the actual value of shipments that went out in the last fiscal year. Because of the dock strike we did not get up to the limitation last fiscal year. The volume of commodities actually being lifted now, will be greater than in the last fiscal year. The request, for fiscal year 1971 is about identical as the volume being shipped this year.

Now, it means that the mix, which of course we had to compile based on guidelines from the Bureau of the Budget—and understand, this is 18 months ahead of time—shows that we are down in some commodities.

(The information is as follows:)

PUBLIC LAW 480 BUDGET FIGURES FOR FISCAL YEARS 1969, 1970, and 1971

Item	1969	Available 1970	Budget estimate 1971
Food for Peace (Public Law 480):			
Sales for foreign currencies and for dollars on credit terms (title I)	$868,409,110	$894,508,017	$782,200,000
Commodities supplied in connection with dispositions abroad (title II)	364,205,298	357,112,216	351,030,000
Total program level	1,232,614,408	1,251,620,233	1,133,230,000
Costs financed from receipts and prior year balances (net)	−932,614,408	−331,620,233	−200,730,000
Total appropriation	300,000,000	920,000,000	932,500,000

The Secretary has figures here to show that the total is $1.133 billion in the budget for 1971. And the estimated movement in 1970—this includes the title II—will be $1.251 billion. That was in addition to your $894 million; in other words, $894 million plus $357 million.

Senator Dole. The Bureau of the Budget looks at the initial budgetary outlays, and maybe not enough at the net cost. When you look at all the benefits from the Public Law 480 program it probably does not really cost the Government very much money, if they would consider the total benefits, including benefits to American farmers. So, I have been, along with a lot of others, encouraging the Budget Bureau to see if it does generate more income, increase employment, and reduce CCC acquisitions, and things of this kind—trying to look at it from a more realistic net cost standpoint. Public Law 480 does have great support in the Congress, and it is bipartisan.

The foreign aid bill used to pass the House by five votes, and they would get very few against the Public Law 480, maybe 35 or 40, but generally speaking a very small number.

The last time it was extended in 1967. As one member of the committee, I hope we are not trying to cut down the program. I hope we can expand it properly, with a view in mind, of course, as the Secretary said, of finding dollar markets eventually.

There are some who say that the program has worked too well. Some of our concessional sales customers are now raising their own commodities. And that is a problem.

But with reference to China and Russia——

Senator Young. I would first like to concur with your statement.

Senator DOLE. We would like to talk to the Budget Bureau some day on Public Law 480 and take a look at some of the benefits. I think that would be all right with you.

Mr. PALMBY. May I make a comment about the Budget Bureau, because I would not want you to misunderstand that we do not have some leeway, and that the Budget Bureau looks at this quite realistically. I will give you two cases in point during this present fiscal year where we actually have negotiated two agreements, one with Turkey—and I hope the Korean one is finally concluded—where we have demonstrated to the other departments of Government, the Bureau of the Budget, the Treasury Department, State and AID, that by entering into an agreement with these two countries and securing a very good currency use—we need the currency in these two countries anyway—that we have been able to demonstrate that the savings are greater by entering into a Public Law 480 agreement than by not having the agreement. Consequently, this is the way to build on top of the budgetary authority in Public Law 480, because it does then reduce the cost to the Commodity Credit Corporation, which also operates under a ceiling.

So there is leeway within this budgetary authority, and I repeat, for securing the proper currency use in the countries.

Senator DOLE. There is no effort to compete with the marketing developing programs, which I also feel are important.

Secretary HARDIN. Except that we are asking for more support for them in this next fiscal year.

Senator DOLE. In an effort to support market development efforts, you are asking for more money?

Secretary HARDIN. Yes.

Senator DOLE. That is an improvement in my opinion.

And then with reference to the amendment that would permit sales to Communist China and Russia, as I understand the act, of course, concessional sales can only be made to "friendly countries." So what you are doing in effect is somehow changing the definition of "friendly countries," which would permit sales for their currencies under certain conditions. Maybe you indicated it would not happen.

Secretary HARDIN. And at the discretion of the President, and then still using the Vietnam prohibition.

Senator DOLE. There is no prohibition as far as I know against dollar sales to any country. We have already been through that with Russia on the sale of wheat. We got into trouble on the vessel bottoms in which it was shipped.

I have particular interest in section 406, commonly known as the farmer-to-farmer program. It has never been implemented. It happened to be an amendment I offered on the House side. We were authorized $33 million to start the program. Maybe it does not have the priority needed in today's market, but it did appear at the time that we did some work on this with land grant colleges—we had a witness at that time who said, we were sending too many people with Ph. D.'s into areas and we ought to send some people with practical experience. So some of us worked on this farmer-to-farmer approach where you send an honest-to-goodness farmer into a country and let him demonstrate his skills, maybe not the classroom skills, but the practical skills on crops production. Does that program have any future prospects?

Secretary HARDIN. I will ask Mr. Palmby for help to answer.

Mr. PALMBY. Senator Dole, the nearest approach, I think, to the authority that you are talking about on Public Law 480 is the continuation of the AID program. The small agency in the department which reports, has responsibility in this area is the Foreign Economic Development Service, which is financed completely by AID.

Senator DOLE. But this other program is available. It is not a top prority program, but it does appeal not only to a lot of farmers, but it makes sense to some of us who represent rural areas. I cannot remember the exact quote of that witness, but it was very effective, that many times the people who really know the problems are not the ones who are sent there to help in our skilled assistance programs. So I hope you take a look at it.

Secretary HARDIN. We will take a look at it, Senator Dole. The only money that we are using as part of the technical assistance is that made available through the AID appropriation.

Mr. PALMBY. This authority would continue if the act is extended. But the Department has never to our knowledge requested any funds to implement this section.

Senator DOLE. I understand that.

Senator MILLER. Could I ask Secretary Palmby, you gave us $1.1332 billion for fiscal 1971, did you not?

Mr. PALMBY. Yes.

Senator MILLER. And how much for 1970?

Mr. PALMBY. $1,252 million.

Senator MILLER. Do you have 1968?

Mr. PALMBY. $1,233 million.

Senator MILLER. In other words, for the last 3 years, then, it has remained at about the same level?

Mr. PALMBY. Yes.

Senator MILLER. One thing I am concerned about, and it ties in with Senator Dole's question, is, where do we go on Public Law 480 when Pakistan apparently does not have any requirements under Public Law 480, or very little—in fact, as I understand it they do not have any—and India is tapering down, so that by 1972 India may be self-sufficient, and then will not require any noticeable Public Law 480—where does that program go from there?

Secretary HARDIN. I think we will have to tell the story on what happened at the last negotiations with Pakistan. They were in about April a year ago. And they indicated with great pride that they would not need any wheat this year, since their production was up.

Senator MILLER. You mean for fiscal 1970?

Secretary HARDIN. Yes.

They were back 4 months later asking for a reconsideration.

And of course we asked them what was wrong. It was rather an interesting story. They were facing almost a famine in East Pakistan. They anticipated this, but they thought they had enough in West Pakistan to supply East Pakistan. They explained that they had the production, but with the greater prosperity as a result of higher grain yields the consumption in the local areas has gone up. Therefor the grain was not shipped to the regular market because they were eating more and they were feeding their livestock better. They were asking for a million tons under Public Law 480.

Senator MILLER. How did that compare with the previous year, do you remember?

Secretary HARDIN. About the same, I think.

Mr. PALMBY. It was 1.2 million tons.

Secretary HARDIN. What this tells us is that there is another chapter to be written on these increased yields that have not really been adequately factored in. That is the effect of the increased production on the local populations and their consumption. It could be a sizable one. It is still an open question, but it is not necessarily all bleak.

Senator MILLER. Do we have any other prospective areas for Public Law 480 which would replace Pakistan and India as their requirements are reduced? Has anybody made a long-range projection on this, going say, 3 or 4 or 5 years into the future? If you care to supply that for the record I would appreciate it. I think it might help us to know what the thinking is on the future of Public Law 480.

The CHAIRMAN. Under the law as it now stands the limitation is $1.9 billion under title I, and $600 million under title II. So he is advocating that the bill be extended.

Senator MILLER. Yes, the authorization is ample. I am just curious to know—this of course has been a helpful piece of our export market—if you have some kind of a projection on how this Public Law 480 looks down the road, I think it might be helpful.

Secretary HARDIN. Yes, we will be glad to supply that, Senator Miller. I think that is a very proper request you are making, and one that should be done.

Senator MILLER. Thank you.

(The information is as follows:)

Wheat and wheat products accounted for 41 percent of the commodities shipped in FY 1969; feedgrains and products 5 percent, rice 16 percent, cotton and cotton products 11 percent, tobacco 3 percent, fats and oils 10 percent, dairy products 11 percent and other 3 percent. While the percentage allocation for commodity will vary from year to year, the value of the overall P.L. 480 shipments are expected to remain at a level of about $1 billion.

The CHAIRMAN. We provided certain ways and means of spending that money. I recall having suggested an amendment which appears in the bill under section 104, wherein 2 percent of the total sales, the proceeds each year in each country activity went to assist international educational and cultural exchange, and to provide for the strengthening of the resources of American schools, colleges, and universities abroad. Of course, the fly in the ointment there was that we had to go through the appropriations process, and nothing much was done. I wonder if you would look into this matter and give us your idea as to whether or not you would suggest that these funds be used for that purpose directly, instead of going through the appropriations process.

Mr. PALMBY. I will provide the answer for the record.

(The information is as follows:)

ACQUISITION OF FOREIGN CURRENCIES, TITLE I, PUBLIC LAW 480—CUMULATIVE THROUGH DEC. 31, 1969

[In millions of dollars]

	Amount	Percent
Total U.S. uses	$3,165	25.6
Country uses:		
Grants for common defense (104(c))	1,445	11.7
Loans to private enterprise (104(e))	455	3.7
Loans for economic development (104(f))	5,480	44.3
Grants for economic development (104(f))	1,763	14.3
Grants for family planning and welfare (104(h))	41	.3
Grants for pest control (104(k))	2	(1)
Total country uses	9,186	74.3
Reserved for refunds, and in suspense pending assignment to accounts	6	(1)
Grand total	12,357	100.0

[1] Less than 0.1 percent.

GRANTS OF TITLE I PUBLIC LAW 480 FOREIGN CURRENCIES

Grants of foreign currencies earned under title I of Public Law 480 are made for a variety of purposes, and are a useful means of furthering U.S. foreign economic policy. Section 104(c) grants are made for common defense purposes, and are currently made only in Korea and Vietnam. They provide balance of payments benefits to the United States by obviating the need for dollar expenditures in countries where the United States has a firm commitment for common defense

Grants for economic development are desirable when they can help promote good economic development projects and when the United States' holdings of the recipient country's currency is far in excess of foreseeable needs. Under such circumstances development loans would only result in accrual of additional excess currency as they were repaid, and might result in country default. By using grants to help improve the economies of the excess currency countries we are solidifying friendships and improving future market potential for U.S. products.

Grants are made under section 104(h) for maternal welfare and child health and nutrition, and family planning only when recipient countries request them. The Congress recognized the desirability of family planning programs by providing that, when requests are made, not less than five percent of the currencies generated by the particular Public Law 480 agreement be set aside for this purpose. By improving maternal and child health and nutrition through such grants we help build the potential for greater future productivity. Where traditional attitudes encourage large families in order to insure security for the parents' old age, health and nutrition programs help promote a sense of security with fewer children, and thus contribute indirectly to reducing population pressures. Voluntary family planning programs directly help reduce the pressure on developing countries' economies.

Grants for development of animal and plant pest control programs have been made under section 104(k). These grants are desirable in that they help reduce the competition for limited food supplies.

The CHAIRMAN. Just let us know your views on it. I believe that would be a splendid way for us to use some of these excess foreign currencies we have and that we cannot use. And certainly if we can use them directly in order to assist colleges in our exchange program, why it would be a good way to get rid of these soft currencies. And I wish you would look into that, Mr. Secretary, and give us your views on it.

Secretary HARDIN. All right.

The CHAIRMAN. As to the best way——

Secretary HARDIN. And we can include the amounts used in past years, Mr. Chairman.

(The information is as follows:)

The title I, Public Law 480 foreign currency expenditure for educational and cultural programs in calendar year 1969 is $14 million. The cumulative expenditure of title I, Public Law 480 currencies for these activities since first authorized in 1954 is $130 million.

The CHAIRMAN. Yes. In fact, you might also look into the disposition of these soft currencies through other means provided in the bill, and let us determine whether or not you would want any changes in the present law.

Secretary HARDIN. Very good. We will provide that for the record.

(The information is as follows:)

We feel that the present law is adequate. While agencies are required to obtain an appropriation to utilize the currencies, it is clear that foreign currencies will be utilized and U.S. dollars will not be spent outside United States. It is an allocation and control operation which keeps the Congress informed as to how these currencies are to be utilized.

WOOL

Secretary HARDIN. Next, Mr. Chairman, I comment here that the legislative proposal on wool is being readied in the Department and will come before you later as a separate matter. I have no recommendations today on that.

Now, just a summary statement here.

The proposals I have outlined are laid before you not in the manner of strong advocacy, though they represent our best effort and though we do stand on them. Rather, we offer them as an effort to be helpful to you in the discharge of your legislative tasks. I assure you that I understand the differing responsibilities of the legislative and the executive branches.

Now, following this, you have requested some specific information which we can handle in any manner that you choose. These are separate analyses of four different subjects that were requested prior to our hearing here today. If you want to discuss them——

The CHAIRMAN. You mean what you have at the bottom of page 16?

Secretary HARDIN. From page 16 on.

The CHAIRMAN. Cotton loan, great rate?

Secretary HARDIN. Yes.

The CHAIRMAN. I wish you would be more specific on some of the suggestions, because it would be rather difficult, as I see it, for us to simply take your broad statements and then put them into legislation that would carry out what you are proposing.

Now, before starting these hearings I think the committee decided not to introduce any particular bill, but to take the bills then introduced and such others as may be introduced in the meantime, but would use as a basis the present law by adding or subtracting from it. Now, I would like to find out whether or not you are willing now to proceed and take the present law as it now is written, and what you would subtract from it or add to it in order to make this program more palatable and one that would give to the farmer as much if not more income than he is now receiving. I well remember when you were first sworn in, Mr. Secretary, you said to me—I am sure you remember it—that it was your idea to give to the farmer—make it possible for the farmers to receive as much if not more income than he is now receiving.

Secretary HARDIN. That is correct.

The CHAIRMAN. And that is what I am hopeful that we can do, Mr. Secretary.

Secretary HARDIN. Yes. We are still prepared to make this recommendation, and as I indicated here, to find some way to give this guarantee for 3 years in advance.

The CHAIRMAN. That would mean a 3-year bill?

Secretary HARDIN. Yes.

The CHAIRMAN. You would not want permanent legislation?

Secretary HARDIN. No, we prefer a 3-year bill, Mr. Chairman.

The CHAIRMAN. And I presume you are led to that conclusion because of the views of the House Members?

Secretary HARDIN. Yes, that is correct.

The CHAIRMAN. Now, do you wish to be more specific as to the request that I propounded this morning to somebody else as to whether or not you favor the parity concept as to all programs?

Secretary HARDIN. Well, whether these things are expressed in terms of a percent of parity or some other way I do not think is a matter of great importance as far as we are concerned. If this is the best way to operate the farm program.

The CHAIRMAN. It is one that is provided for in the law now.

Secretary HARDIN. Yes, it is.

The CHAIRMAN. And the parity concept has been carried on from year to year, and it is my belief that if we veer away from it and try some other method, that—I do not believe that it would be well received by many farmers who have been more or less convinced that a floor should probably be fixed, particularly with respect to wheat and cotton, and that it is based on the parity concept.

Secretary HARDIN. We would much prefer, if we have a 3-year bill, to state our guarantees of payments in dollar terms rather than a percent of parity—though they might be expressed initially as a percent of parity—to avoid the escalation automatically from year to year. I think the escalation here is one that makes it very difficult to work with from a budgetary standpoint. And there are advantages. The producer can know exactly where he stands if it is stated in dollar terms. They can be reflected as percent of parity if you care to. This can be done.

The CHAIRMAN. I just want to get your idea on it, because I think that——

Secretary HARDIN. The index of prices received by farmers today is about 290 percent of 1910–14 base period.

The CHAIRMAN. The burden of evidence of the hearing so far, I think, was to maintain a parity concept.

Wasn't that the impression you got, Senator Young?

Senator YOUNG. Yes.

The CHAIRMAN. For wheat and for cotton and other commodities. We have been proceeding under that assumption for so long now that I would hesitate to change it unless we could get something better.

Secretary HARDIN. I think anything that we have here can be expressed in terms of the parity concept.

The CHAIRMAN. Now, we had a program suggested for cotton, in particular by cottongrowers who did not agree with the position taken by the Farm Bureau. Now, one that was presented to us came from cotton farmers from Louisiana and other States. And they pro-

posed certain things that ought to be done in the program. Are you familiar with that testimony?

Senator MILLER. You are talking about the president of the Farm Bureau from Louisiana?

The CHAIRMAN. That is right.

Senator MILLER. The one speaking about the quota system on textiles?

The CHAIRMAN. That is right.

Secretary HARDIN. I believe not, Mr. Chairman.

The CHAIRMAN. It is presented to us. And the program as I understand it—of course, they want permanent legislation, that is No. 1, and No. 2, reduce the minimum national allotment to 14 million acres, with a USDA purchase of up to 2 million allotment acres, and retirement of productivity pool. Now, that is something I wish you would comment on, if you are not prepared now what they propose to do here is just the one shot system, you buy off these acres, and thereby reduce the minimum acres to be planted to cotton to 14 million acres instead of 16 million. I wish you would give thought to it.

And before the hearings are printed you might give us your views on it.

Secretary HARDIN. We would be glad to do it.

(The information is as follows:)

A proposal calling for the Government to purchase 2 million acres of cotton allotment from farmers and landowners is presumably based on an assumption that the allotment system that has been in effect for upland cotton since 1954 will be continued. This is not consistent with our current thinking on a cotton program for 1971 and succeeding years. As you know, we favor elimination of national acreage allotments and marketing quotas. A domestic acreage allotment (now about 11.1 million acres) would be established and apportioned to States, counties and farms. Farmers and landowners no longer interested in or able to plant cotton could nevertheless qualify for payments on the basis of the farm domestic acreage allotment. The payments would be made for 3 or 4 years until, as specified in the new law, the allotment lapsed for non-planting. This income would enable many persons to phase out of cotton production on a planned basis as adjustments were made involving other farming interests, employment or retirement. Also available to the farmer or landowner would be the right to sell the farm domestic acreage allotment to another farmer in the State. Moreover, our proposal includes activation and modest expansion of the small scale cropland conversion program, as well as a pilot program using the easement technique for long-range whole-farm voluntary land retirement.

As indicated above, we believe the foregoing proposals for a new cotton program would serve the interests of both farmers and the Government more effectively than outright purchase of allotments.

The CHAIRMAN. No. 3 said, use the single allotment system as in the 1959 act.

Fifth, anniversary date type loan as a basis for CCC takeover.

Sixth, loan levels at not less than 65 percent of parity.

That is what we were talking about just now.

Seventh, CCC resale price at 110 percent of loan plus charges.

Eighth, graduated payments to mills based on use of cotton.

I proposed that several years ago, but I do not suppose that we could put that over as we tried several years ago, not with my good friend Senator Jordan over here. I think he opposed it, and he might oppose it again.

Senator JORDAN. I would.

The CHAIRMAN. I know you would. That is why I mentioned you specifically.

Ninth, foreign country exports of textiles to the United States based on imports of cotton and other fibers from the United States.

Tenth, establish a freight equalization fee of 5 cents per pound in the form of negotiable certificates on all cotton exports from the United States.

Now, I am merely suggesting this because I stated to the proponents of this program that when you appeared before the committee that we would submit this to you in the hope that you could give us your reaction to it. And as I say, you do not have to do it today, but send it to us in a form in which it can be printed and put in the record so that we can consider that when we prepare the bill.

(The information is as follows:)

SUMMARY ANALYSIS AND COMMENTS BY THE DEPARTMENT OF AGRICULTURE REGARDING A COTTON PROPOSAL OF THE LOUISIANA FARM BUREAU FEDERATION

This analysis was prepared by a work group of experts representing ASCS and other services of the Department having responsibilities and knowledge in the subject areas. It has been prepared on the basis of the described program and some of the assumptions in the statement of the Louisiana Farm Bureau Federation (LFB) to the Senate Agriculture Committee on February 24, 1970.

1. *Permanent Retirement of Productivity Pool Acreage.*—A figure of 200,000 acres has been used because this provision would apply to allotment acreage placed in the pool permanently. Such acreage amounted to 198,000 acres in 1969. In addition, there were 384,000 acres temporarily placed in the pool in 1969, as a result of annual leases. This latter acreage would, of course, be returned to originating farms for the following year.

2. *Purchase of 2 Million Acres of Allotment to Establish a Cotton "Base" of 14 Million Acres.*—It is estimated this acreage would be obtained at an average cost of $75 per acre, reflecting a rate of around 15¢ per pound. Sales of cotton allotment acreage in recent years suggest a representative price of around 20¢ per pound; notwithstanding this, the work group felt that the 2 million acres could be procured at an average price of something less than this. Resultant costs of $150 million would, of course, apply for one year and not recur.

3. *Estimated Loan Rate and Assumed Market Price.*—The LFB proposal would require price support by loan at not less than 65% of parity. Current parity is 48.56¢ per pound; on this basis a loan rate of around 32¢ has been used, basis Middling one-inch. In this situation it is assumed that the market price would average about 33¢ per pound.

4. *Average Value of Cotton Use Certificate.*—The LFB proposal includes an illustrative scale of values for cotton use certificates provided as an incentive to stimulate increased mill use of cotton. The plan involves establishing a consumption base for each mill, with the scale of certificate values ranging from 5¢ to, say, 12¢ per pound. On average the LFB statement figures certificate cost at 9¢ per pound, and this is the figure the work group used.

5. *Export Freight Equalization Fee.*—The LFB proposal suggests, as a further stimulus to the export of cotton, that a freight equalization fee of 5¢ per pound be made available in connection with all cotton exports—and this is the figure the work group used in its analysis. This would mean an effective export price of around 28¢ per pound.

6. *Planted and Harvested Acreage, Yield and Production.*—The group felt that, notwithstanding the retirement of 2 million acres of allotment, planted acreage—influenced by an average support price of 32¢ per pound—would approximate 13.5 million acres. Resultant harvested acreage may amount to 12.9 million acres which, at an average yield of 520 pounds, would mean production of around 14 million bales.

7. *Domestic Consumption, Exports and Stocks.*—With an average market price of 33¢, and a domestic use certificate averaging 9¢ per pound, the effective domestic price for cotton would approximate 24¢ per pound, or several cents higher than that now prevailing. In this situation the work group felt that domestic consumption would be slightly lower than that of recent years. While some mills would increase their consumption of cotton substantially in excess of their consumption base, a number of mills are likely to substantially reduce

cotton consumption, increasing their use of synthetics. A domestic consumption figure of 7.8 million bales thus has been used in the analysis.

The work group approximated total exports at 2.2 million bales, made up of around 800,000 bales exported under Public Law 480, 1.2 million bales as the export equivalent of textile imports, and perhaps 200,000 bales constituting other export sales. The work group recognized that the provision of the LFB proposal which would limit textile imports into the United States, by country, to the cotton equivalent of such country's purchases of cotton from the United States is intended to provide a stimulus to American cotton exports. Nevertheless the effective export price of 28¢ per pound is around 6¢ higher than going prices of the current year. Exports for the current marketing year likely will amount to no more than 2.5 million bales; in this context the work group felt that total exports of, say, 2.2 million bales which the anlaysis assumes could be accomplished only if substantial quantities were exported under Public Law 480.

With total offtake of 10 million bales and a production of 14 million bales, ending stocks would rise by 4 million bales to around 10.3 million bales. CCC eventually would hold the bulk of the excess, even though an "anniversary date" type loan program were in operation.

8. *Expenditures Under the Loan Program.*—The excess of production over offtake would amount to 4 million bales, the quantity which would be acquired by CCC under the loan program. Expenditures for such acquisition would amount to $640 million.

9. *Farm Value of Production.*—A 14-million-bale crop would mean a farm value of production approximating $2,240,000,000.

10. *Total Expenditures to Government.*—Total expenditures calculate at $1,348,000,000 based upon the assumptions and estimates described.

In sum, therefore, compared to other plans under consideration the LFB proposal would mean an increase of perhaps 10% in the farm value of production, attained through increased expenditures considerably in excess of this increase. Further, carryover stocks into the 1972 marketing year would rise sharply from the level of a year earlier.

COTTON PROPOSAL: LOUISIANA FARM BUREAU

	1971 crop		Expenditures (in millions)
Allotment (million acres)	16.2		
Purchase of 2,000,000 acres	−2.0		
Retirement of permanent productivity pool	−0.2	at $75 per acre	[1] $150
Available allotment	14.0		
Estimated loan rate, Middling, 1-inch	$0.32		
Assumed market price, Middling, 1-inch	0.33		
Assumed average domestic use certificate	[2] 0.09		
Assumed export freight equalization fee	[2] 0.05		
Effective domestic price (average)	0.24		
Effective export price	0.28		
Planted acres (millions)	13.5		
Harvested acres (millions)	12.9		
Estimated yield (pounds)	520.0		
Supply and utilization (million bales):			
Production	14.0		
Beginning stocks, Aug. 1, 1971	6.3		
Domestic consumption	7.8	at $0.09 per pound	351
Exports;			
Public Law 480 −0.8			
Import equivalent −1.2	2.2	at $0.05 per pound	55
Other sales −0.2			
Ending stocks, July 31, 1972	10.3		
CCC stocks (eventual)	7.3		
Loans on excess production (4,000,000 bales at $0.32)			640
Storage, handling, and transportation			40
Subtotal, price support expenditures			1,236
Public Law 480 (cotton only) 800,000 bales at $0.28			112
Estimated total expenditures			1,348
Estimated farm value of production (14 at $160)			2,240

[1] The purchase of allotment is a 1-time expense.
[2] These assumptions appear in the Feb. 24, 1970, statement of the Louisiana Farm Bureau Federation.

The CHAIRMAN. Now, several questions were prepared here by our counsel. During your testimony you indicated that the additional costs for the feed grain and wheat proposals of the coalition bill would be a billion and a half dollars. Now, can you give us the costs of the programs you are suggesting for the record?

Secretary HARDIN. Yes, sir; we can show estimates of payments for each program, indicate potential changes in other costs, such as acquisitions of loans and export subsidies.

(The information is as follows:)

WHEAT, FEED GRAINS, AND UPLAND COTTON: PAYMENTS UNDER ALTERNATIVE PROGRAM ASSUMPTIONS FOR 1971 COMPARED WITH PAYMENTS UNDER PRESENT PROGRAM FOR 1969 AND 1970

[In millions of dollars]

Program	Program year						
			1971 projection [1]				
	1969	1970 (budget estimate)	Present program	Set-aside	Coalition bill	Farm Bureau bill	No new legislation
Wheat program:							
Payments to farmers	856	904	940	867	1,200	685	([2])
Receipts from processors	387	398	401	401	321	321	([2])
Treasury cost	469	506	539	466	879	364	0
Feed grain program	1,644	1,516	1,516	1,430	2,716	1,315	([3])
Upland cotton program	822	902	950	840	950	658	([4])
Total, 3 programs:							
Payments to farmers	3,322	3,322	3,406	3,137	4,866	[5] 2,658	----------
Receipts	387	398	401	401	321	321	----------
Treasury cost	2,935	2,924	3,005	2,736	4,545	2,337	----------

[1] Does not reflect potential effect of a payment limitation.

[2] If marketing quotas are approved, domestic certificates plus loan could not be less than 65 percent or more than 90 percent of parity—meaning payments could range from roughly $325,000,000 to $700,000,000. There would be no cost to the Treasury as processors would be required to pay the full cost of the domestic certificate. If marketing quota are disapproved, there would be no payments. Production, however, would likely outrun use by 200,000,000 or 300,000,000 bushels, with all the increase going to CCC. A loan rate of over $1.40 per bushel could also increase export subsidy costs.

[3] There would be no diversion or price support payments. Price support through loans would be available on all production at 50 percent of parity. Feed grain supply could outrun use by 20,000,000 to 40,000,000 tons in 1971 with continued stock increases in subsequent years. Virtually all of this would end up in CCC hands.

[4] There would be no cotton payments but assuming that marketing quotas would be approved, price support through loans would be available at 65 to 90 percent of parity (a minimum loan rate of over 31 cents a pound for the 1971 crop). This would result in a substantial buildup in CCC stocks (about 6,000,000 bales from the 1971 crop) and would incur heavy export subsidy costs if we attempted to remain competitive in world markets. Even without payments, total budget outlays for the 1971 program would probably be higher than with the continuation of the present program—and they would continue to increase each year.

[5] 80 percent of total 1969 payments—the maximum authorized. There would be additional payments, however, on not less than 10,000,000 acres of long-term diversion under an expanded cropland adjustment program.

The CHAIRMAN. Specifically in dealing with the set-aside, because as I understand it that is your program, you deal with it on a set-aside. Would you take your program into consideration, and give us an idea of what its cost would be, compared to the present cost, and to this so-called consensus that has been presented to us.

Secretary HARDIN. I can give it to you now. If we will assume the rates that I have suggested here earlier on the record, the cost would be about the same as in 1970.

The CHAIRMAN. The same as 1970?

Secretary HARDIN. Yes.

Senator YOUNG. Could I ask a question that fits in right there?

The CHAIRMAN. Surely.

Senator YOUNG. You state that the coalition bill would cost about a billion and a half dollars more than the present program. This increase comes mostly on the feed grains and wheat program. The coalition

people believe that their program would only cost around $600 or $700 million more. Would you give us a breakdown for the record of your estimates of the additional costs as compared to the $700 million figure?

Secretary HARDIN. We would be glad to provide the breakdown on that, Senator Young.

Senator YOUNG. Thank you.

(The information is as follows:)

ANSWER CONCERNING ADDITIONAL COSTS OF THE COALITION BILL

The main provisions in the Farm Coalition bill (S. 3068) causing increases in program costs above those incurred under the present program are:

FEED GRAINS

Total price support (loan plus payments) for corn must be provided at not less than 90 percent of parity, with a loan rate of not less than $1.15 per bushel. (Other feed grains would be supported at comparable levels.) The minimum corn loan of $1.15 per bushel (compared with $1.05 per bushel under the 1970 program) would likely cause an increase in the market price and result in less utilization (both domestic and export). This would increase acreage diversion needs, causing *diversion payments to increase by about $200 million* reflecting the need to divert more acreage at a higher payment rate.

The total corn support price at 90 percent of the February 1970 parity price would be $1.59 per bushel. This would require a price support payment of $.71 per bushel (compared with $.30 under the 1970 program) on 50 percent of the base. This 140 percent increase in the price support payment rate for corn, with comparable increases for grain sorghums and barley, would *increase price support payments* by about $1 billion.

WHEAT

An export certificate equal to the difference between the national average loan rate and a level not less than 65 or more than 90 percent of parity must be issued to cooperators on not less than 40 percent of the bushels of wheat produced domestically. This would require an *export certificate* for the 1971 program ranging between $.45 and $1.20 per bushel, with *payments of $225 to $600 million.*

The national average loan rate for wheat must be not less than $1.25 per bushel *after* subtracting national average storage and interest costs, resulting in a minimum loan rate of $1.35 to $1.40 per bushel (compared with $1.25 per bushel for the 1970 program). This would probably increase market prices and increase export subsidies by at least $75 million.

SOYBEANS AND FLAXSEED

An acreage diversion program would be required whenever CCC loan and inventory stocks of soybeans and flaxseed (including their products) on August 31 exceed 150 million bushels *or* exceed by 15 percent or more total use (domestic and export) in the previous year. If a diversion program is in effect, the total support price (loan plus payments) must be not less than 75 percent of parity. The diversion payment rate could be not more than 50 percent of the total county support prices (loan plus payment).

A diversion program would be required for the 1971 crop. Support prices at the 75 percent of parity minimum (based on February 1970 parity) would be $2.81 per bushel for soybeans and $3.21 per bushel for flaxseed. With acreage diversion of 6 million acres, payments under this program could total around $400 million.

The CHAIRMAN. Now, as to cost, you say that it would be the same as now under the present law. What would it be for 1971, 1972 and 1973?

Secretary HARDIN. About the same.

The CHAIRMAN. No change?

Secretary HARDIN. No substantial change. Of course, you cannot predict all of the factors in it. But we would be prepared to recommend at the same level.

The CHAIRMAN. What is the expected production of wheat, feed grain and cotton if the latest set-aside program were adopted, and upon what basis is this determined?

Secretary HARDIN. I missed the first phrase there again.

The CHAIRMAN. What is the expected production of wheat, feed grains and cotton if the latest set-aside program were adopted, and upon what basis is this determined?

Secretary HARDIN. I do not have those figures with me. They are available, and we will put them in the record.

The CHAIRMAN. Put them in the record.

(The information is as follows:)

For 1971, we have assumed a wheat set aside requirement of 75 percent and have estimated production at 1.4 billion bushels; a feed grain set aside of 30 percent with additional paid diversion and have estimated production at 187 million tons; for cotton we have assumed a set aside of 50 percent, a 11.1 million acre base allotment with a portion of the set aside eligible for planting to cotton and have estimated production at 12.8 million bales.

What is the total acreage you have in mind being diverted from production through the set-aside, let us say, for corn and sorghum, wheat, cotton?

Secretary HARDIN. The total acreage diversion, Mr. Chairman, will approximate that under the present programs for the different groups of crops combined, varying a little as need be from year to year. It is expected that we would have to divert from production, about the same number of acres in total. The difference is that there would be no specific limits on corn or wheat. Cotton is a little different. I do not think there would be diversion from cotton; the acres idled could very well be acres that will be going into corn or soybeans in the cotton area. The allotment governs the acres of cotton, of course, rather than the total size of the farm in a great many cases.

The CHAIRMAN. Well, judging from what you are saying now, your suggestions are not far removed from the present law, is that correct?

Secretary HARDIN. In terms of diversion, that is correct. The two principal features are the lower loan levels and the greater flexibility for determining what crops will be grown. We think over a period of time this will permit greater regional specialization, particularly if the Corn Belt farmers quit growing wheat, and a few things of this sort.

The CHAIRMAN. And that is the place wherein you would want to let the farmer have more leeway to select and plant what he desires?

Secretary HARDIN. Yes.

Senator MILLER. Could I ask a question at this point, Mr. Chairman?

The CHAIRMAN. Surely.

Senator MILLER. You said particularly when the Corn Belt farmer stops growing wheat.

Secretary HARDIN. Yes.

Senator MILLER. What did you have in mind that the Corn Belt farmer might grow when he switches?

Secretary HARDIN. It would be corn or soybeans in most instances. He is not forced to do this. It would be optional. We think that quite a few farmers would elect not to make the investment in the special machinery and so forth necessary to grow wheat if the limit on corn

were removed. And offsetting this, there would probably be some wheat farmers, particularly in the border areas between the Wheat and Corn Belts, that would elect to grow wheat rather than corn because it is more profitable in these circumstances.

Senator CURTIS. I was talking to a Nebraska farmer in the last 2 weeks, and he pointed out something in favor of what you are proposing. He said that machinery was getting so expensive—and it has been expensive for a long time—that there were a number of Nebraska farms that were over diversified, they were dabbling in too many things, and if they could get back to what the land was good for, their machinery and operating costs would be substantially down. And he was basing it on the assumption that what they gave up in their farm planning operations would be what some other section of the country would want.

Secretary HARDIN. That is precisely what I was attempting to say. You said it better, or he did.

Senator CURTIS. Farmers are smarter than the rest of us.

Senator TALMADGE. They have to be.

Senator MILLER. May I add a footnote to that?

You mentioned soybeans, Mr. Secretary. But what are the chances of getting some more sugar beets into this picture? We do not have to come to grips with that until next year. But there are a number of farmers growing corn whom I think might like to shift to sugar beets if they could.

Secretary HARDIN. That is another story entirely.

Senator MILLER. It comes up next year——

Senator CURTIS. Would you yield to me there?

Senator MILLER. Yes.

Senator CURTIS. That is handled by the Finance Committee. A few years ago, after a long, hard fight, we got provision for a considerable expansion of the domestic sugar quota. It never materialized. It costs upward of $18 million to build a sugar plant. And every possible means, Government loans, cooperatives, and everything was pursued, and there was very little done about it.

In the meantime they switched to another program, giving the Department of State authority to allocate to foreign countries, countries 3,000 and 4,000 miles from here, a share in our sugar quota.

Our chairman knows more about that than anybody.

Senator ELLENDER. Well, that was a hot issue when we passed the present sugar law.

Senator CURTIS. Yes.

The CHAIRMAN. And ample authority was given to build new authorities. As a matter of fact, we had to agree to language that would make that come about, but as I say, when they started to look into the matter, it was a little more expensive than they anticipated, and it was hard to get the capital to construct it.

Senator YOUNG. Would you yield just a second?

Senator CURTIS. Yes.

Senator YOUNG. It is not only a question of money. We have two groups ready to erect plants in my State now. All they need is a sugar marketing allocation. The farmers have been growing a lot of extra beets, but no one wants to gamble on putting up a big refinery unless

they have a marketing allocation to back it up. If we got a bigger domestic allocation we could have two new refineries in my State, almost immediately.

Senator CURTIS. At the time it was done there was a general fear that the Castro crisis would soon be over and they would lose it. And in my State, particularly, we had a blight on the sugar beets about that time. And we ended up with two less factories than we started out with.

Secretary HARDIN. We have had 3 years, up until this year, of unrestricted sugar beet planting. Of course, our limit has been the refining capacity.

Senator YOUNG. That is right.

Secretary HARDIN. This year we have proportionate shares again, but we have had 3 years of unrestricted planting.

Senator YOUNG. We have a much larger acreage history as a result of it, but not the market allocation allotment to assure additional refineries.

Senator MILLER. I think the summary of this is that it is something that can be looked at a little later on.

Senator JORDAN. You say a sugar factory costs $18 million?

Senator CURTIS. That is right.

The CHAIRMAN. It costs that to construct a factory.

Secretary HARDIN. You are not talking about a large number of acres here.

The CHAIRMAN. Mr. Secretary, some of these questions I am asking you may be a little repetitive, but we will overlook that for the time being.

On page 11 you state that cotton, wheat and feed grain, and payments of wool: "for some specified period would be approximately at the levels of recent years."

Now, have you included both diversion payments and price-support payments of recent years, or only price-support payments?

Secretary HARDIN. The income and the diversion payments were included in that, which would be one figure under the set-aside proposal: income and diversion.

The CHAIRMAN. Income and diversion.

Would the specified period be in the law, or——

Secretary HARDIN. Yes; I think it should be.

The CHAIRMAN. Of course, that would mean during the lifetime of the bill, which you say might be 3 years, in the form that the House suggested.

Secretary HARDIN. Right.

The CHAIRMAN. I think you did suggest that the House would go along for a 3-year period.

Secretary HARDIN. I think so. I have to speak a little tentatively here, because the final decision hasn't been made, and I am trying to reflect what I think will happen there.

The CHAIRMAN. I understand.

I wonder if you could be a little more specific for the record in regard to what we have just been talking about. Let's take an example, say, of a farm with a hundred acres cotton allotment in 1970. What would its allotment be in 1971 under the consensus of the program and its set-aside in 1971? Would you be able to be a little more

specific there and give us a little more specific example as to the different programs that you envision?

Mr. PALMBY. About these different programs?

The CHAIRMAN. Yes.

Mr. PALMBY. Which commodities?

The CHAIRMAN. Cotton. That seems to be to simple one, and the one that is in the worst fix than any I know of the staple commodities.

(The information is as follows:)

COTTON FARM EXAMPLES TO ILLUSTRATE THE ALLOTMENT, PAYMENT, AND SET-ASIDE

	Present program		Set-aside
	1969	1970	1971
Total allotment	94.5	100	(1)
Domestic allotment	61.4	65	65
Projected yield	545	500	500
Payment rate (cents)	14.73	16.80	16.00
Total payment	$4,929	$5,460	$5,200
Set-aside (percent of domestic allotment)			50

[1] Not available.

Note.—Producers would be permitted to plant a portion of the set-aside acres to cotton.

Mr. PALMBY. In the manner in which we have been working with the House, we have been looking at 1971. The allotments will be at the same level as the allotment on which payments are made this year, which is about 11.1 million acres. We feel quite comfortable about an allotment at this level because there is no surplus of cotton in this country at the moment.

The CHAIRMAN. You increased the acreage this past year.

Mr. PALMBY. Yes. And according to the planting intentions recently reported, plantings this year will be higher than 1969 by slightly over 200,000 acres.

Senator TALMADGE. Mr. Chairman, if the gentleman will yield, I brought up that point this morning. From the Secretary's own estimate, the 1969 crop costs for producing cotton may have been over 35 cents a pound. I still cannot understand how the administration can hope to get adequate production under the set aside plan. I do not believe that any section of the country can produce cotton for 19 cents a pound. As you know, the Department has just made available 1 million additional acres for production in 1970. It is necessary to increase the allotment, because we do not have enough production of cotton.

It is interesting to note how the cotton farmers have accepted the opportunity to plant additional acreage. Under the increased allotment, the farmers of the Nation would receive payment on 617,000 additional acres. According to the intention-to-plant figures, the farmers intend to plant only about a third of this additional acreage. Although the farmer can receive payment on the 617,000 additional acres, he has indicated an intention to plant only 212,000 additional acres.

Now, the problem that the cotton farmer faces at the present time is vastly different from what he faced 5 years ago. We passed this bill in 1965. As I recall, we had a 17-million-bale surplus at the time. And I believe at the present time we have a 6-million-bale carryover, which is really not enough cotton to take care of the off-take. What we are

going to have to do for a cotton program is to encourage cotton production, rather than discourage its production.

And I believe that under the set-aside program it would be further discouraged, particularly under one provision in this bill.

Mr. Secretary, most of the farmers that I know in Georgia now that are really producing cotton, are young, energetic, livewire people that know how to handle farm machinery and equipment and they have most of their money tied up in equipment. And they're leasing most of the allotments.

Take the fellow that is the biggest cottongrower in my home county of Henry. He used to be an overseer on my farm. Up until this year I don't think he owned any land at all. He leases his allotments, and that is where his production comes from. If we outlaw the leasing of allotments in the Southeast, I think the cotton program will be finished.

Thank you, Mr. Chairman. That was a comment I had and I would like to hear the Secretary respond to it.

Mr. PALMBY. I think what you're saying, Senator, is that with the overall allotment 1 million acres higher than for 1969 and payments available on an additional 600,000-plus acres, it appears that plantings this year will be up by only about 200,000 acres.

Senator TALMADGE. That is right.

Mr. PALMBY. Last year there was something like 2 million acres planted over and above that which was necessary to receive the maximum payment. Now the intentions to plant tell us that about the same acreage will be planted over the mandatory minimum to collect full payment, which actually is 58½ percent of the 17.1 million acre total allotment.

Now, with a 1971 minimum base of 11.1 million acres over which to spread the payment, and with it being mandatory to plant 90 percent to protect future allotments, and with an open end planting provision, my thinking is that there would be an increase in acreage.

Also, many of the producers tell us that there would be overplanting over the mandatory minimum and, of course, higher production, if we have a good cotton year.

Senator TALMADGE. I don't believe you will get any overplant at all on the 19-cent cotton when it costs 35 to grow. A man is not going to go into the business of raising cotton to see how fast he can lose money. It is really that simple.

Secretary HARDIN. On the acres over and above the allotment, you mean?

Senator TALMADGE. Yes.

The CHAIRMAN. On this example I gave you a while ago of 100 acres, what would be this farmer's allotment in 1971 under the consensus bill?

Secretary HARDIN. Is that his domestic allotment, or is that the total?

Mr. PALMBY. Mr. Secretary, it would be the same figure.

The CHAIRMAN. The total allotment?

Secretary HARDIN. No.

Mr. PALMBY. The 100-acre figure is based upon a national allotment of 17.1, and the 65 percent of the parity guarantee is spread over the entire allotment. It is mandatory to plant at least 58½ percent of the farm domestic allotment to collect full payment.

The CHAIRMAN. 58½ percent?

Mr. PALMBY. Yes. So that the allotment under the 1971 provision in the set-aside program would be 65 percent of 17.1 or 11.1 million acres.

The CHAIRMAN. Suppose you answer that for the record if you haven't got it available, and as you say, what would be the allotment under 1971 and then the set-aside in 1971?

And I think it might be valuable for us to have that before us.

What would its payment in 1970 and its payment in 1971 be? Can you give us that information?

Secretary HARDIN. Yes.

(For information above, see p. 810.)

The CHAIRMAN. Is there any minimum loan or payment that the consensus bill would assure cotton producers in future years?

Secretary HARDIN. We will place it in the record.

(The information is as follows:)

Yes, the minimum guarantee would be payment plus average market price equal to 35¢ with respect to the allotment acreage.

The CHAIRMAN. I wish you would go over it again.

I will give you these questions; you might look them over. And let's try to round out the record so that we will have something to work with.

Now, in addition, Mr. Secretary, I wish you would take the law as it now stands, since the committee decided weeks ago to take that law as the basis for another law, and tell us, what would you add or subtract from it, and that would give us an idea, so that we could fit in your ideas by simply subtracting or adding into the present law, so that we would have something to work with.

Senator Miller.

Senator MILLER. I would like to get back to the beginning of your testimony about the old law with respect to the wheat referendum. You state that unless legislation is passed by April 15 of this year you are going to have to proclaim a marketing quota with a referendum to be held before August 1. It certainly doesn't look to me like we are going to have a farm bill by April 15, so I presume you are going to go ahead and claim that.

Secretary HARDIN. Yes. I have already put the notice in the Federal Register. And the announcement has to go out by April 15.

The CHAIRMAN. We propose to submit a resolution so as to give you more time. I don't suppose there would be any objection to us reporting that out?

Secretary HARDIN. In the absence of the new farm program I have no leeway, except to go ahead as existing law requires.

The CHAIRMAN. I understand.

Senator MILLER. This is what I was getting at, because it seems to me that you have to set up some machinery and it could be rather costly to the Department unless you are given some kind of a resolution to supply this. And of course, if we don't have legislation, by, I suppose, around this summer, you are just going to go right ahead and plan on that referendum on August 1.

Secretary HARDIN. That is right.

Senator MILLER. And I suppose that even going through the mechanics of getting set for it would be rather expensive and time-consuming; would it not?

Secretary HARDIN. It would, indeed.

Senator MILLER. Have you indicated to the chairman here what kind of a time allowance you would like to have under a resolution such as he has mentioned?

Secretary HARDIN. We have not, and I am not sure what the time factor is.

Do you want to answer, Clarence?

Mr. PALMBY. Mr. Secretary, the preliminary work is not cumbersome. I would think about midsummer, maybe by June—I think there is a little grace period.

Senator MILLER. In other words, if you had a resolution to enable you to postpone the proclamation until, say——

Mr. PALMBY. The proclamation itself is rather meaningless.

Senator MILLER. What would we need the resolution for? The mere fact that you have proclaimed it dosen't mean that anything is going to happen if we get legislation through.

Mr. PALMBY. Legislation requires only that we proclaim marketing quotas and announce the 1971 national wheat allotment by April 15. We would delay the determinations of State, county, and farm allotments as long as possible and still be able to get allotment notices into the hands of wheat farmers prior to the August 1 referendum date. The resolution would be needed to delay the August 1 referendum.

Senator MILLER. That is right.

Mr. PALMBY. But the time draws near for the August 1 referendum.

The CHAIRMAN. When is that?

Mr. PALMBY. Sixty days ahead of August 1.

Secretary HARDIN. Probably June 1.

Senator MILLER. What would happen on June 1?

Secretary HARDIN. We would need to know whether to go ahead with the referendum.

Mr. PALMBY. We do not want to send the notice to all the individual farmers.

The CHAIRMAN. Would you need a resolution of any kind?

Mr. PALMBY. Not immediately.

Secretary HARDIN. We have 60 days, a little more than 60. I should think that in a month we should take another reading, and if it looks like we are going to be bogged down for a long time on farm legislation, we probably will have to have a resolution.

Senator MILLER. You are going to still have to make your proclamation on April 15?

Senator HARDIN. Yes; indeed.

Senator MILLER. But, that is just a proclamation, and we don't have to worry about it to get farmers down the road——

Pardon me. Are you going to have to set a date in that proclamation as to when the referendum would be held?

Secretary HARDIN. No.

Senator MILLER. But you need 60 days ahead of time to set the date; is that the point?

Secretary HARDIN. Yes.

The CHAIRMAN. Suppose you notify us what you need and we will see that it goes through, at least so far as this committee is concerned. And I presume we won't get into as much trouble on the House side.

Secretary HARDIN. I hope not.

The CHAIRMAN. Senator Young.

Senator YOUNG. I just wanted to say, Mr. Secretary, that on the whole your statement today was very encouraging. I think we can work out a good farm bill. There are some areas where we disagree with you very strongly, however.

For example, on your suggestion that we establish price support levels at from zero to 90 percent of parity, it may be that some future Secretary of Agriculture could eliminate price supports entirely.

Secretary HARDIN. I think this needs to be tightened up in the legislation. We agree with that.

Senator YOUNG. Good.

The CHAIRMAN. What do you mean by "tightening up?"

Secretary HARDIN. In the draft bill, it was put "zero to 90." I don't think there was serious intent to leave that wide a margin.

The CHAIRMAN. That causes a lot of comment, I can tell you.

Secretary HARDIN. I know it did; I got some of it, too.

But, let me say, as Secretary, that I would hope that there are more guidelines than that.

Senator YOUNG. There is another important area regarding price support levels. You are suggesting that we reduce wheat price support loan levels by 15 cents a bushel, looking more toward a good income for farmers in the free market. I don't feel that optimistic about it. Two-thirds of our wheat has to be exported at the world price, and there really is no world price; it is a rigged price that is set from day-to-day.

Almost every country in the world has a great advantage over us in one way or another. All the Common Market countries have very high price supports. Canada is our biggest competitor, and will probably export about as much as we do.

Let me give you just one advantage that they have on freight rates. Canadian farmers haven't had a freight rate increase on wheat and other grains moving into export—this is hard to believe—since before the turn of the century.

The CHAIRMAN. That is Government-owned.

Senator YOUNG. Their freight rate on wheat moving from Saskatchewan to the head of the Great Lakes is now approximately 15 cents a bushel. Ours for similar movement is 35.4 cents and there is another 6-percent increase proposed to go into effect soon.

So, they have an advantage right there of about 20 cents a bushel. I would like to have this whole table comparing these rates inserted in the record.

The CHAIRMAN. Without objection that may be done.

(The table referred to follows):

FREIGHT RATE DATA: WHEAT, UNITED STATES AND CANADA

Portal, N.D. to Duluth-Superior

June 1 to November 1: 60¢ per hundredweight (36¢ per bushel).
November 1 to June 1, 1970: 59¢ per hundredweight (35.4¢ per bushel).

Estavan, Saskatchewan to Port Arthur-Fort William

25¢ per hundredweight (15¢ per bushel).

Source: John Agrey, North Dakota Public Service Commission, Charles Pearson, USDA Consumer and Marketing Service.

Senator MILLER. May I ask a question on that point?

The CHAIRMAN. Senator Miller.

Senator MILLER. How do we compete with Canada when we have this kind of a freight rate differential, unless we have a subsidy arrangement?

Secretary HARDIN. We have an export subsidy. And we are proposing that there will be one continued on the domestic allotment.

The CHAIRMAN. Senator Bellmon.

Senator BELLMON. Mr. Chairman, I would like to ask the Secretary specifically, what is there in your proposal, and under the present law, by which we express wheat loan rates and yet in order to get the rate, the farmer has to store the wheat for virtually a whole year?

At the present time the figures here have shown you have shown only $1.25. That is $1.25 if you hold the wheat to the first of April.

Secretary HARDIN. I want you to answer this question, Mr. Palmby.

Senator BELLMON. My question is: Why does the Department of Agriculture express the wheat loan rate here on page 16 at $1.25, when that is not true; that is the loan plus a year's storage? Why don't you be honest with us and tell us that the farmer only gets $1.15 or less?

Mr. PALMBY. Senator Bellmon, I can answer it this way: that essentially beginning with the price support loan program on most grain, were really tailor-made for farm storage loans. So, generally, the loan mechanism for grains has been tied to the concept that the farmer would be responsible for carrying the grain—whether it was in a commission warehouse or in farm storage facilities—that he would be responsible for carrying the grain through the loan period.

The end of the loan period varies across the Nation, grain-by-grain, and by geographical area, but generally it is from March 31 to July 31.

Senator BELLMON. But this is a misleading impression, that the farmers are getting more for their loan than they really are.

Mr. PALMBY. If you take all the grains as a group and keep in mind that a large bulk of the corn, for instance, is in farm storage facilities, and about half of the soybeans are in the farm storage facilities; the portion of the wheat—it varies by area, and—as to how much is in commercial storage or farm storage—you have this common denominator of storage running through.

I repeat, since the beginning of the loan program in the early 1930's, it has operated on that concept.

Senator BELLMON. I am not concerned with that. We are writing a new program. We don't have to be tied to the past. The Secretary has given us a recommended figure of $1.15 for a future loan rate. What he is really saying is: $1.15, less a year's storage.

Mr. PALMBY. Less the storage period under loan. The period runs through April 30; it is then from the date of harvest to April 30.

Senator BELLMON. Well, in order to qualify for this, the farmer has to pay this long storage.

Mr. PALMBY. That is correct.

Senator BELLMON. What I am curious about is, why? Why not state, "we are going to make a certain loan to the farmer, and if it is going to be $1.05, let's just say $1.05."

Mr. PALMBY. You must remember, Senator, if that is done it is the same as increasing the loan. We would want to give the farmer with his storage facilities the same deal we would give the farmer who stored in a commercial warehouse.

It would mean that in the place of $1.15 it would include the cost of storing it through the loan period. So, if storage is 7 or 8 cents, it would be the same as increasing the loan by 7 or 8 cents in line with what we would loan to the farmer who stored in his faciliity on the farm. It is tied to farm loan.

Senator BELLMON. I understand that. But the farmer is receiving, the way you express the loan rate, about 10 cents less for his crop, than the figures would make it appear, and he gets the 10 cents only if he stores it in his own facility.

Mr. PALMBY. That is correct.

Senator BELLMON. There was a time—and I am not sure I can cite the year—when the Government expressed the loan rate, and then the storage was in addition. I am not sure what year this was changed; it was back several years.

Mr. PALMBY. It was back several years ago. I am sure that the farmer who had the storage facilities has always received the same contribution through that loan period as the one who stored commercially.

Senator BELLMON. Is there any reason, so far as the Department is concerned, and so far as administering the program is concerned, that you couldn't express the loan rate as the loan without requiring the farmer to pay the year's storage, or furnish the year's storage?

Mr. PALMBY. A farmer may store it on his farm for a while, and then at his convenience, take it to the commercial house and get a storage receipt, and we make a loan, or he may receive a loan at harvest time. Under this program he is free to do whatever he wants.

The only way I would know how to do it differently, would be to have a continuation of the present loan rate announcement for farm stored loans, and then to have a different published loan rate. It would be a lesser figure, depending on each month or each day. Actually, storage is figured on a per diem basis.

Senator BELLMON. As a practical matter, if the farmer has storage, he would want to use that; he will keep it there as long as he can.

Mr. PALMBY. But, there are all types of activities that go on, depending on the grain, as to when it comes to the commercial warehouse. I do think this procedure at the moment is best suited to grain.

Senator BELLMON. It is a very misleading procedure. Many farmers feel like they are being misled. They say they are getting $1.25 loan, and it is in reality, that much, less storage.

The Secretary has mentioned that he would like a 3-year bill. Is there any particular reason to choose that period?

Secretary HARDIN. None, except that as a practical matter I don't think it is realistic to go beyond that.

Senator BELLMON. As a political matter, that is going to put it right in a presidential campaign year.

Secretary HARDIN. No, it will be the year after.

Senator BELLMON. Another point that has nothing to do with cost, but rather with making the program more palatable for farmers: one of the big complaints about farm programs is that we go into these things, and then a year later, at the pleasure of the Budget Bureau or someone else, we finally start getting our checks. Is there any thought of accelerating the payment to the farmer who cooperates?

Secretary HARDIN. Accelerate the payment?

Senator BELLMON. The date of payment. For instance wheat certificate payments this year, the growers who went into the program last September, would probably get those certificate checks in August of this year, or perhaps even later.

Secretary HARDIN. We have the advance provision for corn and feed grain.

Mr. PALMBY. We have wheat, too, Mr. Secretary. I don't see how we could make payment before the farmer certifies. The reason we are able this year to step up the payment is that we are automated. This agency is becoming more and more automated, so that we will work a bit faster. We cannot make a payment before the farmer certifies, or until we have some document that shows he is in compliance. We will do that just as soon as he comes into the office after July 1 and certifies that he is in compliance. Also, there are some things that must be spot-checked.

Senator BELLMON. Why July 1?

Mr. PALMBY. It is the start of the new fiscal year. We can't make a payment until after July 1; that is, we can't make the payment until the 1971 fiscal year. In your area of the country we can receive certifications before July 1, but we can't make payments until after July 1.

Senator BELLMON. Let me see if I understand it, then. The farmer grows a crop here for harvesting in June of 1970. You are not going to pay him in the 1970 fiscal year, but rather he gets paid in the 1971 fiscal year.

Mr. PALMBY. Your date of harvest is along in June, I believe.

Senator BELLMON. Right.

Mr. PALMBY. Your country will receive the payments earlier than Senator Young's, because of the date of the harvest.

Senator BELLMON. But where we live the farmer has had to sign up and prove that he is in compliance back in March. So the statement that you made that you didn't pay until he certifies that he is in compliance isn't the real problem; the problem is that it is the wrong fiscal year.

Mr. PALMBY. As far as the southern part of the wheat belt is concerned, payments are held up until the new fiscal year; there is no question about it.

Senator BELLMON. This seems like an unfair thing to the farmer. Why does he have to wait until the Government moves over into the next fiscal year before he gets his payment?

The Congress appropriates the money for crop year. Why does he have to wait to get payment for what heg rew in the 1970 year until 1971?

Secretary HARDIN. I think if we could somehow get together with the budget authorities, we could work this out, but it would have to be done through that channel.

Senator BELLMON. Can it be done?

Secretary HARDIN. This involves appropriation machinery.

Senator BELLMON. But, we appropriated the money for the 1970 crop year.

Mr. PALMBY. This is a matter of the Bureau of the Budget's guidelines. The money that we will pay out in the Department of Agriculture for these price-supported payments and diversion payments in this present crop year, is in the budget year, commencing July 1. And

that money has been there at all times, except that prior to this year there was a portion of the funds for a voluntary diversion part of the program, in the year the crop is planted.

Senator BELLMON. Have there been any thoughts—I have talked to the Secretary about this already—but those producers in the area where harvest comes early, should be given some kind of a negotiable instrument that will make it possible for them to go in to their banker and get an advance on this so that they can go ahead and meet the cost?

Do you need any legislation to make it possible?

Secretary HARDIN. We haven't discussed that.

Mr. EDWARD M. SHULMAN (General Counsel, U.S. Department of Agriculture). I don't think we need any more legislation, Senator. I think it is a matter to be decided, as to permitting it.

Senator BELLMON. You know that there is a great deal of objection to the ruling handed down? I assumed that the Secretary would stop the advance payment on the feed grains. You are aware of this. I merely was heavy on the subject. Has anything been done to change that?

I know the statement was: "We are going to go ahead and make the payment earlier."

Secretary HARDIN. Yes.

Senator BELLMON. That is where the matter still stands?

Secretary HARDIN. That is where it still stands.

Senator BELLMON. So far as the wheat farmer is concerned, you will give him his payment in fiscal year 1971, as fast as the machinery will turn out the checks.

Secretary HARDIN. Yes.

Senator BELLMON. Mr. Chairman, I have some other questions, but did you want to ask a question at this point?

The CHAIRMAN. No; you may proceed, Senator.

Senator BELLMON. One other point: I think our chairman brought this up. In Oklahoma we have a fairly large number of upland, dryland cotton farmers who apparently would like to get out of the business. They have primarily continued to grow cotton because of the payment, but if they had a way of phasing out of the industry, they probably would. I can't find anything in the bill that appears to be intended to help them get out of cotton into grass or something else? Is there something that makes this possible?

Secretary HARDIN. We will consider it.

Senator BELLMON. Would you consider it desirable if we could get something in the way of legislation to accomplish this objective?

Secretary HARDIN. What form would it take?

Senator BELLMON. The form I would suggest—I think this is the way, as I understood our chairman—would be for the Department to buy up these allotments over perhaps a 5-year period, and pay the farmer the first year a percentage of his payment, and the second year 80 percent, down to zero, and during this time restrict him from producing any support crop. And then at the end of that time he could use the allotment for another purpose.

Secretary HARDIN. That might work. We had a good method for cotton. If he doesn't use his allotment, he would lose 20 percent of it each year, and receive payment for a period of 3 to 4 years.

Mr. PALMBY. That has been in and out.

Secretary HARDIN. And we think that would be workable.

Senator BELLMON. But it is not in your proposal?

Secretary HARDIN. It is not in now, but it is still under consideration.

Mr. PALMBY. If I may comment, one of the criticisms has been, Senator, over this provision for paying a producer who does not grow cotton, is that it would make a payment for a producer to do nothing for a year or 2 or 3, except to take some land out of production.

Senator CURTIS. Excuse me. Wouldn't it be in a situation where the Government really bought them?

Mr. PALMBY. Yes. But it would be a payment solely for retiring some productive acreage.

Senator BELLMON. It isn't exactly that. You are paying this farmer to not grow any support crop on this land, first. Let's say his payment for a grazing program would be $35 an acre, and you pay him the first year, and he would get his $35, and the next year 80 percent of that, so that at the end of 5 years, during which period of time he would have produced nothing on the land, he would have received down to a zero program, and then he would be free to use the land as he chose.

The problem is—and I think it is true of the 15-acre wheat growers in the corn belt—the problem is that these producers continue to grow a crop, that they don't want to grow simply to stay in the program and get the payment.

And here is a chance, I think, to let them get out of it, and this way the cutback on the production of the commodity that we apparently don't need.

Secretary HARDIN. The fact that we recognize this problem is evidence of the fact that we have had this language in and out two or three times.

Senator BELLMON. But at this point it is out. I am curious to know why.

Secretary HARDIN. For the reason that Mr. Palmby just stated. But we will study this proposal.

Senator BELLMON. I can't agree that they are doing nothing. They are giving up the use of this land.

Secretary HARDIN. You are citing one factor here in tying into the support crops, which was not a part of our consideration. That could make a difference.

Mr. PALMBY. I think it is something that we must look at, Mr. Secretary.

Secretary HARDIN. We certainly recognize that there is a problem here, a real one. It does need a solution.

Senator BELLMON. It perhaps could be applied—to the 15-acre wheat grower in the corn belt, if he were to receive his certificate payments on a declining basis for 5 years, and then they get out of the wheat business and stay out.

But here, I think this might accomplish the phase out of it.

Now, then, a couple of other questions.

You mentioned—and I certainly agree with your proposal—that it would divert some of the unneeded agricultural land into recreational use. And you haven't given us a figure as to how many dollars you would use for this purpose. The thing I am a little nervous about is that perhaps the requirement or that provision would be put in at

the expense of other moneys; in other words, in order to get the moneys we are going to get anyway, we have to do this.

Is this the thought, or will there be an alternative for it?

Secretary HARDIN. We have been anticipating an additional sum on this, Senator Bellmon. It is a modest amount. The main reason we haven't got down to specifics is that we have been concerned with the commodity programs, and we haven't gotten deeply into these land retirement programs.

Senator BELLMON. There is one other point I would like to bring up. I think you and the others in the Department are aware that we are right at the point of getting some new high-yielding wheat varieties, probably a hybrid. These are probably going to produce a very dramatic increase in the yield.

Now, is there any thought at the moment at the Department to tightening up on the quality requirements so far as loans are concerned?

In the summer these wheats will probably be ideally suited for feed grains. Is it going to cause a great dislocation if we go ahead and allow them to come under the high loan values the same as quality wheat has?

Secretary HARDIN. We have already had to face this.

Mr. PALMBY. Senator, you put your finger on what I think is a particularly difficult problem, one where we are quite certain that we must maintain some of our markets, particularly on the basis of quality.

Believe me, we need all the brains that are available to determine how to go about his. One way, of course, is the way we have done in the past, and that is to discount an undesirable variety for milling purposes as far as the loan program is concerned.

Now, if the trend you cite does become a more real thing—and we think it probably will—maybe another way will be to have a different loan rate. But again, that in itself doesn't mean very much in that we must rely upon the certification or upon the honesty of the producers and grain handlers, grain merchandisers, and that is going to give us some real problems in the years ahead, I am afraid.

We just don't know all of the answers as to how we should approach this one.

Senator BELLMON. It occurs to me that while the committee is considering this new legislation it might be the appropriate time to get into the law some language that will strengthen the hands of the Department as it attempts to administer—to cope with these new varieties.

If we don't do it, we are going to wind up 3 years from now seeing our carryover go very high, and then seeing another big reduction in acreage, it appears to me, unless we do make it possible for these new high-yield wheats to be offered as feed grains.

Mr. PALMBY. I think it has been quite a credit in many ways, not only to the Department, but to the producers in the grain industry; the success with which this discount program has operated in the last 15 years. It has worked very well.

Senator BELLMON. It has put a lot of undesirable varieties out of production.

Mr. PALMBY. However, if in turn we have a substantially higher yield, and at the same time a lower loan rate, I think we have a bigger problem.

Senator BELLMON. It occurs to me that if the hybrid proliferates at the rates, say, that grain sorghums have, that every year you are going to be facing a whole raft of new varieties, and you won't know anything about the quality. And it would seem to me to be logical that a variety would have to be on the approved list for 3 years or some period of time so that you would know what you were dealing with before it is eligible for the loan and then has a chance to be accepted by the miller, and perhaps can be certified.

But, I certainly feel that the committee would support you should you come to us with any kind of a reasonable approach.

I would like to say, Mr. Chairman, in conclusion, that I certainly agree with the major concept of the proposals that the Secretary has brought before us, and particularly in relation to set-aside, because as a producer I concede that this would give us a great deal more freedom to grow the crops best suited to the areas, and also to our farming community. And also it would add to the efficiency by enabling the farmers to get away from the crops they don't want to raise into crops they can raise better.

And also it would help us to adopt our agricultural production to changing markets and changing demands as time passes.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. Secretary, as I understand, you offered no changes as to wool, peanuts, tobacco, and rice?

Secretary HARDIN. That is correct.

The CHAIRMAN. Now, in respect to rice, I received a letter from Mr. George Blair of the American Rice Growers Cooperative Association. His amendment is designed to update the 1965 act as it relates to rice by providing that if the allotment in any year is less than the 1.818 million acres rice allotment in the 1965, the diversion program requiring payment would become effective in that year to support the gross income of rice producers in that year at a level not less than such gross income would have been, had such National Acreage Allotment Act been reduced below the allotment in 1965.

In other words, what he proposes is a diversionary program when you get below 1.8 million. As you know, the law provides for a minimum acreage of 1,600,000 acres in round figures. And it is 1.8 million.

Now, if the acreage should be below that, then it provides for a diversion payment the same as we had several years ago.

And I am going to put this in the record, and I will ask you to comment on it.

Secretary HARDIN. We'll give it careful consideration.

(The documents referred to follows:)

U.S. SENATE,
Washington, D.C., March 3, 1970.

MR. GEORGE B. BLAIR,
American Rice Growers Cooperative Association,
Lake Charles, La.

DEAR MR. BLAIR: Thank you for your letter and the enclosed amendment to the 1965 Farm Act as it concerns rice.

Your amendment, as I understand it, is designed to up-date the 1965 Act as it relates to rice by providing that if the allotment in any year is less than the 1,818,638 acre rice allotment in 1965 a diversion program requiring payment would become effective in that year to support the gross income of rice producers in that year at a level not lower than such gross income would have been had such national acreage allotment not been reduced below the allotment in 1965. This differs from existing law in that both the allotment and income supplement under existing law are related to 1965.

This seems like a reasonable idea to me and I will see what can be done.
With kindest regards and best wishes, I am
Sincerely yours,

ALLEN J. ELLENDER,
Chairman, Committee on Agriculture and Forestry.

LAKE CHARLES, LA., *February 18, 1970.*

Hon. ALLEN J. ELLENDER,
U.S. Senate,
Old Senate Office Building,
Washington, D.C.

DEAR SENATOR ELLENDER: Attached for your consideration is a suggested amendment to that portion of the Agricultural Act of 1965, as amended, providing for an acreage diversion payment for rice.

As you probably know, the General Counsel of USDA has interpreted this provision in current law as meaning that an acreage diversion program for rice must be instituted if the acreage is reduced below that of 1965 but that the payments must be made only when the total gross income of all rice producers in the United States becomes less than the total gross income of all rice producers was in 1965. Because of a gradual increase in per acre yields and a gradual increase in the parity price which determines support levels and consequently average market price, as a result of the inflation of the past few years, the interpretation is that the national rice acreage allotment could have been set this year at approximately 1,645,000 acres before it would have been necessary to make any payments under the diversion program. I am sure that this was not the intent of this section of the legislation which you caused to be included in the Act. Of course, this provision is not applicable beyond this current crop year unless the Agricultural Act of 1965 is extended.

The suggsted amendment which I have attached would mean that if the national rice acreage allotment is reduced below that of 1965 (1.818 million acres) then an acreage diversion program for rice should be instituted and diversion payments made so that the gross income of rice producers for that year would be maintained at a level not lower than it would have been had such acreage allotment for that year not been reduced below the 1.8 million acres.

I feel sure that this was the intent of the legislation as proposed by your Committee in 1965 but no one could forsee the effects of inflation over the succeeding five years.

I have checked the wording of the suggested amendment with Mr. Henry Casso and Mr. Harker Stanton and both of them are in agreement that such wording will accomplish the desired objective.

Since your Senate Agriculture Committee has already started hearings on farm legislation and, I understand, National Farmer's Union has already presented testimony and is one of the groups supporting the "coalition bill" we will undertake to advise National Farmer's Union officials and the members of the coalition group of the change that we desire in the Agricultural Act of 1965 with respect to acreage diversion programs for rice if the Act is extended.

I will appreciate any suggestions you may have with respect to our procedures or needs with respect to farm legislation for this year. I hope to see you in Washington soon.

Sincerely yours,

GEORGE B. BLAIR,
Executive Vice-President,
American Rice Growers Cooperative Association.

SUGGESTED AMENDMENTS TO PART V—MARKETING QUOTAS—RICE, APPORTIONMENT OF NATIONAL ACREAGE ALLOTMENT*

Section 353 (c) (7) If the national acreage allotment for rice for ~~1966, 1967, 1968, 1969, or 1970~~ *any year subsequent to that for 1965* is less than the national acreage allotment for rice for 1965, the Secretary shall formulate and carry out an acreage diversion program for rice for such year designed to support the gross income of rice producers at a level not lower than *such gross income would have been had such national acreage allotment not been reduced below* that for 1965, minus any reduction in production costs resulting from the reduced rice acreage.

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*Current wording to be deleted struck through. Added wording italicized.

The CHAIRMAN. Are there any further questions? Is there any more wisdom to be given to this committee? Do any of you gentlemen desire to say anything in addition to what has been said?

The committee will close the hearings. The hearings are ended now, so far as the witnesses testifying. But permission will be granted to file statements and for you to correct the record until just below the Easter holidays, which is this week.

And we expect then to go over the hearings and have them printed so that early next month we will be able to look into this program and then we may consult you further. And I hope that in the meantime the House can come up with a bill. And if, as and when the House does have a bill, then we will be ready to present ours.

Senator AIKEN. Mr. Chairman, I think maybe I ought to explain the reason I haven't attended these hearings more than I have.

The CHAIRMAN. You don't have to do that.

Senator AIKEN. I know what has been said for 30 years hasn't been changed too much.

But, the other reason is that the Foreign Relations Committee has been busy all of the time. We have recently been considering what is commonly called the Peterson report, and I think farmers would be quite interested in that. Possibly the senior Senator from Nebraska here might be interested, because among their recommendations is a proposed increase in imports of sugar, textiles, and meats. I don't know that Nebraska is involved in either sugar or meats; certainly they are not a big cotton State. They may have a few sheep.

So, these two things tie in together.

I agree that every time we use up our imports, more money goes into the rich countries instead of the poor countries.

The CHAIRMAN. If there are no further questions, the hearings will close.

We are very hopeful that these hearings can be corrected so that they can be printed and made available for us after the Easter holidays.

(Whereupon, at 4:00 p.m. the committee adjourned, subject to the call of the Chair.)

(Additional statements filed for the record are as follows:)

STATEMENT OF WYNNE B. HENDERSON, PRESIDENT, IDAHO STATE WHEAT GROWERS ASSOCIATION, NEZPERCE, IDAHO

I, Wynne B. Henderson, President of the Idaho State Wheat Growers Association, thank you for the opportunity to present our views on forthcoming farm legislation.

We strongly disagree with the proposal to lower the loan rate on wheat from $1.25 national average to $1.10. As can be seen from the enclosed chart the support loan has, since 1938, pretty much determined the price we have received. It is evident this will depress wheat another 15¢ a bushel. We have received the argument from Sec. of Agriculture, Hardin, that in the long run wheat will turn around and be on the upturn when enough marginal producers are forced out and only legitimate producers remain. He may be right but we question whether or not we can continue to be in production until this promised reversal brings in enough money to pay for our continually rising costs. As I understand it, what the administration proposes, with the inclusion of wheat certificates, will lower our return at least 7¢ per bushel.

Wheat is a basic commodity in our area and the prices of all other commodities are geared to it. Consequently, this lowering of the support price will force the price of feed barley down; malting barley will be down; dry, edible peas and austrian peas will be down, and eventually livestock prices will reflect this downward trend. We have suspicions this is one goal the U.S.D.A. has in view.

The support loan is one area that has a direct effect on our price and yet doesn't all come out of the U.S. treasury. There is some cost, admittedly, but if we look at the positive results it seems to have been a wise investment.

We also object to the changing of parity to a set figure or even tie it to a price determined by an average of previous years. Since it has been declining for twenty years there is only one way it will go—DOWN. As you know we are operating in an area of inflation and we have to have some tool to escalate our returns in relation to our costs. We would like to keep the concept of parity as it is now.

The set aside program, as we understand it, and if administered properly, would work well in north Idaho where we have annual cropping. We already have quite a bit of freedom but this would probably be more flexible and easier to fit to individual farms.

Thank you again.

WHEAT (PRODUCTION, SUPPORT PRICE, AVERAGE PRICE, CROP VALUE, GOVERNMENT PAYMENTS)

Crop year	Production (million bushels)	National average support price [1] (per bushel)				Average price to farmers per bushel)		Farm value (million dollars)	Government payments (million dollars
1933	552.2	(None)				$0.744		$410.8	[2] $93.8
1934	526.1	(None)				.848		446.1	[2] 105.5
1935	628.2	(None)				.831		521.9	[2] 115.0
1936	629.9	(None)				1.02		645.5	[2] 43.4
1937	873.9	(None)				.962		840.7	----------
1938	919.9	$0.59				.562		516.6	[2] 50.3
1939	741.2	.63				.691		512.4	[3] 137.6
1940	814.6	.64				.682		555.5	[3] 103.1
1941	942.0	.98				.944		889.6	[3] 107.6
1942	969.4	1.14				1.10		1,064.8	[3] 137.2
1943	843.8	1.23				1.36		1,148.8	[3] 140.4
1944	1,060.1	1.35				1.41		1,498.1	----------
1945	1,107.6	1.38				1.49		1,660.9	----------
1946	1,152.1	1.49				1.90		1,201.0	----------
1947	1,358.9	1.84				2.29		3,109.4	----------
1948	1,294.9	2.00				1.98		2,577.2	----------
1949	1,098.4	1.95				1.83		2,061.9	----------
1950	1,019.3	1.99				2.00		2,042.3	----------
1951	988.2	2.18				2.11		2,088.7	----------
1952	1,306.4	2.20				2.09		2,729.4	----------
1953	1,173.1	2.21				2.04		2,390.9	----------
1954	983.9	2.24				2.12		2,082.5	----------
1955	937.1	2.08				1.98		1,858.5	----------
1956	1,005.4	2.00				1.97		1,976.2	[4] 43.4
1957	955.7	2.00				1.93		1,848.4	[4] 229.5
1958	1,457.4	1.82				1.75		2,543.7	[4] 104.1
1959	1,117.7	1.81				1.76		1,969.5	----------
1960	1,354.7	1.78				1.74		2,361.2	----------
1961	1,232.4	1.79				1.83		2,254.7	----------
1962	1,092.0	2.00				2.04		2,225.7	[5] 285.5
1963	1,146.8	[6] 2.00	[7] $0.18	[8] $1.82	----------	1.85	[9] $2.03	2,125.3	[10] 242.7
1964	1,283.4	[11] 2.00	[12] .70	[13] .25	[8] $1.30	1.37	[9] 1.80	1,757.0	[14] 442.9
1965	1,315.6	[11] 2.00	[12] .75	[13] .30	[8] 1.25	1.35	[9] 1.79	1,774.5	[14] 509.2
1966	1,311.7	[11] 2.57	[12] 1.32	[8] 1.25	----------	1.63	[9] 2.22	2,140.7	[14] 681.3
1967	1,522.4	[11] 2.61	[12] 1.36	[8] 1.25	----------	1.39	[9] 1.87	2,120.2	[14] 727.0
1968	1,570.4	[11] 2.63	[12] 1.38	[8] 1.25	----------	1.24	[9] 1.79	1,947.3	[14] 746.0
1969	[15] 1,458.7	[11] 2.77	[12] 1.52	[8] 1.25	----------	----------		----------	[14] 878.0
1970	----------	----------	----------	[8] 1.25	----------	----------		----------	----------

[1] For 1955 through 1963 crops, support outside the commercial area was 75 percent of the rate reflecting the U.S. average level.
[2] Adjustment or conservation.
[3] Adjustment or conservation and parity.
[4] Acreage reserve soil bank.
[5] Diversion.
[6] Total support.
[7] Price-support payment.
[8] Price-support loan.
[9] Blended average price to program participants, reflecting national average price received by farmers and the marketing certificate value averaged for participants total production.
[10] Diversion and price support.
[11] Support for wheat used for domestic food.
[12] Domestic marketing certificate value.
[13] Export marketing certificate value.
[14] Diversion and certificates.
[15] Aug. 1, 1969, crop report.

AMERICAN FALLS, IDAHO.

U.S. SENATE AGRICULTURE COMMITTEE,
Senate Office Building,
Washington, D.C.

DEAR SENATORS: I am Vard W. Meadows of American Falls, Idaho and am a wheat grower on the dry farm wheatlands of Power County, Idaho. I own 4217 acres of land of which 564 acres is wasteland, leaving 3653 acres of tillable ground on which I can grow either wheat or barley. Of this 3653 acres of land, I summer-fallow one half each year or 1825 acres in crop and approximately 1825 acres in summer-fallow. We have to summer-fallow in this dry land area because the rainfall is not high enough so that we can crop this land every year. Average rainfall is approximately 12 inches per year.

Summer-fallowing practice is necessary to conserve our soil and is a practice wherein we till the ground and keep it clean of weeds and store moisture in the soil by proper tillage methods. Thus in this practice we store one year's moisture in the soil and plant this land to fall crops or spring crops of barley or wheat and have the next year's season to mature the crop in—thus we grow a crop of grain with two years' moisture—the one we store in the soil thru summer-fallow methods and the one that receives moisture during the crop growing season.

I give the above information because of the "set aside" program that is being advocated. Acres that can be planted are regulated by what is known as conserving base. My conserving base is 1523 acres as recorded in the local ASC office. Land that is cropped every year has a small conserving base and thus would not be effected a great deal by the "set aside" theory, but in my case it would work an extreme hardship and almost put me out of the wheat and barley business. I hope that the new farm program can be flexible enough to allow adjustments in the summer-fallow areas of the arid western part of the U.S.

I have signed up with the 1970 program and have a wheat allotment of 918.5 acres of wheat for 1970 production and am pleased to co-operate and help reduce the wheat surplus in this country.

The next item I wish to present is the proposed reduction in the loan rate. Present national average is $1.25 per bushel. At American Falls, Idaho the farm storage loan rate is $1.16 with a loan rate of $1.06 for warehouse storage loans. The proposed loan rate is for a national reduction of .15¢ per bushel or $1.10. Thus you can see that we cannot afford a reduced price of .15¢ per bushel in American Falls, Idaho. Since 1933 to 1969 inclusive the record shows that the price of wheat follows the loan rate—in some cases a few cents over and a few cents under the loan. I enclose a copy of this historical fact for your information. Please at least keep the national average at $1.25 per bushel and more if possible, otherwise we will all be broke and going to the cities for welfare and relief rolls.

I would also like to see the loan program renewed so farmers can get money to build farm storage units on their farm and hold their products of small grains out of public and terminal warehouses.

This would help the transportation problem by not glutting the railroads, commercial and terminal storage facilities at harvest time and make a more orderly marketing season.

I have farmed all my lifetime and now low prices and high cost prices of operation are threatening to destroy this lifetime investment. It bothers me that we seemingly have to turn to the government for our lifeline, to keep us in the production of food to feed the people of this nation and the world. It would be much better if we could get our entire income from the marketplace, but just now the economy does not seem to be moving in that direction as regards to wheat producers. Our product is too universally produced over the world.

The farm economy is too important to let go by the wayside, because, in my opinion if the farm economy goes under the entire economy of the nation will follow. It is estimated that 40 percent of the work force in the nation is dependdent of agriculture and its related industries. This cannot be lightly passed by.

I appreciate very much the interest the Congress has in the farm program and feel they will do the best they possibly can to keep a sound and prosperous national agriculture. Thanks for allowing me to enter this testimony, brief as it is.

Very Sincerely yours,

VARD W. MEADOWS.

(For the table referred to above, see page 827.)

REXBURG, IDAHO.

Senator ALLEN J. ELLENDER,
Chairman, Senate Committee on Agriculture,
Washington, D.C.

GENTLEMEN: My name is Earl Hoopes. I operate a 3,000 acre wheat farm in Teton County, Idaho. This is a summer fallow area. By summer fallow, I mean an area where crops are produced on a piece of land only every other year. The production on my farm is restricted by climate to two alternatives, namely wheat or barley, with wheat historically, the principal source of income.

It is a widely recognized fact that the wheat industry is in financial trouble. This is due principally to low prices. In a desperate effort and with the advice of most noted economists, many of us have expanded (on borrowed capital) to increase efficiency and maintain our income, but the result has not been as anticipated. Our income has been in steady decline. This decline in wheat farm income has run concurrently with a period of the greatest personal income increase in our nation's history. This desperate effort of expansion has not only failed to solve our problem, but has in fact magnified it.

If you will excuse a personal example, I will cite one figure, my own farm records. In 1959 my interest expense was $3,579.29. This past year, just ten years later, my farm interest cost was $14,573.85—a 400 per cent increase in just ten years. With an even larger debt to finance in 1970, I will be paying the most brutal interest rates I have known in my lifetime. This, gentlemen, is the harvest of deficit farming. Today's wheat price is considered by many to be the weakest point in our economy. This is why we, engaged in wheat production, are so shocked to hear each proposed change in a new wheat bill deliberately pointed to a lower income level.

I would like to mention some of these proposed changes.

1. Lowering the loan rate on wheat. To argue that a decrease in loan does not result in a decrease in price is an indication of either lack of knowledge of the loan and price history or lack of intellectual honesty. Each time the loan has been raised or lowered, it has been accompanied by like change in the price. One only has to look at the present world and national wheat supply to dispel any thought of a different reaction, should the loan be lowered this year.

2. The next proposed change I would like to mention is in regard to the concept of 100 per cent of parity. My dictionary defines parity as: "The quality or state of being equal".

I think it would be a sad day in America when we abandon equality as a measure of fairness and substitute an arbitrary figure supplied by men who have no intention whatsoever of ever trying to supply the financial needs of their family on profits from sale of a crop at this new price.

3. The third point I would like to mention is that of marketing CCC stocks. The program that has been suggested for acquiring and marketing CCC grain would completely destroy the free enterprise concept of marketing grain. The new program suggested by the Department of Agriculture would just as effectively destroy the free enterprise marketing system as I would destroy the production of my land by pouring salt on it. Time and space will not permit a full explanation of this claim in this statement, but I would be happy to supply it to any of you upon request.

When one considers the level of the wheat price today, it would seem only logical that any change in the farm program would be in the direction of more income and price to the producer, and that any compromise we would be asked to make would be between what we now have and a figure equal to 100 per cent of parity, but this is certainly not the case. What we are being asked to do is to compromise and accept something between the already deplorably low price we have today and a figure substantially lower.

I would hope this committee would reverse this trend and report out a bill that would retain what we have now plus (1) increased price support, and (2) restrict the acquisition and sale of Commodity Credit stocks by fixing the resale minimum at a level not less than 115 per cent of loan plus all accumulated costs including freight. Only with this protection can the free market price be elevated to a respectable level.

I would like to express my appreciation to the distinguished members of this committee for giving me the opportunity to submit this testimony.

Respectfully yours,

EARL N. HOOPES.

STATEMENT OF C. A. DUNHAM, NEZPERCE, IDAHO

The extremely low world wheat price and the ever-increasing cost of operation are rapidly depleting the capital assets of the American wheat producer. Continued deficit operation in the very near future will have a major impact on the entire United States, depressing the economy as major users of oil, steel, and rubber continue utilization of over-age equipment which should be replaced but can not be because of the shortage of funds. This will contribute to the already declining economy in a majority of our industrial producers.

We realize that a strong world price can not be maintained as long as production is above consumption. It seems to me the logical solution is for all major exporting nations to curtail production. Canada is making drastic reduction; Australia and France are talking about it. Now is the time for the United States to press for universal production control, and lead the way with a substantial price increase, coupled with a strong, variable export subsidy to show that we intend to remain competitive in the world market.

History will prove that world wheat has traded in the General area of the U.S. terminal loan rate.

HILL CITY, IDAHO.

SENATE AGRICULTURE COMMITTEE

DEAR SIRS: I am Gwinn Rice, a third generation wheat farmer from Camas County in Idaho.

As a Idaho wheatgrower with views consistant with Idaho Wheatgrowers Association and National Wheat Growers Association. I urge you to maintain our present loan price of $1.25 at least. This is a concession because of increased farming costs.

I want to urge that at least we maintain the present resale conditons of CCC wheat at 115% of loan. Any reduction in this requirement has the effect of destroying geographical advantages of market nearest to the production area.

Historically Idaho has been furtherest from the domestic markets of the Eastern United States thus receiving a lesser price because of transportation costs.

Now that export market has been established off West Coast Ports any government resale requirements if reduced below 115% of loan would have a drastic effect on our potential market price.

Any resale requirements of CCC wheat should include the cost of transportation.

Thank you.

Sincerely yours.

GWINN RICE.

AMERICAN BAKERS ASSOCIATION,
Washington, D.C., April 1, 1970.

Hon. ALLEN J. ELLENDER,
Chairman, Senate Committee on Agriculture and Forestry,
U.S. Capitol, Washington, D.C.

DEAR SENATOR ELLENDER: The American Bakers Association and the Biscuit and Cracker Manufacturers' Association on behalf of their members wish to submit to the Committee on Agriculture and Forestry their views with respect to that portion of the proposed farm legislation embracing the Wheat Certificate Plan. The Administration's proposals to the House Committee on Agriculture and your committee would continue the Wheat Certificate Plan of present law without substantial change.

The Baking Industry continues to view the processing tax on wheat, which is an integral part of this plan, as unfair and inequitable taxation of consumers of our products. Of the 530 million bushels of wheat used for food annually in the United States, the Baking Industry utilizes the flour equivalent of about 450 million bushels. Thus, the Industry is annually assessed a tax of some $340 million on this use. The tax is borne by the milling and baking industries in the first instance and ultimately by the consumer to provide funds for the payment of benefits to wheat growers. We object to this processing tax as being contrary to the principle of fairness and equity in the assessment of taxes.

We believe that if it is to be the policy of Congress that wheat growers should receive a certain level of income which requires special financing, the funds should be appropriated from the general revenues of the Treasury and not obtained by a special tax on consumers of wheat and wheat products. Under the processing tax of the Certificate Plan, the more wheat one consumes as bakery products, thereby providing a market for wheat, the more one is taxed. Apart from its immensity and unfairness, this tax can be self-defeating in that it limits the potential for expanded consumption of wheat and its products. The almost static per capita consumption rate of flour and bread suggests such a cause and effect.

We would remind the Committee that this tax of 75¢ per bushel of wheat is the equivalent of a tax of $1.73 on every hundredweight of flour consumed in the United States and is reflected in varying degrees in the prices of all bakery products purchased by consumers. It is an effective tax rate of almost 30% on every hundredweight of flour purchased by bakers or housewives. This is a fantastically high tax both in the absolute and as a percentage of the price of flour used in the manufacture of bread and other bakery products. Need we remind the Committee and the Congress that the greatest consumption of bakery products, particularly bread, is by consumers who are in the low and middle income brackets? One may reasonably ask, why must consumers of bakery products have this extraordinary tax imposed on them? They are in no way the beneficiaries of the tax monies collected. All the proceeds go to the wheat growers.

We regret that the Administration does not seek to eliminate the certificate tax. However, it does propose that the assessment on the processor be limited to 75¢ per bushel of wheat used for domestic food consumption. This limitation may be an indirect recognition that the tax is unfair and undesirable. Preferably, the Administration should seek to eliminate the certificate tax entirely.

We are fully aware of the need for a strong farm economy. We believe in this and we support it as a desirable objective. At the same time, we must oppose this disproportionate burden on consumers of bakery products. The very fact that the wheat growers insist that they are disadvantaged members of the total economy, despite the benefit payments of more than $400 million from this tax made to them annually during the past several years (as well as equal additional amounts from the U.S. Treasury), is a strong indication that this processing tax is not the solution to their problems. New approaches are needed to achieve a healthy wheat economy.

We strongly urge, Mr. Chairman, that in developing sound farm legislation, your Committee eliminate the Wheat Certificate Plan and permit the wheat farmer, as well as the consumer of wheat products, to shed this invidious tax.

We would very much appreciate your making this letter a part of the record of the committee's proceedings.

Respectfully,

JOSEPH M. CREED,
General Counsel.

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File with Farm Bill History 91-52

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GENERAL FARM PROGRAM
AND
FOOD STAMP PROGRAM

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HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

NINETY-FIRST CONGRESS

FIRST SESSION

JULY 15, 21, 22, 29, 30, 31, AUGUST 5, 6, 7, SEPTEMBER 3, 4, 5, 8, 9, 10, 11, 16, 24, AND OCTOBER 10, 1969

Serial Q
Part 1

Printed for the use of the Committee on Agriculture

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AND
FOOD STAMP PROGRAM

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Part 1

Printed for the use of the Committee on Agriculture

U.S. GOVERNMENT PRINTING OFFICE
34-326 WASHINGTON : 1969

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GENERAL FARM PROGRAM AND FOOD STAMP PROGRAM

TUESDAY, JULY 15, 1969

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to recess, at 10 a.m., in room 1301, Longworth House Office Building, the Honorable W. R. Poage (chairman) presiding.

Present: Representatives Poage, McMillan, Abernethy, Stubblefield, Purcell, O'Neal, Foley, de la Garza, Vigorito, Jones of North Carolina, Montgomery, Sisk, Alexander, Burlison, Lowenstein Rarick, Jones of Tennessee, Melcher, Belcher, Teague, May, Wampler, Goodling, Miller, Mathias, Mayne, Zwach, Price, Myers, Sebelius, McKneally, Mizell, and Resident Commissioner Córdova.

Also present: Christine S. Gallagher, clerk; William C. Black, general counsel; Hyde H. Murray, associate counsel; and L. T. Easley, staff consultant.

The CHAIRMAN. The committee will please come to order.

All those who can't find seats can stand in the doorways, I guess.

The committee is met this morning to begin the hearings on permanent legislation to affect both the production and the distribution of agricultural products, and to consider the distinction between the existing programs, both our production programs and our distribution programs, including food stamps.

A great many bills have been introduced concerning one or another phase of production and distribution of agricultural commodities. The Chair has introduced a bill which provides for the continuation of existing farm programs and food stamp programs without limitation on the amount of money to be appropriated for food stamps.

(The bill, H.R. 12430 introduced by Mr. Poage, follows:)

[H.R. 12430, 91st Cong., first sess.]

A BILL To maintain farm income, stabilize prices, assure adequate food, reduce surpluses, lower Government costs, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled. That this Act may be cited as the "Food and Agriculture Act of 1969."

SECTION 1. The Food and Agriculture Act of 1965, as amended, is amended—

(1) by deleting section 103.

(2) by deleting the entire sentence in section 201 (1) and substituting "By deleting the second sentence of section 703.".

(3) by deleting "through 1970 crops" whenever it appears in sections 301, 302, 401(2), 401(3), 402(a) and 506 and substituting "and succeeding crops."

(4) by deleting "effective only for the 1966 through 1970 crops," and by

deleting "1967 through 1970" and substituting in lieu of the latter "succeeding" in section 402(b).

(5) by deleting "for the period August 1, 1966, through July 31, 1971," in section 404.

(6) by deleting "the calendar years 1966 through 1970" in section 405 and substituting "1966 and succeeding calendar years".

(7) by deleting "years 1966 through 1970" whereever it appears in sections 501 and 502 and substituting "year 1966 and succeeding calendar years".

(8) by deleting "in the calendar years 1964 through 1970" in section 501 and substituting "in 1964 and succeeding calendar years".

(9) by deleting "through 1970" in section 505 and substituting "and succeeding calendar years".

(10) by deleting "years 1967 through 1970" and substituting "year 1967 and succeeding calendar years" in section 506.

(11) by deleting "through the 1970" and substitute "and succeeding" in section 516.

(12) by deleting "during the calendar years 1965 through 1970" in section 602(a).

(13) by deleting "ending June 30, 1966, through June 30, 1969 or during the period June 30, 1969, through December 31, 1970," in section 602(k).

(14) by deleting "through 1970" and substituting "and succeeding crop years thereafter" in section 703(i).

(15) by deleting "through 1970" and substituting "and succeeding" in section 704.

(16) by deleting "1970" and substituting "succeeding years" in section 801.

SEC. 2. The Food Stamp Act of 1964, as amended, is amended—

(1) by deleting the sentence in section 7(b) and substituting the following: "Notwithstanding any other provision of law, households shall be charged such portion of the face value of the coupon allotment issued to them as is determined to be equivalent to their normal expenditure for food: *Provided, however,* That employment, service or public work equivalent in value to such charges shall be acceptable in lieu thereof when performed by adult members of the households for local governments under the supervision and direction of officials thereof and properly certified thereby. Payment for such services in food stamps shall not be considered income for any other purpose nor shall such persons be considered employees of local governments for any purpose save qualification for food stamps."

(2) by deleting everything following "June 30, 1968," in the first sentence of section 16(a) and substituting the following: "and for each subsequent fiscal year such sum as may be necessary to carry out the provisions of this Act.".

The CHAIRMAN. Mrs. May and numerous others have introduced a bill here which greatly extends the food stamp program both as to time, and money and purposes.

The bill, H.R. 12222, introduced by Mrs. May, for herself, Mr. Gerald R. Ford, Mr. McKneally, Mr. Zwach, Mr. Anderson of Illinois, Mr. Andrews of North Dakota, Mr. Ayres, Mr. Broomfield, Mr. Brown of Michigan, Mr. Button, Mr. Camp, Mr. Don H. Clausen, Mr. Conte, Mr. Esch, Mr. Fish, Mr. Gude, Mr. Halpern, Mr. Hosmer, Mr. Kuykendall, Mr. McCloskey, Mr. McDade, Mr. MacGregor, Mr. Michel, Mr. Rhodes, and Mr. Saylor follows:

[H.R. 12222, 91st Cong., first sess.]

A BILL To amend the Food Stamp Act of 1964, as amended

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 2 of the Food Stamp Act of 1964, as amended, is amended to read as follow:

"It is hereby declared to be the policy of Congress, in order to promote the general welfare, that the Nation's abundance of food should be utilized cooperatively by the States, the Federal Government, local governmental units, and other agencies to safeguard the health and well-being of the Nation's population and raise levels of nutrition among low-income households. The Congress hereby

finds that the limited food purchasing power of low-income households contributes to hunger and malnutrition among members of such households. The Congress further finds that increased utilization of foods in establishing and maintaining adequate national levels of nutrition will promote the distribution in a beneficial manner of our agricultural abundances and will strengthen our agricultural economy, as well as result in more orderly marketing and distribution of food. To alleviate such hunger and malnutrition, a food stamp program is herein authorized which will permit low-income households to purchase a nutritionally adequate diet through normal channels of trade."

SEC. 2. Subsections (a) and (b) of section 4 of the Food Stamp Act of 1964, as amended, are amended to read as follows:

"(a) The Secretary is authorized to formulate and administer a food stamp program under which, at the request of the State agency, eligible households within the State shall be provided with an opportunity to obtain a nutritionally adequate diet through the issuance to them of a coupon allotment which shall have a greater monetary value than the charge to be paid for such allotment by eligible households. The coupons so received by such households shall be used only to purchase food from retail food stores which have been approved for participation in the food stamp program. Coupons issued and used as provided in this Act shall be redeemable at face value by the Secretary through the facilities of the Treasury of the United States.

"(b) In areas where the food stamp program is in operation, there shall be no distribution of federally donated foods to households under the authority of any other law except that distribution thereunder may be made: (1) during temporary emergency situations when the Secretary determines that commercial channels of food distribution have been disrupted because of a disaster; (2) on request of the State agency, for such period of time as the Secretary determines necessary, to effect an orderly transition in an area in which the distribution of federally donated foods to households is being replaced by a food stamp program; or (3) on request of the State agency if the State agrees to finance, from funds available to the State or political subdivisions thereof, all of the costs, subsequent to the delivery of such foods within the State, of handling, storing and issuing federally donated food to eligible households in the area."

SEC. 3. Section 5 of the Food Stamp Act of 1964, as amended, is amended to read as follows:

"(a) Except for the temporary participation of households that are victims of a disaster as provided in subsection (b) of this section, participation in the food stamp program shall be limited to those households whose income and other financial resources are determined to be substantial limiting factors in permitting them to purchase a nutritionally adequate diet.

"(b) The Secretary, in consultation with the Secretary of Health, Education, and Welfare, shall establish uniform national standards of eligibility for participation by households in the food stamp program and no plan of operation submitted by a State agency shall be approved unless the standards of eligibility meet those established by the Secretary. The standards established by the Secretary, at a minimum, shall prescribe the amount of household income and other financial resources to be used as criteria of eligibility: *Provided*, That the Secretary may also establish temporary emergency standards of elegibility, without regard to income and other financial resources, for households that are victims of a disaster which disrupted commercial channels of food distribution when he determines that such households are in need of temporary food assistance, and that commercial channels of food distribution have again become available to meet the temporary food needs of such households."

SEC. 4. Subsections (a) and (b) of section 7 of the Food Stamp Act of 1964, as amended, are amended to read as follows:

"(a) The face value of the coupon allotment which State agencies shall be authorized to issue to any households certified as eligible to participate in the food stamp program shall be in such amount as the Secretary determines to be the cost of a nutritionally adequate diet.

"(b) The maximum amount which State agencies shall be authorized to charge any eligible household for the coupon allotment issued to it shall not exceed 30 per centum of the household's income: *Provided*, That coupon allotments may be issued without charge to households with little or no income or other financial resources under standards of eligibility prescribed by the Secretary."

SEC. 5. Subsection (e) of section 10 of the Food Stamp Act of 1964, as amended, is amended to read as follows:

"The State agency of each State desiring to participate in the food stamp program shall submit for approval a plan of operation specifying the manner in which such program will be conducted within the State, the political subdivisions within the State in which the State desires to conduct the program, and the effective dates of participation by each such political subdivision. In addition, such plan of operation shall provide, among such other provisions as may by regulations be required, the following: (1) the specific standards to be used in determining the eligibility of applicant households; (2) that the State agency shall undertake the certification of applicant households in accordance with the general procedures and personnel standards used by them in the certification of applicants for benefits under the federally aided public assistance programs; (3) safeguards which restrict the use or disclosure of information obtained from applicant households to persons directly connected with the administration or enforcement of the provisions of this Act or the regulations issued pursuant to this Act; (4) for the submission of such reports and other information as from time to time may be required; (5) that the State agency shall undertake effective action, including the use of services provided by other federally funded agencies and organizations, to inform low-income households concerning the availability and benefits of the food stamp program and insure the participation of eligible households; and (6) for the granting of a fair hearing and a prompt determination thereafter to any household aggrieved by the action of a State agency under any provision of its plan of operation as it affects the participation of such household in the food stamp program. Upon the joint approval of the Secretary and the Secretary of Health, Education, and Welfare the State plan may provide for withholding the amount to be paid by a household for its coupon allotment from any payment made by the State agency to such household under a federally aided public assistance program, if such withholding is authorized by such household. In approving the participation of the subdivisions requested by each State in its plan of operation, the Secretary shall provide for an equitable and orderly expansion among the several States in accordance with their relative need and readiness to meet their requested effective dates of participation."

SEC. 6. Subsection (b) of section 15 of the Food Stamp Act of 1964, as amended, is amended to read as follows:

"(b) The Secretary is authorized to pay to each State agency an amount equal to 50 per centum of the sum of: (1) the direct salary, travel, and travel-related cost (including such fringe benefits as are normally paid) of personnel, including the immediate supervisors of such personnel, for such time as they are employed in taking the action required under the provisions of subsection 10(e) (5) of this Act and in making certification determinations for households other than those which consist solely of recipients of welfare assistance; (2) the direct salary, travel, and travel-related costs (including such fringe benefits as are normally paid) of personnel for such time as they are employed as hearing officials under section 10(e) of the Act; and (3) an amount equal to 25 per centum of the cost computed under (1) and (2)."

SEC. 7. Section 16(a) of the Food Stamp Act of 1964, as mentioned, is amended to read as follows:

"To carry out the provisions of this Act, there is hereby authorized to be appropriated not in excess of $315,000,000 for the fiscal year ending June 30, 1969, $610,000,000 for the fiscal year ending June 30, 1970, such sums as the Congress may appropriate for the fiscal years ending June 30, 1971, Jnne 30, 1972, and June 30, 1973, and not in excess of such sum as may hereafter be authorized by Congress for any subseqent fiscal year. Sums appropriated under this section shall, notwithstanding the provisions of any other law, continue to remain available for the purposes of this Act until expended. Such portion of any such appropriation as may be required to pay for the value of the coupon allotments issued to eligible households which is in excess of the charges paid by such households for such allotment shall be transferred to and made a part of the separate account created under section 7(d) of this Act. This Act shall be carried out only with funds appropriated from the general fund of the Treasury for that specific purpose and in no event shall it be carried out with funds derived from permanent appropriations."

SEC. 8. State plans of operation approved by the Secretary of Agriculture under the Food Stamp Act of 1964, as amended, prior to the date of the enactment of amendments thereto by this Act shall continue in effect until such plans are

changed to accord with such amendments: *Provided*, That no such previously approved plan shall remain unchanged for more than one hundred and eighty days after the enactment of such amendments.

SEC. 9. (a) Notwithstanding any other provision of law, the Secretary of Agriculture, after June 30, 1970, shall not approve, or continue the approval of, the participation of any State in the food stamp program or the program for the distribution of federally donated foods to households unless the State makes provision for the operation of one of such programs in each political subdivision within such State: *Provided*, That the Secretary of Agriculture may extend the period for compliance with this section to June 30, 1971, upon notification by the Governor of any State that State legislative action is required to provide authority or funds to meet the requirements of this section and that the legislature of such State will not convene in regular session between the date of enactment of this Act and June 30, 1970: *Provided further*, That federally donated foods may be made available, under terms and conditions prescribed by the Secretary of Agriculture, to meet temporary emergency food needs of disaster victims of those States not approved in accordance with this section for participation in the food stamp program or the program for the distribution of federally donated foods to households.

(b) In making provision in accordance with subsection (a) of this section for operation of a food stamp program in any political sudbivision, the State shall provide for the distribution of federally donated food to households in such political subdivision until the request by the State agency for the food stamp program in such political subdivision has been approved by the Secretary of Agriculture in accordance with the requirements of section 10(e) of the Food Stamp Act of 1964, as amended, relating to the equitable and orderly expansion of the food stamp program among the several States.

The CHAIRMAN. There have been a number of other bills introduced. We expect to give everybody an opportunity to be heard on those phases that are of interest to them, whether they are interested in the entire program or only a portion of it. But this morning we are going to hear the Secretary of Agriculture. I have been advised that he probably will not cover all of the many facets that are involved in the legislation that is before us, but that he will cover some of them. And that will be within his discretion, what he covers.

We are pleased that we have the Secretary before us. While he hasn't officially appeared before this committee before, he has met all the members on numerous occasions, and we have had the privilege of meeting with him on an informal basis to consider farm problems. And I think these informal meetings will prove to be helpful even though there are a number of members of the committee who have not availed themselves of the opportunity that they have. I think those opportunities have been good.

Mr. Secretary, we have enjoyed our contacts in the past. I realize that these formal hearings are not as enjoyable, shall we say, but they are a part of the process that we have to proceed with. And we are not only pleased, but we are honored to have the Secretary of Agriculture as a witness. We will be delighted to hear from you, Mr. Secretary, on whatever parts of this program you want to discuss now, or in the future.

STATEMENT OF HON. CLIFFORD M. HARDIN, SECRETARY OF AGRICULTURE; ACCOMPANIED BY RICHARD E. LYNG, ASSISTANT SECRETARY; DON C. PAARLBERG, DIRECTOR, AGRICULTURAL ECONOMICS; AND CLARENCE D. PALMBY, ASSISTANT SECRETARY, U.S. DEPARTMENT OF AGRICULTURE

Secretary HARDIN. Thank you, Mr. Chairman, and members of the committee. I appreciate this opportunity to make what really I think

is an introductory statement, because as you infer and we all know, there are many, many ramifications that we will want to be considering in the next weeks. And I am sure we will seek opportunity to visit with you again on this basis as the weeks roll along and we consider these very important matters.

Today, as you have indicated, you are commencing hearings on two of the major areas of responsibility of the U.S. Department of Agriculture. There are also two matters of great importance to all of the people of the United States.

I consider myself privileged to be asked to open the testimony of the 1969 hearings of this committee upon proposals to eliminate poverty-caused hunger and malnutrition in this country and upon proposals for a farm program for the future.

I should point out, at the outset, that although the law establishing the present farm program will not expire until after the 1970 crop, there is an immediate and urgent need for an expansion of this Nation's efforts to satisfy the nutritional needs of our poor and disadvantaged. While it is vitally important for the Congress to adopt a farm program for the 1970's as soon as possible, it is essential, indeed it is crucial, that the Congress enact legislation which will permit us to improve the food and nutritional needs of this Nation's poor today.

My testimony before you at this time will, therefore, be largely related to this administration's proposals for food and nutrition legislation. Our viewpoints in this area are more fully developed, and specific legislation has been introduced in both Houses.

Before I discuss the administration's request for expanded food and nutrition programs, may I make a few general remarks about this Nation's farm programs, present and future.

Lest my emphasis on food and nutrition in my testimony today be interpreted as indicating a lack of interest in the needs of America's farmers, let me state as emphatically as I can that this administration strongly believes that the Federal Government has heavy responsibilities to maintain a healthy, productive, expanding agricultural economy. We know that this is in the interest of all of us, farmers and consumers alike.

The Congress extended the 1965 farm law, originally scheduled to expire after the 1969 crop, for 1 year, through the 1970 crop. This has given us the much needed time to study the complexities of today's and tomorrow's agriculture. It has given us an opportunity to review and project, and we hope, will permit us to offer to the Congress in the very near future some alternatives which will provide the basis for farm legislation to preserve and improve the health of agriculture in this country for the benefit of all.

It is already apparent to us that the needs of the 1970's cannot be satisfied by the farm programs of the 1960's. It is already clear to us that major modifications must be made. But it is also abundantly clear that it is not in this Nation's interest, it is not in the interest of our taxpayer's, our consumers, or our farmers that this Nation turn its back on all that has gone before. As we consider and adopt a new farm program we will hope that those have been vocal in their criticism of U.S. farm policy, will look at all of the aspects of this issue, foreign as well as domestic. The complexities are enormous. Those who see simple

solutions should, I suggest, make a more penetrating analysis of the problem involved.

The cost-price squeeze that farm people are now experiencing emphasizes the need for program modifications that will improve net farm income. The farmer pays more and more for machinery, equipment, and supplies, but the prices he receives have not gone up proportionately.

Farm production expenses have been increasingly steadily since 1953. It appears that again this year these expenses will increase another $2 billion and the increase will be almost entirely the result of price increases rather than the result of a greater volume of supplies and equipment purchased.

Once the prices of the goods used in agricultural production rise, they seldom decline. For example, prices of farm machinery have risen every year since 1955.

The object of our studies is to make recommendations that will allow the farmer to break out of the cost-price squeeze and to share in the strength and prosperity of the American economy.

We had earlier thought, in view of last summer's extension of the act of 1965, that we would have most of the current year to ready our recommendations for changes in our commodity programs. This had been the planning horizon that disciplined our studies. In view of the committee's decision to move more rapidly we are speeding up our review and plan to be ready to lay our work before you in full far sooner than we had first thought.

While our studies are not yet ready, it is possible to say that our suggestions will embrace two major components:

First. Long-range resource adjustment involving voluntary land retirement coupled with programs to assist rural people in making the changes associated with new opportunities.

Second. Modifications of commodity programs so as to make them more equitable, more effective, less costly, and more acceptable.

Now, if I may, Mr. Chairman, with this preamble on farm programs, I would like to discuss this administration's proposals for an expanded food and nutrition program.

I know you are familiar with President Nixon's message to Congress on hunger and malnutrition. In that message the President pointed out:

> We have long thought of America as the most bounteous of nations. In our conquest of the most elemental of human needs, we have set a standard that is a wonder and aspiration for the rest of the world. Our agricultural system produces more food than we can consume and our private food market is the most effective food distribution system ever developed * * * but in the past few years we have awakened to the distressing fact that despite our material abundance and agricultural wealth, many Americans suffer from malnutrition * * * That hunger and malnutrition should persist in a land such as ours is embarrassing and intolerable.

The President has committed this administration to the elimination of hunger and malnutrition. And the legislation we have proposed is designed to do so.

Our legislation has been introduced in the Senate by Senator Aiken and a number of his colleagues and here in the House by that distinguished lady from the State of Washington, Mrs. May, and more than 30 of her colleagues.

We are proposing major changes and improvements in the present food stamp program. These changes and improvements are designed to make purchase requirements for food stamps more realistic, to provide food stamps without charge to the poorest families, to provide a food stamp allotment that will purchase a nutritionally adequate diet, and to establish national standards of program eligibility.

At present the purchaser of food stamps is required to pay up to 50 percent of his income to participate in the program. We are proposing that charge for food coupons never exceed 30 percent of income and that for the very poorest families coupons be made available without charge.

Under the existing system, families with the most meager incomes are expected to accumulate amounts of cash far beyond their means in order to purchase their food stamp allotment. When a family of six with a monthly income of $80 is expected to accumulate and pay $40 for a food stamp allotment, little is left to pay rent or to buy clothing or to pay bus fare to work. If too little is left, the family must simply cut back on the most important purchase of all—food.

We believe that food stamps should be made available without charge to the very poorest families, for example, a family of four with a total income of less than $30 per month. That would be the upper ceiling. Families in this category have, for practical purposes, no continuous source of income, and it is difficult for them to accumulate enough cash for even the most minimal purchase requirement.

In short, we are proposing that the food stamp program be revised so that stamp purchase requirements are realistic—so that they encourage the poor to purchase a nutritious diet rather than discourage their participation in this program. Under the present law, the food stamp program is designed only to help participants improve their diet. There is no assurance that a participating family can meet its minimum nutritional needs. We are proposing a program that will allow participants to obtain at least a nutritionally adequate diet.

I will say parenthetically, allow, not necessarily guarantee.

Our recent calculations show that it costs at least $100 per month to provide a nutritionally adequate diet for a family of four. We believe that food stamp participants must have the opportunity to obtain such a diet. If they do not, malnutrition is inevitable.

Our legislation will allow the Department to establish uniform national eligibility standards.

At the present time, these standards must be related to the standards used in the administration of federally assisted State welfare programs. This means that eligibility standards can vary widely from State to State. Nutritional needs, unfortunately, do not rise and fall with State welfare standards, and they do not recognize or respect State boundary lines.

We are also proposing that families on public assistance may elect to have the coupon purchase cost deducted from their welfare check. We are all familiar with payroll deductions for taxes, insurance, and retirement costs. We may not like to pay the bill, but the deductions route can make the payment easier. And so with families who are primarily dependent on welfare, we think that if they can elect to

have food stamp costs deducted from their welfare check, it will be easier for them to participate in the program.

At present, State and local governments may not operate both food stamp and commodity programs in the same areas except during a brief period of transition from one program to the other. We have proposed that both programs should be allowed to operate simultaneously wherever the local government is willing to assume the additional administrative expenses.

We are also proposing that a fair hearing procedure be established at the State level to consider the grievances of program participants. At present, there is no legislation requiring such procedure. The change we have proposed will assure that participants are fairly treated. It is in the American tradition of justice and equity. The costs of this new hearing procedure will be borne on a 50–50 matching basis.

We also believe that it is important to undertake effective outreach efforts so that the poor know about the food stamp program and know how they may participate. We have proposed that State and local agencies be required to undertake effective outreach efforts and that the costs of these efforts be borne on a 50–50 matching basis.

Since I have become Secretary, 78 counties and independent cities have applied plans for family food assistance programs. However, there remain 402 counties and independent cities that have not. We are proud of the fact that our food assistance programs operate in partnership with local government.

However, we believe that it is the duty of each State to see that the local governments within its borders take steps to assure adequate nutrition for their children and low-income families. And our legislation will allow the States to do just this

And finally, we have requested appropriation authority for the food stamp program through fiscal 1973.

I have described the major features of the administration proposal. There are other bills before this committee that differ from our proposal in varying degrees. I am sure that you will give full and fair consideration to each of them.

And I know that you will consider this legislation in the context of our total effort to improve nutrition in this country. As members of this committee and the Congress, you have long been involved in the development and expansion of the national school lunch program. You have followed closely the activities of the Federal extension service, and I am sure that you share the pride we at the Department of Agriculture have in the extension service's growing nutrition aides program.

In April of this year, there were 1,431 food stamp projects in operation in 43 States and the District of Columbia, with more than 3.2 million people participating. There were another 3.7 million people participating in the community distribution program. One or the other of these family food assistance programs is operating today in areas that contain an estimated 87.3 percent of our population. The changes that we have proposed are designed to make family food assistance available to more of the needy in those areas in the areas not now covered.

We believe that the food stamp program is the preferable program for family food assistance. It makes use of our great free enterprise food distribution system. It helps the needy to learn how to purchase food. It gives the needy the same food choices as the rest of the community.

The need for the legislation we have proposed is great. This administration gives the highest priority to eliminating malnutrition. The Department of Agriculture is pleased to have the chance to work with this committee in meeting one of the great domestic challenges of our time.

The CHAIRMAN. Mr. Secretary, we are pleased to have your statement. We are delighted that you are taking the interest to look into all phases of the agricultural problem.

Before we go into the question period, I would like to call attention to the fact that we have our long time chairman with us, for 16 years, I believe, chairman of this committee. This is the first time he has been back, I believe, in the committee. We are delighted to have Harold Cooley of North Carolina with us. He has probably left a deeper imprint on this committee than any other man ever has. Of course most of us have known Harold for a great many years. And we are delighted to have him with us.

(Applause.)

The CHAIRMAN. Now, Mr. Secretary, it is our custom here, as I am sure you are aware, to cross-examine the witness. I don't want this to embarrass anyone, but there are always some questions which arise when anyone discusses any subject on which there are differences of opinion. And there are obviously differences of opinion on this procedure and as to substance.

You emphasize that portion of the problem which I felt might possibly be the lesser important side of the program. It seems to me that the production of food must be provided for before we embark upon the distribution.

I know that we have a productive system now. I can see it collapsing. And I think you understand that and agree with that. And for that reason I have felt that the emphasis, the primary emphasis, should be taking care of these programs that would assure a continuation of the production of adequate food and fiber in the United States.

I am delighted to have your assurance that you will before long come forth with further suggestions on this phase of it.

Certainly the distribution of this food, how it is distributed after it is produced, is of importance, and is something properly before this committee. And we appreciate having the views you have suggested on this.

I note that you did not mention anything about the cost of the food stamp program. That is something that every committee of the Congress must be concerned with, and I think we should review the anticipated costs. How much do you anticipate spending on this enlarged program?

Secretary HARDIN. On the food stamp program, sir, we have proposed that the figure be $610 million in fiscal 1970.

The CHAIRMAN. And unlimited thereafter, is that right?

Secretary HARDIN. Not unlimited, but a larger figure, sir—it is unlimited in the appropriation.

The CHAIRMAN. It says "and not in excess of such sums as may thereafter be authorized by the Congress in the fiscal year."

Secretary HARDIN. I spoke in error there—in the proposed legislation.

The CHAIRMAN. I think that we want to bear in mind, to get the perspective—what did we spend last year on food stamps?

Secretary HARDIN. It is about $260 million, actual expenditure. But currently, Mr. Chairman, or at the end of the fiscal year we were at an annual rate of $340 million, the ceiling under the existing law.

The CHAIRMAN. In other words, this authorization would not quite double the expenditures for the coming year?

Secretary HARDIN. That is correct.

The CHAIRMAN. I don't think that it is necessary for me to discuss the details that you have in here of giving food, rather than requiring any contribution on the part of the recipient. But I think that it is worthwhile to point out that this stamp program originated in the committee when Mr. Cooley was chairman. And it was this committee under Mr. Cooley's leadership and active sponsorship that gave us the food stamp program. And one of the basic arguments made on behalf of the food stamp program at that time certainly was that we were going to be helpful to all those who would try to help themselves, as it were, and that what we were going to do was to try to multiply their money to enable them to take a small amount of money and increase the purchasing power of that money. We stayed entirely within the private property concept.

There was no breaking over into the philosophy of communism or socialism or whatever you call it, of providing without any return on the part of the individual. We know that every individual today spends either directly, or somebody spends for him, some money for food, everybody spends money for food, even if they don't make but $30 a month.

I noticed that figure in your discussion, $30 a month with a family of four. And I wonder just where in the United States can there be a family of four with an income of $30 a month or less which is not eligible for some kind of public assistance. Is there any place in the United States?

I know the answer is always that it is Mississippi.

But that is not true in Mississippi. Now, is there any place in the United States where a family of four isn't eligible for public assistance?

Secretary HARDIN. When you put it in terms of eligibility, I am not sure, Mr. Chairman. We have found a considerable number of families who do not have this much income. And in the experimental areas that we have been working with we did get a 25 percent increase in participation as a result of making free stamps available to the very poorest, those below the levels we speak of here in our statement. And this is the basis for this recommendation. And bear in mind that we are talking about the very poorest. Now, if they have welfare payments, Mr. Chairman, that exceed these ceilings—and as you suggest, most of them will—then of course they are not eligible for free stamps automatically.

The CHAIRMAN. If there are not but a very few, as you suggest—and I think that is right, and they are eligible for assistance now

everywhere, does it become necessary to push this ahead of the problems of agricultural production in order to take care of this very small group who admittedly could receive assistance under existing laws? This is a better way of giving them assistance, but admittedly they have a remedy today. Do you feel that this is of so much more importance?

Secretary HARDIN. You wouldn't want to discuss it in terms of relative importance, Mr. Chairman. You asked me a moment ago, and I did not respond, to give you assurance that I was concerned with the production and income problems of American farmers. And if I did not make this clear in my formal statement, or in my informal associations with members of the committee, I would like to state now that we are deeply concerned with the revision of the U.S. farm program. We are deeply concerned with the cost-price squeeze that is affecting farmers across this country.

And we are very anxious to work with you on remedial legislation that will help to remedy this situation, and permit the farm producers of this Nation to participate equitably in the fruits of our advancing technology, which today on the average they are not, because the returns to labor and capital to farm producers are not comparable to those received by others in our society.

But back to this matter of free stamps. We feel there are here and there people who do not technically, for some reason or other, find themselves eligible for the welfare programs. This has been our experience. But put it this way. If they are eligible, if they are on welfare, then this doesn't cost us anything. But if indeed there are those who for some reason technically can't qualify, then this would open the door and take care of them.

And I think that is all I would want to say on that.

The CHAIRMAN. Well, it would certainly seem to me that we are probably breaking down what I think is a good, sound, useful program, to wit, the food stamp program. I think it is a good program. I think it is the best method we have yet devised of distributing food to the needy with Government assistance. It seems to me that it maintains our system of free enterprise more nearly than any of the others, and at the same time takes the assistance to the people who need the assistance.

But I have noticed a great many good programs destroyed by trying to carry them too far and too fast. This food stamp program isn't very old. The argument has been made, or was made sometime last year, that we ought not to make our agricultural program permanent, we ought to study it further.

We have been having agricultural programs for more than 30 years. Food stamps are what, 3-years old, 4-years old? About 4-years old. It seems to me that we can destroy something good by moving too fast, and that maybe we are threatening that right now.

At least this is something on which there is a good deal of disagreement, this matter of giving free food stamps. There isn't a great deal of disagreement with the existence of a food stamp program. It is generally accepted. But the question of whether you should give out with no contribution on the part of the family seems to me to be one about which there is a great deal more argument. We are just deliberately going out and hunting up trouble, when you point out it couldn't possibly have any very far-reaching effect.

Secretary HARDIN. Mr. Chairman, I realize that this is a matter on which there can be valid differences of view and of judgment, as you have indicated. It is our recommendation, our feeling, based on our experience in our experimental counties, that there is merit in it. And we present it to you in that spirit, recognizing that there are those who will make a different judgment.

The CHAIRMAN. Let me just say this—because we must move on to other members of the committee—that we do appreciate your interest in the whole farm program. As far as I am personally concerned, I want it on the record that I think that production and distribution of food should be kept together, and that it is my conviction that that is sound, both from the standpoint of governmental organization and from the standpoint of legislation, to keep them together. And I would hope that we might discuss both the production and the distribution of food in these hearings, and that we might bring them to the floor of the House at the same time.

Mr. Belcher.

Mr. BELCHER. I only have about one comment to make.

The chairman said that he didn't believe in free food stamps. Well, aren't we giving free food stamps in every part of this program? As I understand it, you give twice as many food stamps as you get cash. Now, that extra amount of food stamps that you give above the cash that you receive, isn't that free food stamps?

The CHAIRMAN. Of course it is free. The whole thing is free, as far as that is concerned. But it does require some action on the part of the recipient at the present time. If I understand it the proposal now, it is to relieve the recipient of making any contribution whatsoever. And I think there is a considerable difference between adding to someone's income and simply taking over the entire burden with no requirement of any kind on the part of the recipient.

Mr. BELCHER. I don't want to get into an argument on this, because I am not an original supporter of the food stamp plan. But it just occurs to me that a man that doesn't have any money at all needs food stamps much more than a man who can pay for half of it.

That is all I have to say.

The CHAIRMAN. Mr. McMillan.

Mr. MCMILLAN. Mr. Chairman, I don't have any questions at this time. I thank the Secretary for a fine statement.

The CHAIRMAN. Mr. Teague.

Mr TEAGUE. I had an interesting letter the other day, Mr. Secretary from an agency in upper New York State, a nonprofit charitable organization engaged in furnishing hot meals in the homes to people who are not able themselves to prepare their meals. The suggestion was made that this would be a worthy amendment to the food stamp program, to allow food stamps to be used to purchase hot meals to be delivered to the homes of people who cannot prepare their own food. Would you have any reaction to that, or would you prefer to leave that to a later time?

Secretary HARDIN. Congressman Teague, I am not familiar with the specific case you have in mind. Up to now the department has preferred to handle these kinds of situations with the donation of commodities to the agencies that were serving the hot meals.

This has seemed to be the preferable way. But if there is something here that we should look into, we certainly will be pleased to do it.

Mr. TEAGUE. Thank you very much. I am not suggesting necessarily that it is a good idea, but it was referred to me as deserving of our consideration.

Secretary HARDIN. We have met this kind of situation, and have met it so far with the donated commodities.

The CHAIRMAN. Mr. Abernethy.

Mr. ABERNETHY. Mr. Chairman, I would like to get back to the farm programs for just a minute if we might.

Mr. Secretary, you have been moving around the country conducting regional hearings or meetings with farmers and farm groups. How many of these have you attended?

Secretary HARDIN. Three to date, of the listening conferences.

Mr. ABERNETHY. Where were they conducted?

Secretary HARDIN. Lincoln, Nebr.; Pullman, Wash.; and Fresno, Calif.; and one next week in Athens, Ga.

Mr. ABERNETHY. And do you anticipate that there will be others?

Secretary HARDIN. Possibly, yes. We have not scheduled additional ones beyond the Athens meeting.

Mr. ABERNETHY. What is the criteria that is established for those meetings, or do you have such?

Secretary HARDIN. No special criteria. When we started these we thought we would try to get in several different parts of the country that were important agricultural areas, inviting in not only the people from the State in which the meeting was held, but those in surrounding States. And we have had as many as nine States, I think, represented at these meetings, with a cross section of people from different phases of agriculture, and representing different commodity interests, essentially to tell us what they think we should know about the agriculture of their area and their specific problems. And I might volunteer—you didn't ask me this—but I think from these meetings, the staff and I feel we do have a much more intimate feel of the special problems of these areas than we would have had otherwise, as a result of having these conferences.

Mr. ABERNETHY. I think that would be a natural thing. And I congratulate you for setting up these meetings. I think the idea is splendid. I am sure you are getting very valuable information from those who attend.

Now, what has been the level of attendance? Has it been extremely good, and what has been the interest shown by the people?

Secretary HARDIN. The level of interest has been, I think, much greater than we anticipated. The attendance has ranged from a thousand to 2,500 at the three meetings. And the range of interest has also been quite broad.

I suppose there have been more individual presentations that have been concerned with the plight of farm prices and farm income than any other single item. But in each of the meetings, there have been constructive recommendations made with respect to conservation programs, also with respect to nutrition, and the nutrition education efforts. There has been concern with small watersheds and with community development. In each of the meetings there have been these kind of concerns, very vigorously expressed.

Mr. ABERNETHY. In view of current publicity about farm programs, which has not been too good in so far as the farmer is concerned, has there been any unusual degree of concern evidenced at these meetings by farmers about this situation.

Secretary HARDIN. Concern with the programs?

Mr. ABERNETHY. With whether or not the programs will be continued or leveled off or phased out.

Secretary HARDIN. No; I think there has been great concern expressed in all the meetings that there be continuation of programs with modifications. In fact, most everyone who spoke almost by definition wanted some changes made. But there was very little testimony presented that would say: "We don't need farm programs."

Mr. ABERNETHY. Recently there has been a proposal submitted to the Congress by one of the major farm organizations, and it had been introduced by a number of Members, to completely phase out farm programs. That is the way I understand it—that is the way the press reported it. I will put it that way. Do you find any support for a phaseout of all these programs?

Secretary HARDIN. I know the program you are speaking of, which does provide over a period of years for phasing out price support programs as we have had them. And this position has been presented very articulately at each of the hearings that we have had.

Mr. ABERNETHY. Did it impress you?

Secretary HARDIN. They all impressed us, sir.

Mr. ABERNETHY. Do I understand that to mean that you would support a phaseout?

Secretary HARDIN. We are not ready at this time, Congressman Abernethy, to make a recommendation on phasing out or not. It would be my judgment at this point that for the foreseeable future—and I don't know how many years this is—that we are going to need price support programs for several of our commodities.

Mr. ABERNETHY. A price support program is a subsidy program, we all recognize that. Now, isn't it true that most of the programs that have come out of this Congress affecting various and sundry enterprises in the country, businesses and so on, are subsidy programs.

Secretary HARDIN. Certainly a great many of them are.

Mr. ABERNETHY. We now subsidize the airline industry quite heavily; don't we?

Secretary HARDIN. I think we do.

Mr. ABERNETHY. The shipping industry, and so on?

Secretary HARDIN. Yes, sir.

Mr. ABERNETHY. You wouldn't expect American agriculture to live in an unsubsidized economy while these other industries—and they are important—enjoy the subsidies that they receive from the Federal Government; would you?

Secretary HARDIN. No—I would put it a little differently, but I would come out generally the same place, I think, Mr. Congressman.

Mr. ABERNETHY. One of the current issues in the Congress has been a limitation on payments. And of course the payment program comes to and end next year. As you have pointed out, the objective of extending it through next year was to give the new administration, whether Republican or Democrat, time and opportunity to prepare such programs as it felt that we should have. Have you not expressed

the opinion that the so-called limitation on payments that is now before this Congress would result in a higher cost to the American taxpayer than the programs as it is?

Secretary HARDIN. Yes. We testified before both branches of the Congress that to put a limitation on our appropriation bills, as proposed—which would mean a modification of existing laws, or the enforcement of existing laws—would cost for fiscal 1970 an amount in the area of $160 million more, partially because of the snap-back provision, which would put us back into a purchase and sell-back program that—we think we can demonstrate—would cost this much more.

Mr. ABERNETHY. And you have not changed your mind about that?

Secretary HARDIN. No, sir.

Mr. ABERNETHY. In other words, it is still the opinion of yourself and the experts in your Department that the limitation would cost the taxpayers in the end $160 million more than the program now would cost?

Secretary HARDIN. For fiscal 1970; yes, sir.

Mr. ABERNETHY. For fiscal 1970. Is anybody listening?

Secretary HARDIN. Yes, I think some people have listened, particularly in one of the Houses of the Congress.

Mr. ABERNETHY. Would the snap-back provision not also add to the surplus?

Secretary HARDIN. We think it would, sir.

Mr. ABERNETHY. I think so, too. In fact, I am sure.

Now, if I can ask a question or two about the food stamp program. What criteria has your Department established—your predecessors in your Department—to determine who will and who will not be eligible for food stamps? Or is that done entirely at the State level?

Secretary HARDIN. It is done, Congressman Abernethy, at the State level at the present time. There are some guidelines but the State people have this responsibility.

Mr. ABERNETHY. Do you have the right to veto any of their guidelines?

Secretary HARDIN. Yes, we do.

Mr. ABERNETHY. Would you have the right to veto wether or not people in the category of John Doe and others should or should not receive food stamps or should receive them?

Secretary HARDIN. I don't think we would have the authority to eliminate from consideration a category of people, if they otherwise met income standards or lack of income standards that had been put out by the State. But as long as the program is given general application, the standards are given general application, without otherwise excluding people—in other words, we can quarrel with them about the regulations, but not specific exclusions.

Mr. ABERNETHY. What is your feeling about making stamps available to people who have walked off their jobs, which is usually referred to by another name.

Secretary HARDIN. Yes. I understand what your concerns are here.

Mr. ABERNETHY. I am trying to be tactful.

Secretary HARDIN. Yes, I understand. And I am trying to be, too. There is a possibility that there could be a delay of 30 days or something like this put into the regulations that would perhaps handle

part of this situation for a time. But I think if we went beyond something of this sort we would be engaging in class or special group legislation.

Mr. ABERNETHY. Have you made any determination as to whether or not you have the right to veto the availability, in making available stamps to people in that category, or whether that is exclusively a function at the State level.

Secretary HARDIN. We don't think we would have this authority under existing law, Congressman Abernethy, to exclude people who had walked off the job, and for that reason only.

Mr. ABERNETHY. I have a son in the University of Mississippi. He doesn't have any income. He is 26 years of age, and he has a wife and a child. His income is limited to the education proceeds from the GI bill, he is out of the service. Now, would he be eligible for food stamps? I of course wouldn't let him accept such. I just want to know if students in that category would be eligible.

Secretary HARDIN. If he is under the GI bill, this would be considered income.

Mr. ABERNETHY. Yes, I realize that. But he has to pay rent, he has to buy clothes, and so on. I understand that stamps are made available to college students, and I just want to know if those in the category of my Tommy could get into the program if they felt like he had to.

Secretary HARDIN. If the funds provided by the GI bill are what I think they are, I think he would make too much a month to be eligible.

Mr. ABERNETHY. You think he would. They have rent and so on to on to pay, you know.

Secretary HARDIN. We don't care what he pays for rent, it is how much income he has.

Mr. ABERNETHY. It isn't too much. There are students receiving food stamps, are there not?

Secretary HARDIN. Yes, there are, but they are not under the GI bill, I think.

Mr. ABERNETHY. Do you know what the criteria is in the States that make them eligible?

Secretary HARDIN. Generally it would be the same as other groups, if they indeed do not have income.

Mr. ABERNETHY. Do you think the Federal Government should support a program that makes food stamps available to strikers and college students.

Secretary HARDIN. This has not been the primary purpose of it. But if they otherwise meet the requirements that are set up, or the criteria that are set up—in other words, if they don't have income, they are citizens——

Mr. ABERNETHY. Oh, yes.

Secretary HARDIN. (continuing). I do not think they can be excluded. I just simply say that that is not the primary purpose.

Mr. ABERNETHY. My boy is a citizen. Would he then be eligible for food stamps?

Secretary HARDIN. I think he should be eligible. But if his income is above a certain level, then he disqualifies himself.

Mr. ABERNETHY. That leads to another question. Have you taken into consideration in arriving at the ceiling as to what this program

is going to cost, the making of stamps available to people who go on strike—and I am not saying that they don't have the right to strike—to people who go on strikes and to students in colleges, have you taken that into consideration?

Secretary HARDIN. We have disscussed it, yes ——

Mr. ABERNETHY. Pardon me for interrupting. Has that cost been calculated to the point of maximum cost?

Secretary HARDIN. Yes, it has.

Mr. ABERNETHY. How much was it?

Secretary HARDIN. We have asked for this year for $610 million for the food stamp program.

Mr. ABERNETHY. Mr. Secretary, surely that wouldn't cover all the people that we just mentioned, that is, the people who are on welfare, those who are on strike, and those who are in our public educational institutions.

Secretary HARDIN. Obviously not for an entire year. This is calculated this year, recognizing—we recognized when we made the request, the administration, that the new and revised program probably would not be in operation for a full 12 months. And therefore this is not an annualized total. It will be in excess of a billion dollars in fiscal 1971.

Mr. ABERNETHY. In fiscal 1971 it will probably go to a billion?

Secretary HARDIN. And we think we have taken into account these special categories that you have mentioned in arriving at these requests. And we are basing this on the history of the stamp program to date.

Mr. ABERNETHY. You say it will go to a billion in 1971, or a billion and a half?

Secretary HARDIN. It is approaching a billion and a half.

Mr. ABERNETHY. A billion and a half?

Secretary HARDIN. For fiscal 1971.

Mr. ABERNETHY. There will be about five times what it is now in 2 more years?

Secretary HARDIN. Yes.

Mr. ABERNETHY. That is pretty fast.

I have been advised that there are some people drawing food stamps with the head of the family having an income as high as $700 a month. Is that true or not?

Secretary HARDIN. I don't think so.

Mr. ABERNETHY. You don't think so. What is the highest income that you know of a person receiving food stamps?

Secretary HARDIN. Just a moment and I will get you the figure. But it will be lower under the program that we are proposing than it is now. This depends upon the number of children, the number of dependents in the household. For all practical purposes under the program that we are projecting it would be $3,600 for a family of four. It cuts off at $4,000, but there isn't any benefit beyond $3,600, if they have that much income, for a family of four. It is a bit higher under the present scales under existing law. Now, if a family happens to have eight or 10 children, it can run up to about $5,000.

Mr. ABERNETHY. The objectives of the program are to have a balanced diet and eliminate malnutrition?

Who goes along and determines, when the food stamp beneficiary purchases the food, whether or not they wind up with food that would bring them a balanced diet?

Secretary HARDIN. On that, Congressman, if the people insist on eating a poor diet, they certainly can go and with their food stamps buy a poor diet. However, we do recognize that lack of knowledge is a major cause of malnutrition in this country. And this is the reason that we are extending and expanding the program of nutrition aides through the extension service, in which people are being employed from these depressed areas and given training in nutrition, and are returning to their same communities to work with the people on improving their methods of buying and preparing food and planning their meals.

We recognize that this still doesn't guarantee people a good diet, but so far the response to this program in the first 3 or 4 months has indicated a strong desire on the part of a great many families to improve their ability to feed themselves.

Mr. ABERNETHY. You have indicated that there are 400 and some odd counties and cities which have not yet come under the food stamp program. Do you anticipate bringing those under?

Secretary HARDIN. We hope they will all come under during the year. Yes, 402 of them.

Mr. ABERNETHY. Supose they don't? Do you have in mind putting a program in there irrespective of their inaction?

Secretary HARDIN. Under the existing law we would have the authority to go in with a commodity distribution program if we so elected. Some time ago the Department did move into about 50 counties in this manner—incidentally, 50 of the very poorest counties where resources were meager in terms of their own treasuries to take on their own costs. In the wealthier counties we have not made this election, but have rather hoped by working with them we would get them to see the error of their ways, and that they would come in and request.

And this is continuing. The proposed legislation does provide on the food stamp plan that if there was a demonstrated need for the program, and the Governor of the State requested it, then we could come in with the program.

It depends on whether you take exactly the Senate version or the administration proposal. They vary a little bit on this.

Mr. ABERNETHY. One question on that. Who would pick up the cost of administration which is now borne by the States and counties in the event that you went into a county that didn't invite you in?

Secretary HARDIN. In the case of the commodity distribution programs the Federal Government would bear the cost.

Mr. ABERNETHY. What about food stamps?

Secretary HARDIN. We haven't done it.

Mr. ABERNETHY. Do you bear that cost now?

Secretary HARDIN. No; in no case. We have not done this, Mr. Congressman. We have not. And I think we are reluctant to.

We think that the commodity program is sufficient guarantee on this, or some type of arrangement. If there does need to be additional teeth in this, then it should be in cooperation, and at the request of the State government.

Mr. ABERNETHY. When you do get stamps into all the counties and cities, what are you going to do with all the surpluses and commodities which are now distributed?

Secretary HARDIN. Under the program that we have projected for this year, 1970, and 1971, we are not replacing any significant number of the commodity distribution programs. They are still continuing. There were 1,100 counties and independent cities.

Mr. ABERNETHY. Then the food stamp program is not a complete substitute?

Secretary HARDIN. No, sir.

Mr. ABERNETHY. That is the impression that is around the country. That is the law, isn't it?

Secretary HARDIN. No, sir.

Mr. ABERNETHY. It is not?

Secretary HARDIN. No, sir.

Mr. ABERNETHY. You can have them both in the same county?

Secretary HARDIN. The law now provides—no—that we have one or the other in all areas. And there are 1,100 and some odd that have the commodity distribution, and almost an equal number——

Mr. ABERNETHY. But the idea is being promoted to put stamps—I am not saying that you do it, but the Department may be, or the administration, or someone is advocating food stamps in all counties. When and if they get there, what will you do with the surplus commodities?

Secretary HARDIN. We have recommended that as funds are available, and as it can be done, it would be preferred to eventually substitute the stamp program for commodity distribution. But it will not be reached under the proposals we have made this year or the next year.

I am coming on to your question. And then we still have, Congressman Abernethy, the school lunch programs, and the special feeding programs, and special programs for institutions which do involve commodities. But in this area we are talking about the family distribution programs of these two types. And this would, if carried forward—somewhere in the future, but certainly not within 2 years—begin to substitute stamps for commodity distribution.

Mr. ABERNETHY. Most welfare programs require the participation by the States, such as age assistance, and so forth—the State participates.

Secretary HARDIN. Yes, sir.

Mr. ABERNETHY. That results in better administration, I don't think there is any question but that it results in better administration within the States. Is it your judgment or not that if there was State participation in the food stamp program it would bring about better administration of the program?

Secretary HARDIN. We are requiring and are proposing that the local administration cost, State and local, be incurred by State and local people, for the reasons that you indicate. We have not recommended that the actual cost of the stamps themselves be shared. But I am a firm believer in State and local participation in programs.

And this is one of the reasons that we feel that the local management expenses should be more at the State and local level.

Mr. ABERNETHY. I am not saying that everyone at the State level would be wasteful, but they certainly don't have any particular en-

couragement to be careful about the way they give out their stamps, when they are giving out your stamps, do they?

Secretary HARDIN. This would be a valid point. The absolute limit—you asked me a question here a while ago—that anyone could get under the food stamp at present would be in Alaska, where a family of 10—this is an extreme case—with an income of $650 per month can technically participate in the food stamp program.

Mr. ABERNETHY. With an income of $650 a month they are eligible to go to the welfare office and get food stamps?

Secretary HARDIN. Yes. But it would be very little increase—they would pay almost as much for the stamps as they are worth.

Mr. ABERNETHY. Then I think under these conditions as a matter of equity my son down at Old Miss and those in his category ought to have some stamps. Of course, he would never ask for such and I would never allow him to accept them if he did ask.

Secretary HARDIN. But this is an extreme case. And I am not sure that it even exists. This would be technically possible under present law. But under a proposal this would be much lower.

Mr. ABERNETHY. Thank you, Mr. Secretary.

The CHAIRMAN. Mrs. May, the author of the food stamp bill is with us.

Mrs. MAY. Mr. Chairman, I appreciate the title of author, but I think I am also going to have to give credit to the administration and their people, the legislative drafters.

In my first questions, however, Mr. Secretary, I would like to go to your basic statement on future farm program changes. There have been from time to time reports in the press and perhaps rumors that you and your Department are already committed to one specific farm program proposed by either an individual or a group of individuals or a farm organization.

Would you comment on that report.

Secretary HARDIN. I would be very happy to, Mrs. May. No; we are not committed to any program proposed by any organization, nor are we committed individually or collectively to any one set of proposals or techniques for modifying the program. In fact, at this point we have instructed each other in the Department that not even when we are allowed are we supposed to let ourselves think that we are stuck with this one and only this one. We are still trying to keep an open mind, and hope we can for the next few weeks.

Mrs. MAY. Thank you, Mr. Secretary.

Now, in regard to your statement that expeditious action on the food stamp program is crucial, do you favor merging the farm bill and the food stamp bill into a single omnibus bill?

Secretary HARDIN. Our preference, Mrs. May, would be that it be handled separately. I realize, however, that this is a matter for committee consideration, and not department.

Mrs. MAY. But you, Mr. Secretary, favor handling them separately.

Now as to the food stamp program, I would like to follow up some questions that have been placed to you earlier concerning the free food stamp proposal in this legislation. I think it might help if you would give us some of the results of the free food stamp program you have already carried on as a kind of a pilot project, as I under-

stand, in South Carolina, in Jasper and Beaufort Counties. What was your experience with that program?

Secretary HARDIN. There, Mrs. May, we did get an increase, I think, of about 25 percent in the number of people participating as a result of the free stamp effort. We have a complete report of this experiment. And if you would like, we would be glad to include that with the record.

(The following information was submitted:)

SUMMARY OF SECOND MONTH OF EXPERIMENTAL PROGRAM IN SOUTH CAROLINA

The highlights of the first two months of the experimental free Food Stamp Program in South Carolina are:

1. SEASONAL FACTORS INFLUENCE RESULTS

Some families eligible for stamps at the 50-cent minimum in February were not eligible for free stamps in March and April because they went back to work with the seasonal increase in farm employment.

2. THE FREE STAMPS DID BRING NEW, VERY POOR, FAMILIES INTO THE PROGRAM

(*a*) In April, 53 households in Beaufort and Jasper Counties—who first entered the program with free stamps—had *never* participated prior to the experimental program.

(*b*) This number represented 26 percent of the households participating at the minimum in February.

3. PUBLICITY AND THE FEBRUARY REDUCTIONS IN PURCHASE REQUIREMENTS INCREASED TOTAL PARTICIPATION

(*a*) In April, 1,192 households were participating in the two counties—up 16 percent over February.

(*b*) Only about one-third of that total increase can be accounted for by new families entering the program with free stamps.

[Attachment]

RESULTS OF THE FIRST 2 MONTHS OF THE EXPERIMENTAL FREE FOOD STAMP PROGRAM, BEAUFORT AND JASPER COUNTIES, S.C.

I. SEASONAL FACTORS INFLUENCE RESULTS

(*a*) The experimental program began in March—as the sharp seasonal increases in agricultural employment were soon to begin.

(*b*) Thus, in March and April, some households purchasing at the 50-cent minimum in February were ineligible for free stamps in March and April because they had returned to work.

II. FREE COUPONS DID BRING NEW, VERY POOR, HOUSEHOLDS INTO THE PROGRAM

Beaufort County

(*a*) In April, there were 41 households that had *never* participated prior to the experimental program. Some of these households received free coupons in March and continued to participate in April even though their incomes no longer qualified them for free stamps.

(*b*) These 41 households represented:

5.6 percent of the *total* number of households participating in February; and

23 percent of the number of households participating at the *minimum* in February.

Jasper County

(*a*) In April, there were 12 households that had *never* participated prior to the experimental program. Some of these households also had received free stamps in March and continued to participate in April even though their income no longer qualified them for free stamps.

(*b*) These 12 households represented:
4 percent of the total number of households participating in February; and
44 percent of the households participating at the minimum in February.

III. PUBLICITY ABOUT THE EXPERIMENTAL PROGRAM AND THE FEBRUARY REDUCTIONS IN PURCHASE REQUIREMENTS ALSO AFFECTED PARTICIPATION OF OTHER HOUSEHOLDS

Beaufort County

(*a*) The total number of participating households increased from 735 in February to 873 in March and declined seasonally to 862 in April.
(*b*) These changes are greater than can be accounted for by the availability of the free stamps.

Jasper County

(*a*) The total number of participating households increased from 294 in February to 324 in March and to 330 in April.
(*b*) These changes also are greater than can be accounted for by the availability of the free stamps.
More detailed data are available in the attached table.

EXPERIMENTAL FREE FOOD STAMP PROGRAM—BEAUFORT AND JASPER COUNTIES, S.C.

	Beaufort County			Jasper County		
	February 1969	March 1969	April 1969	February 1969	March 1969	April 1969
Total participation:						
Households	735	873	862	294	324	330
(Persons)	(2,721)	(3,185)	(3,059)	(965)	(1,094)	(1,095)
Participation at minimum:						
Households	177	233	189	27	30	24
(Persons)	(665)	(788)	(621)	(94)	(112)	(95)
New participation at minimum:						
Households		45	[1] 13		12	[2] 3
(Persons)		(99)	(26)		(57)	(15)

[1] 28 of the 45 households first entering the program in March participated in April.
[2] 9 of the 12 households first entering the program in March participated in April.

Mrs. MAY. I would like that. I think it would be very helpful to all the members of the committee. But could you for the record now, Mr. Secretary, give us some idea of what type of family would not be eligible for either welfare or financial assistance in some other area, making it impossible for them to take advantage of even a small payment on food stamps, so that it would become necessary for your Department to provide free food stamps? Give us an example?

Secretary HARDIN. Yes, I think I can in just a moment here, Mrs. May.

There are many States that have only the categorical programs for welfare, aid to families with dependent children, old age, or aid to the blind, or aid to the handicapped, and perhaps one or two other categories. There are some that do not have a general across-the-board program. And where this exists, this would be numbers of people below the income levels we have defined who would not be on any kind of a welfare program. And this is what we found in this experimental area. There were simply people there that were not on welfare who did not have regular income of any kind, and who had not, therefore, availed themselves of the stamp program, and who, when they were made free to them, did take advantage of them.

Mrs. MAY. What had been the source of their food up to this time, Mr. Secretary, a direct commodity program or——

Secretary HARDIN. No, it was not. It was, I suppose, whatever they could scrounge. Obviously they had some food, because they were still living. But there was evidence, I am told—I have not been there—I am told by our staff who has been that there was evidence of malnutrition. They certainly did not have as much as they needed, or enough of the right foods. Again, here we are talking about not huge numbers of people, but they were people, and they did exist.

(The Secretary submitted the following information:)

The characteristics of the households receiving free stamps under the experimental program in Beaufort and Jasper Counties, South Carolina, are similar to those of households participating in other food stamp areas that qualify for the minimum charge of 50 cents per person per month (but not in excess of a monthly charge of $3 for a family of six or more members). Under the current program, the highest monthly income (from all sources) that a household may have and still qualify for free stamps under the experiment (or for the minimum charge in other areas) is $29.99.

In general, these households fall into three categories.

The first category is elderly persons—usually in their 50's—who no longer can find employment. Their past employment experience was in unskilled work not covered by Social Security, and they are not yet old enough to qualify for welfare grants under the Old Age Assistance program. Their meager incomes may be derived from contributions from relatives or friends and from some periodic charitable source. Such a household could have a monthly income of less than $30 for extended periods of time.

The second category consists of families where the head of the household must rely on unskilled, seasonal employment. During periods of seasonal unemployment, the family must rely on some occasional day work or it may borrow money to meet emergencies. This type of household would move on and off eligibility for free stamps in the South Carolina experimental program as the availability of seasonal employment changed.

The third type of household would be one that would be eligible for the free stamps on a "one-time" hardship basis. As a group, they would have the same characteristics of the first and second categories but, in most months, would have incomes somewhat above $30 a month. Normally, therefore, they would be paying a small monthly charge for their food coupons. However, they might have an emergency—such as an illness—that would take most of their income for a month. For that month, if the local welfare people confirmed that their income had been used for a doctor, or medicine, they could adjust the coupon charge to take into account such emergency expenses.

In March and April, in Beaufort and Jasper Counties, flooding had limited some of the usual jobs in the fishing industry; rains reduced employment in construction; and the relocation of a sawmill caused some loss of jobs. The reductions in unskilled jobs, because of these factors, left some families with a temporary loss of income from even part-time work.

Mrs. MAY. And your report will show some description of these 26 percent more families, what their circumstances were that they fell between the cracks, so to speak, of the existing welfare program of that State. Am I correct?

Secretary HARDIN. Yes. There are ways that people can fall between the cracks, as you express it.

Mrs. MAY. Now, to go to the direct distribution program question again, you have requested that we be able to continue direct distribution of commodities along with food stamp programs, which in the original presentation of this bill to Congress, was not to be allowed if savings dollar-wise and more efficient distribution of nutritional food were to be accomplished. But I understand you propose now being able to have both programs. Now, under what circumstances in a county would this be necessary?

Secretary HARDIN. This would be, first, if the city or county was willing to carry the total cost of administering both programs.

Mrs. MAY. The total cost of administration, not the cost of the program?

Secretary HARDIN. No, administration. And of course any one family or individual would be on only one or the other of the programs, not both. But there are some—we arrived at this after talking with some of the people of the very large cities, where conditions throughout the cities vary tremendously. One of the big city mayors, for example, pointed out that he really did need both programs within his jurisdiction, though only one in any particular section of the city or any particular group of people. But there were areas within the city where he felt the concentration, and so on, were such that the direct distribution program had great advantages, and there were other areas where he felt that the food stamp program would be preferred. And he felt his total jurisdiction was large enough that they would be willing to pay the expenses of administering both, that they would be larger, but that they would do a better job of total welfare if they had both available.

Mrs. MAY. I am not sure of his rationale on that. How would a concentrated population within an urban area benefit more by direct distribution?

Secretary HARDIN. Well, this was his feeling—and I think he also brought ethnic groups into this, and I don't know which ones were which—but he felt that they could do a better total job within their city if they could have the use of both types of programs, recognizing in any area, or with any particular group, only one.

Mrs. MAY. This becomes a problem in this bill. It will be under discussion in this committee. And I think it would be helpful if you could get the rationale as presented by this type of representative as to what his specific problems were that made him feel this way.

Secretary HARDIN. Then we have had some indication too that for places like the reservations, the commodity distribution program is much to be preferred, at least by most of them.

(The following information was submitted to the committee by the Secretary:)

Since the Food Stamp Program has been in operation there have been requests to operate both the Food Stamp Program and the Commodity Distribution Program in the same area. In most instances, these requests were made by groups or governmental agencies which felt that the Food Stamp Program was not reaching all of the needy people because some could not afford to purchase the stamps or that the lowest-income families were not receiving enough stamps to meet their minimum nutritional needs.

The modifications that we are requesting in the program will, of course, provide sufficient stamps to all participating families to permit them to purchase a nutritious diet. Also, the reductions in the charges for stamps, and the limited distribution of stamps at no charge, should make the program available to our poorest families with poverty-induced hunger and serious malnutrition.

Therefore, we would anticipate only limited requests for authority to operate both a commodity and food stamp program in situations other than when an area is transferring from commodities to food stamps.

We do, however, believe that when a State or local government feels it has a special problem, and if they are willing to bear the additional administrative cost, we believe that such simultaneous operations should be permitted. In general, while the period of such simultaneous operations might extend beyond a two- or three-month transitional period, we do not believe States and localities would be thinking of permanent simultaneous operations.

We know that officials of some areas have expressed the belief that such simultaneous operations might be desirable for as long as a year or more. In some areas—and especially large population or geographic areas where outreach efforts among ethnic groups might pose special problems—they feel they would like to be able to consider a very gradual shift from commodities to food stamps. They would feel more confident that they could insure continuing food assistance to all needy families while they were acquainting all groups with the Food Stamp Program, helping them plan their money management to gear into the stamp program, and developing adequate supportive educational programs to insure wise use of the stamps.

Mrs. MAY. Mr. Secretary, this question has already been raised. But it is another area of the bill, in addition to the proposal for free stamps, that is going to raise a great deal of controversy. And that is that under the wording of the bill you will have authority to directly operate a food stamp program in a county. And there have been criticisms leveled that this means that the Federal Government has the right to move in and force a federalized operation on a county whether they want it or not. Now, you have answered that you don't want that to happen, if possible. As I understand it, however, the bill, the version of this program as passed by the Senate Agriculture Committee does set up four provisions that you don't have in this original legislation that there has to be a manifest and urgent need, a need that could not be met by the direct commodities program, and the State refused to inaugurate a stamp program, and the Governor requested it.

Secretary HARDIN. That is right.

Mrs. MAY. Now, it is my understanding of that Senate version of this bill that all four of those conditions would have to exist before your Department could move in. Would you accept that Senate version of the bill?

Secretary Hardin. Yes, we find this acceptable.

Mrs. MAY. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mrs. May.

Mr. Stubblefield.

Mr. STUBBLEFIELD. Mr. Chairman, I don't have any questions.

Mr. Secretary, I read your statement. It didn't bring up tobacco or whisky.

The CHAIRMAN. Thank you, Mr. Stubblefield.

Mr. Wampler.

Mr. WAMPLER. Mr. Secretary, I want to commend you on what I consider a very fine statement this morning.

I would like to direct my questions primarily to programs and the philosophy of the Farmers' Home Administration. I think it is the consensus of this committee, and perhaps the entire Congress, that this is one of the most popular and one of the most workable programs in the Department. I happen to feel that the programs in the Department that relate to the Farmers' Home Administration have been effective in helping to reverse this trend of people leaving the farms and going to our cities, which often compounds an already critical problem.

And I know that in my area at least the Farmers' Home Administration has been helpful to these individuals in the low- and moderate-income brackets who could not secure loans through conventional financing. It has helped them to buy homes, and improve their homes.

And we have been the beneficiaries in at least three counties of one of the resource conservation development programs.

But I particularly want to comment on the water and sewer loan programs as they apply to small towns in rural America.

Obviously the need is great, and the means to meet those needs are limited. And I am just wondering if you could give the committee your views on what we can expect as to the future participation of the Farmers' Home Administration, particularly in the water and sewer loan area?

Secretary HARDIN. I will be glad to talk about it. When you say specifically what can we expect, this is going to depend, of course, on the resources that are made available. I share with you the enthusiasm for the importance of this area of the Farmers Home Administration program. Because if we are going to develop across rural America, as I think we must, then we are going to have to make improvement in many of our cities, in their ability to expand, to grow, to attract industry. And certainly water and sewage are basic to this.

And there are many other considerations that fall in this category. But to enlarge this a little bit, we have had the rural-urban migration that everyone is aware of, which has slowed down currently. But when we look ahead 30 years, or over the next three decades, and our population is growing 3 million a year, and you can at least wonder whether we are going to continue to concentrate in our large cities to the same extent that we are now, or whether we are going to have some dispersal of our total population with new growth centers and growth in the county-seat towns and smaller cities across the country.

So this also becomes a facet of the situation, as well as providing people now in these communities with opportunities for more productive employment, for improving the quality of life.

So I think they all go together. And certainly in the Department as we have looked to the future, we think this should be a very high priority area.

Mr. WAMPLER. I certainly appreciate your comments. And I know this is the consensus of this committee, and perhaps the entire Congress.

May I comment briefly on the food stamp program. As you may know, I have supported the food stamp program in the past, and I expect, hopefully, to support it in the future.

I want to give you an observation or two. In my district I have what I call open door meetings. I go to each of the 15 counties and independent cities one Saturday a year to sit in the courthouse all day to talk to any citizen who has any problem or any comments that he may care to make.

Since I represent predominantly a rural district, I have many elderly people who are retired, some of whom live solely on social security income. In many instances, because their earnings during their productive years were limited, and because social security was not available to those employed as agricultural workers until in the early 1950's, they weren't able to earn a base large enough to give them a very substantial income.

Now, I am concerned about the elderly and those that are seriously disabled, because obviously the food stamp program has been helpful

to give them a higher standard of living, that is, to enable them to buy food, which is a necessity. And I recognize also that when we are dealing with a program of this nature we are dealing with a problem that is perhaps as old as time itself. In some situations we have a parent and mother or father and/or both who are, as we say down home, sorry or shiftless, and won't work. Yet there are innocent children, the children of those parents. And somewhere along the line we have got to find safeguards to not reward those who will not work. We have a real problem in trying to give every American an adequate diet, but yet not reward those who do not show initiative and work, particularly when work is available for them.

Secretary HARDIN. Could I just add right here to what you have said, that under the proposed scales there is less of a disincentive to work built into the program than under present programs. Any welfare program has some disincentive against earning additional income. But under the scales that we have proposed—and this has been deliberate—there would be less of a work disincentive than under existing scales. I think this is important.

Mr. WAMPLER. I certainly agree with you. And I do appreciate your comment here this morning.

The CHAIRMAN. Mr. Purcell.

Mr. PURCELL. Thank you, Mr. Chairman.

Mr. Secretary, like all the members, I want to welcome you on, I guess, your first official appearance that you have made before our committee.

About the food stamp program, just quickly, let me say that I reserve the right to change my mind or voting on anything. But as far as this free food stamp business is concerned, do you see anything any more socialistic about giving away certain commodities and giving away food stamps?

Secretary HARDIN. I think they are substantially the same, sir.

Mr. PURCELL. That is the democratic social behavior under one and republican under the other, but it is still kind of socialistic, I guess, isn't it?

Secretary HARDIN. No, the commodities are given away free, so you can put any adjective on that, I guess, that you choose.

Mr. PURCELL. I think sometimes we get tied up in our adjectives, and we don't get to the meat of what we are talking about quite as much as the circumstances should warrant at this time.

Then, to move on to the farm program, as I understand it, reference is made in your statement to the fact that you have had different studies made trying to analyze where we go from here with regard to the overall agricultural situation; is that correct?

Secretary HARDIN. That is correct.

Mr. PURCELL. Now, I am not familiar in detail, but I am familiar in some degree with it. One of the studies that I guess you are having with reference to that has to do with the easement approach, the agricultural adjustment, as headed up primarily by a gentleman from Mississippi, Walter E. Chryst. Now, in it there are projections made of the production of beef along with a lot of other things. But in speaking to taking out land by the easement approach, it appears that there would be many millions of acres made available for grazing

not heretofore available for grazing. And the increased potential would be quite significant.

I don't know what the figures would show, but some 29 million acres or something goes into grazing immediately. And this would require the closing out of apparently many, many breeding female livestock, cattle. Now, my point in all this is that if your recommendation is that if we take this approach, and we are not very, very careful, will we not get into a situation where too much grazing for the benefit of the consumer is made available too quickly, and by holding out females for production purposes that have heretofore been going to the market, will not this flirt with the possibility of putting the price of meat to the consumer at such a high level that it would not be good?

Secretary HARDIN. I think I agree, Congressman Purcell, with everything you have said. And under this proposal—and this is only one of several land retirement programs at which we are looking—it would be our feeling—and I will volunteer this right now—that any program of land retirement should be gradual and not sudden as is proposed in this particular study. You could still give consideration to the easement concept, but not do it all in 1 year. And we are very much concerned about the relationship of any possible land retirement program to the livestock industry.

And I agree with you that anything that is done here is going to have to be done very gradually and very carefully.

Mr. PURCELL. Then I am safe in assuming that at least you are not committed to the detail of the philosophy concerned in this particular study?

Secretary HARDIN. That is correct.

Mr. PURCELL. And that needing more beef—and I think we all agree that we do—if it is carefully allowed to increase, we can hold the price to the consumer at a reasonable level, and at the same time gradually get ready in a matter of 2 or 3 years—3 years or better, I guess—to furnish the beef to the country at not a significant increase to the consumer.

And then let me go one step further, that the figures used in this particular report seem to relate to the 1967 level of beef prices as well as numbers.

Secretary HARDIN. Right.

Mr. PURCELL. Now, if this is to be considered a base year it would be a year that I think many of us would argue that was not a realistic year. And, therefore, can I assume also that you are not committed to the projections made by basing the future on the 1967 level?

Secretary HARDIN. Yes. If we should do something of this kind, recommend some of this kind, we are conscious of the fact that the costing has to be revised in line with current prices.

Mr. PURCELL. So it is not your philosophy to consider the results reached in this particular report as any goal either for the price to the consumer, or on the other hand, to limit the price to the producer?

Secretary HARDIN. We have found this report to be very ingenious and very useful in many aspects. But this doesn't assume that we want to follow—that we feel we should follow these procedures. But we think they have made a very useful contribution to our total thinking

on possible land retirement programs. And that is as far as I would want to carry it with respect to that study at this point.

Mr. PURCELL. But my main thrust here is that you, I think and most of us up here, see the real importance of proceeding very cautiously toward increasing available grazing land too rapidly because of the effect it will have on the price of beef, because you are withholding breeding stock.

Secretary HARDIN. Yes, in the short run you would raise the price of beef unduly, and in the longer run it might have the other effect.

Mr. PURCELL. In the long run it would flop back, yes, sir.

Secretary HARDIN. It has to be done gradually.

Mr. PURCELL. That is all I have, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Purcell.

Mr. Miller.

Mr. MILLER. Yes, Mr. Chairman.

I wish to commend the Secretary for his fine statement and for his many answers. I believe that he made one statement about the U.S. farm policy that certainly is true, where he said, those who seek simple solutions should, I suggest, make a more penetrating analysis of the problems involved. It is so true. We have been concerned with overproduction. We are also concerned with the Federal Government spending money for agricultural research to the university, subsidizing lime payments—we are talking about conditioning the soil so that we can have additional production, and then again the Federal Government spending money to take land out of production, and also to buy up this overproduction. It seems like we cannot have it both ways. But I am sure that in the wisdom of Congress, and with you in the Department, we will find a method out of this. But it is some concern to many of us.

I would like to ask a question.

We have the act of 1965 amendments that we are considering as far as the farm bill is concerned. We also have the total farm program. If nothing was done with the amendments of the 1965 act—which would be for dairy, feed grains, wheat, cotton and wool, etc.—what would be the effect on the farm people with the gross income—as an example, $10,000, $20,000, $50,000, and $100,000—and also on the consumer? As an example, who is benefiting from the program?

Now, I know that there would be some work that you would want to do on this. And it does not require an answer right now. Would it be possible to come up with an analysis of the legal and economic implications of the possible expiration of the 1965 act for the record?

Secretary HARDIN. Mr. Paarlberg thinks that it would be possible to prepare some material that will throw some light on these particular categories of farmers that you described. This we will supply for the record.

Mr. MILLER. I am saying, what would be the effect if we did not include the amendment that we are discussing today.

Mr. Chairman, I ask unanimous consent that this be included as a part of the record.

Thank you.

(The following information was submitted to the committee:)

WHAT IF THE 1965 FOOD AND AGRICULTURE ACT IS NOT EXTENDED OR REPLACED?

If the Congress should not pass new farm legislation (the Food and Agriculture Act of 1965 expires with the crop harvests of 1970), statutes and programs in effect before 1966 then would automatically be reactivated.

PROGRAM PROVISIONS

Wheat

The Secretary would be required to determine and announce whether the supply of wheat is likely to be excessive, and if so to proclaim a marketing quota program subject to grower referendum. Based on the national marketing quota, individual farm quotas would be established in terms of acreage allotments.

1. If marketing quotas are proclaimed and are approved by 2/3rds or more of the farmers voting in a referendum, marketing quotas would be in effect and land-use penalty would apply for failure to make mandatory diversion but there would be no diversion payments. A wheat marketing certificate program would be in effect—domestic certificates plus loan not less than 65% or more than 90% of parity with processors required to pay full value of domestic certificates.

2. If marketing quotas are disapproved in referendum, there would be no marketing quotas, no land-use penalty, no wheat certificates, and no diversion payments. Price support through loans and purchases would be available to producers who comply with their allotment at 50% of parity.

3. If marketing quotas are not proclaimed, there would be no marketing quotas, no land-use penalty, no wheat certificates or no diversion payments. Price support through loans or purchases would be available to producers who comply with their allotment at 75% to 90% of parity the maximum level depending on the supply percentage.

Under any alternative, there would be no authority for wheat-feed grains substitution as in the present program.

Feed grains

No diversion, price support payments, or corn bases. Price support through loans or purchases for corn would be available to all at such level not less than 50% or more than 90% of parity as the Secretary determines will not result in increasing CCC stocks of corn (other feed grains at a level which is fair and reasonable in relation to the level for corn).

Cotton

The Secretary would be required to determine and announce whether the total supply of cotton would exceed normal, and if so to proclaim a marketing quota program subject to grower referendum. Based on the national marketing quota, individual farm quotas would be established in terms of acreage allotments.

1. If marketing quotas are proclaimed and are approved by ⅔rds or more of the farmers voting in a referendum, marketing quotas would be in effect, but no diversion or price support payments. Price support loans would be available to producers who comply with their allotments through loans or purchases at not less than 65% or more than 90% of parity as determined by the Secretary. There would be no authority to make cotton available to domestic mills at the world price if such price is lower than legal minimum price for unrestricted use.

2. If marketing quotas are disapproved in referendum, there would be no marketing quotas, no diversion or price support payments. Price support through loans or purchases would be available to producers who comply with their allotments at 50% of parity.

3. If marketing quotas are not proclaimed, there would be no diversion or price support payments. Price support would be at 65% or 90% of parity. Compliance with allotments could be required as a condition of eligibility for price support.

Under any alternative, there would be no authority to sell, lease, or transfer cotton allotments.

Wool

Wool again would become a non-basic commodity. The direct price support payment would stop. Price support would come through loans or purchases discretionary with the Secretary at not more than 90% of parity.

CROPLAND ADJUSTMENT PROGRAM

There would be no authority to conduct CAP.

PROBABLE RESULTS

With the removal of production restraints on feed grain production, feed grain output would increase sharply. In view of the prospects, the corn loan rate probably would have to be set at the minimum—or about 90 cents per bushel. Not all the 41 million acres diverted under the Feed Grain program in 1969 would return to grain production. Nor would the yields on these diverted acres be equal to the land presently cropped. Use would be up too, but not nearly as much the first year as output: Thus, feed grain supply could outrun use by as much as nearly 40 million tons. Virtually all of this would wind up in CCC hands.

Cotton output would increase also, with the loan at over 31 cents per pound. The higher price would impede domestic use of the crop, with the result that supply would outrun use by probably around 6 million bales. All of this would wind up in CCC hands.

With wheat quotas, production would fall a little short of use and carryover decline slightly. If quotas were rejected, production would outrun use and around 175 million bushels probably accumulate in CCC hands.

On balance, Government program costs under basic legislation in 1971 would be lower than 1969 estimated costs . . . about $450 million less if wheat quotas were approved and about $800 million less if quotas were rejected. Program costs would be less for wheat and feed grains would be lower . . . cotton higher.

Total net farm income would decline more than program costs—about $800 million below 1969 estimated levels if wheat quotas were approved and $1.3 billion if quotas were rejected. However, the effects would not be spread evenly among farmers.

Cotton producers, thanks to the higher price support, would enjoy higher incomes. Wheat producers would suffer reduced incomes—with the reduction greater in case the quotas were rejected.

The higher net returns from cotton and lower net returns from wheat would be shared among individual farmers about in the same proportion as these crops are produced on the individual farms.

Return from feed grains would decline as a result of the lower price and the cost of the added output on the diverted acres brought back into production. However, those who produced feed grain for sale would suffer an income loss, resulting from lower feed grain prices . . . and of this group, those who had participated in the feed grain program and could add to their output by producing on the acres no longer diverted would feel the impact less than those who had not participated and already were in full production with no chance to increase output.

In one year's time not much change in total beef and hog output could be expected—nor in dairy. Some increase in poultry would be probable. Feeding would be at a heavier rate for all classes of livestock. But the sum total impact in the first year probably would not be sufficient to seriously weaken livestock prices. So there would be little or no income loss in 1971 for the livestock farmer who fed all his grain—even though the price of grain was lower. In fact, the lower price tags on feed would increase the net profit in this first year for those who bought feed. Their gain would be the cash grain producer's loss.

Obviously, however, the wider feeding margins would bring forth increased livestock and poultry output in subsequent years and with this, lower prices and profits for livestock and poultry producers.

SUMMING UP

Total net farm income in 1971 probably would be $800 million to $1.2 billion lower than 1969 estimated levels if farm programs return to basic legislation in that year.

Cotton income would rise, but this would be more than offset by lower incomes from feed grains and wheat. The income decline would be limited to this level only because of sizable accumulation of feed grains and cotton in Government hands—probably nearly 40 million tons of feed grains and 6 million bales of cotton.

Even with the sizable stock accumulations, the Government program costs would decline some $450 to $800 million below 1969 estimated costs. But there

would be a shift in the nature of these costs—from sizable direct payments to costs through loan activity and loan default. And if the program were continued for subsequent years, program costs would mount through rising handling and storage costs of the mounting feed grain and cotton stockpile.

Obviously it is questionable how long the public would continue to support the funding of a farm program which built up stocks at such a pace—and which was in effect putting cotton out of business as the textile industry rapidly shifted to synthetics in the face of the excessively high and non-competitive cotton price support.

The CHAIRMAN. Mr. O'Neal.

Mr. O'NEAL. Mr. Secretary, getting back to food stamps, I am one of the many, I suppose, who believes that the food stamp plan has many advantages over the direct distribution of commodities. But of course there are flaws in both plans. Is there anything, any existing law or any existing regulation that would require that no one but a legitimate recipient could trade the stamps at the store?

Secretary HARDIN. There is provision in the law that this is the case, that only those that receive them can use them. They are not transferable.

Mr. O'NEAL. Is there any way to police this well?

Secretary HARDIN. Undoubtedly there are violations. There are procedures in existence for the punishment of violators. And these investigations and these procedures are going on.

Mr. O'NEAL. The reason I raise the question is because I have from time to time—and this has continued over a long period—complaints that come to me, informal, of course, unofficial, and hearsay from housewives who might be standing in line at the cashiers stand at the supermarket, who frequently see people who are obviously ineligible using the stamps in stores. Sometimes these are well-known bootleggers—indicating that the recipient has misused the stamps. Sometimes they are well-known professional gamblers, such as bug and bolito operators. And I just wondered if there was any practical way of enforcing it so that only the recipient can trade them at the store?

Secretary HARDIN. Yes, Congressman O'Neal, if there is any indication of this type of activity we certainly would like to know about it. And we do have procedures for making investigations, and I think authority in law, to go ahead and bring about prosecutions.

Mr. O'NEAL. And I know that at one time in Georgia there was a considerable investigation and crackdown that occurred involving a good many stores in the State of Georgia. But I continue to get informal and hearsay complaints by people who are not in a position to testify. But it would seem to me that there are still a good many abuses.

Secretary HARDIN. May we talk to you—and we will follow through on it.

The CHAIRMAN. Mr. Mayne.

Mr. MAYNE. Mr. Secretary, I too want to congratulate you on your very fine formal statement, and also the forthright way in which you have answered the questions of the members. Some of them have gone into the matter of eligibility standards under the present Food Stamp Act. I would like to pursue that a little further, if I may.

I have been advised by the Department that there are broad classifications of eligibles; first, those who are on welfare, they would be eligible. But then other households called nonassistance households

are eligible if the income from all sources and liquid resources do not exceed the approved standard for the State. Now, could you tell me, Mr. Secretary, what liquid resources mean in this context?

Secretary HARDIN. Cash in the bank, savings bonds, savings accounts, and other things generally considered as cash.

Mr. MAYNE. Don't you think that some consideration should be given to other assets that a person may own in determining whether he is to receive the benefits of this act?

Secretary HARDIN. I think it should.

I am advised here by my staff, Mr. Mayne, that these things are considered, but it has been apparently the view of Congress, at least in testimony, that we should not go—well, if they own their home, for example, we shouldn't force them to sell it before they become eligible. But if there are, of course, other properties this should be considered, I think.

Mr. MAYNE. Suppose this family has two brand new Cadillacs. Those are not liquid assets. Do you think that there should be criteria that would make them ineligible?

Secretary HARDIN. Yes, I do.

Mr. MAYNE. I don't see from the requirements as they have been explained to me by the Department thus far that there are any such criteria at present. If income and liquid resources are the only criteria, you would not deny them food stamps even though they had a couple of very expensive automobiles; even an airplane, or lived in a large mansion which produced no income.

Secretary HARDIN. Well, if there are people like this, Mr. Mayne, and they still do not have income—which I can't really conceive of, but if there are, I think that, along with you, they should be disqualified. And if there are any significant number of these people, then I think we should try to put in some criteria.

Mr. MAYNE. What about real estate? Suppose a person owns a great deal of real estate, which certainly is not a liquid asset under your definition, should they nevertheless receive food stamps, or should there be a criteria excluding them?

Secretary HARDIN. Well, presumably if people own property it is for the purpose of producing income. Admittedly there may be circumstances in which property is not producing income. But if these were not—this would be a very rare situation, I think. But if you feel, if the committee feels, that there is a large category of people that might misuse this, then certainly we should consider some kind of safeguard against it.

Certainly these are not the people we are trying to help. I don't know how to answer it any other way. But I have always felt that if the people did own property, it was primarily for the purpose of obtaining income. In which case we do have measures to deal with eligibility. But I suppose technically there could be property owned that had value that did not produce income.

Mr. MAYNE. To bring this down to a specific case, I have within the last week received a letter from a constituent who states that a farmer who owns a half section of good Iowa farmland which would be conservatively valued at at least $100,000 is in fact receiving food stamps. And the social services director in that county has advised

this constituent that this applicant is eligible because net income and liquid assets are the only criteria. Now, my constituent closes his letter to me with this statement:

> We can't comprehend qualifications so loosely drawn as to allow people with considerable assets, as represented by the equity in this 320 acres of farm land to be able to receive food stamps. We would urge you to check on this and give us your thoughts on it.

And, Mr. Secretary, I am checking on it with you.

Secretary HARDIN. We would like to follow through on this one. But if I might react partly facetiously, I might comment that I thought things were tough on the farm, but I didn't think they were this tough in Iowa. I think this is a misuse, if these facts prove to be correct, that have been reported to you. I think we have an obligation to follow through and see.

Mr. MAYNE. Mr. Secretary, things are tough on the farm in Iowa. But this does seem to me to be a very legitimate complaint from one of the people who are paying the taxes for these food stamps. And I just wanted to check on it with you. And I note that in the bill H.R. 12222 you will be given authority in consultation with the Secretary of HEW, to establish uniform national standards of eligibility. If this bill is passed and you are given this authority, Mr. Secretary, would you be inclined to include a requirement of lack of other assets in addition to liquid assets as one of the criteria for eligibility for food stamps?

Secretary HARDIN. Yes; I would indeed. And I would go further and say, Congressman Mayne, that I think you are also putting your finger on one of the reasons why we should have local management of these programs, because if the local people are doing this job properly they are going to know these situations, and know who is spoofing them, or who in fact should not be participating, and look behind some of the paper requirements. Now, in this case apparently for some reason someone hasn't looked behind, or if they have, they haven't felt the regulations were tight enough.

And I think if that is the case, then we have a job to do. But I certainly agree with you generally on the point you are making.

Mr. MAYNE. Thank you, Mr. Chairman, and Mr. Secretary.

The CHAIRMAN. Thank you, Mr. Mayne.

Mr. Foley.

Mr. FOLEY. Thank you, Mr. Chairman.

Mr. Secretary, I am—as are others on the committee—very interested in your forthcoming comments on the possible extension of the farm program. I am going to defer any questions, however, on that until you have had the opportunity to appear specifically on those matters.

With reference to your testimony today, I would like to compliment you and the Department and the administration in offering what I think is a very forward looking and extensive improvement of the food stamp program so far as your recommendations go. There are others of us who might want to go further, but I wouldn't want to minimize the contribution that your recommendations have made.

I think they are very significant.

With reference to the eligibility question, there have been, I understand, various estimates of the number of families in the United States eligible for public assistance who in fact for one reason or another are not receiving public assistance. One figure estimated that number as high as 100 percent over the present level of families who are actually receiving public assistance. Do you have in the Department any estimates of those families who are by income level technically eligible for public assistance but for one reason or another are not receiving it.

Secretary HARDIN. No——

Mr. FOLEY. I don't want this today——

Secretary HARDIN. I don't think we have this in the Department of Agriculture, Congressman Foley. I rather think that some of the people in HEW may have some information, but we do not have it in our own Department.

Mr. FOLEY. Isn't it true, however, that there are families within States who specifically, because they do not meet the residence requirements, are not eligible for public assistance in those States even though those residence requirements have been placed under a judicial cloud by a recent decision of the Supreme Court.

Secretary HARDIN. I understand this is the case.

Mr. FOLEY. And could this not include many families who have little or no income now even though they are eligible and thus would otherwise come under the $30 a month criteria you have recommended in your legislation for food stamp participation.

Secretary HARDIN. I am not sure——

Mr. FOLEY. In other words, if there were families in the State that do not meet eligibility requirements for welfare, and then would not have any income from governmental sources, would they be eligible for free food stamp distribution under your proposal?

Secretary HARDIN. Under our proposal I think they would—yes, they would.

Mr. FOLEY. So this is one area where the families would require free food stamps?

Secretary HARDIN. Yes.

Mr. FOLEY. Now, are you aware that the issue of eligibility for students and strikers was considered by the House of Representatives last year? In fact, are you aware that the conference committee between the House and the Senate specifically struck out the House prohibition against use of food stamps by students and strikers, and that position was maintained by a record vote on the floor of the House?

Secretary HARDIN. No, I did not know this personally.

Mr. FOLEY. In the area of handling the noncooperating counties, your recommendations as I read them call for action by the State to require those counties to cooperate or risk the eligibility in all counties of the State for either food stamps or distribution programs, with extensions to provide times for the legislatures to meet. Has the Department considered the possibility of utilizing nonprofit private organizations to administer the food stamp program in noncooperative counties?

Secretary HARDIN. We have discussed this. But I think our preference would still be to work with the counties and to try to get them to come around to the point where they will request a program. I

think there are some places where the nonprofit institution can play a role.

Mr. FOLEY. Your proposal does require up to possibly 2 years of grace period for the State to implement its persuasion with the counties?

Secretary HARDIN. That is an absolute maximum. We are hoping that we can get them all in within the 12-month period that they were in. That is our goal.

Mr. FOLEY. We have now 402 counties that are not cooperating in either program?

Secretary HARDIN. We have set up, I think, a goal for January 1970. But there are a few places where there would be legislature required, and the legislatures would not be meeting. I think that is the reason this would not be extended.

Mr. FOLEY. One final question: With respect to the existing price support and farm programs, these programs do not depend on cooperation by the county government, do they?

Secretary HARDIN. No.

Mr. FOLEY. And they are implemented by county committees in many cases—but a county committee that failed to implement the program would be replaced by the Secretary of Agriculture, would it not?

Secretary HARDIN. Yes, through another election.

Mr. FOLEY. Can you see any reason why food stamp programs should be barred from a county because of the refusal of local county government to implement them when our farm programs are implemented as national program regardless of county cooperation?

Secretary HARDIN. I think here—and the reason for my concern here, Congressman Foley, is that if we make this just automatic, that if the local people don't live up to the responsibilities, the Secretary of Agriculture or somebody in the Government is instructed to move in. I think we are inviting a substantial number of places that have the means and already have good programs to default and invite the Federal Government to come in and pay the entire bill. Philosophically I feel over the long pull we will have a more effective food distribution program if we can involve local people, and if we can convince local government to be responsible, take the responsibility for this—by people who know the local conditions. I think even though the delivery may be uneven at the present time, looking ahead 3 or 4 or 5 years, I would have more hopes in a locally administered program than I would in one that is federalized.

Mr. FOLEY. I understand that, Mr. Secretary. I should just make one suggestion to you. If you need a little extra incentive to get counties to cooperate, you might extend your proposal to eliminate farm programs as well as food programs from those counties who are not cooperating.

Thank you.

Secretary HARDIN. OK.

The CHAIRMAN. The committee is faced with an unusual problem. It is perfectly obvious, it seems to me, that we are not going to be able to complete the questioning in any reasonable time. Mr. Secretary, I know you have an appointment later on. I don't know whether you could come back this afternoon or not.

I am always reluctant to deny a part of the committee any opportunity to question you. We can stay here a while, or we could come back here this afternoon. What is your situation?

Secretary HARDIN. Well, I will tell you exactly. But we will adjust to your schedule, sir.

The CHAIRMAN. Unfortunately we haven't kept to schedule, that is obviously the problem. And about half the members haven't had any opportunity yet to discuss matters.

Secretary HARDIN. We have no problems for another hour, if this would be your desire. We had made plans—we have some commitments this afternoon which would have to be canceled, but we can do it. Or we can make arrangements to continue tomorrow if that be your desire. So we will adjust to the wishes of the committee. I think if you ask us which we would prefer, we would prefer to come back at 10 o'clock in the morning.

I forgot about the moonshot.

The CHAIRMAN. Let us ascertain how many more questions we have. Sometimes we move along rather rapidly after we reach the newer members. Much of it becomes repetitious. I don't know whether there are members who want to engage in a long discussion with the Secretary. If there are, I wish you would just frankly make that known now, because it would help us to try to work out something. It is embarrassing when people say they don't want to ask more than one or two questions and then ask them for half an hour. But if you want to ask questions for a half hour, say so now. I know you can't tell, but you can just surmise.

Since I do not hear a response, we will proceed.

Mr. Zwach is the next gentleman in line.

Mr. ZWACH. Thank you, Mr. Chairman.

I will try to be very brief. I do have a number of questions. But I will ask only perhaps two.

Mr. Secretary, my commendation for your presentation. And second, also my commendation to the Department for the grassroots hearing that you have taken out among our farmers in our good country. I appreciate that very much.

As you know, I introduced the food stamp bill, the administration bill with Catherine May. A couple of comments on this. I want to commend you for setting up machinery to bring people into this program. Now, also I am concerned about the machinery that will take people off of this program. I certainly hope that the food stamp program will be a bridge. To some people it will be a permanent program, but to many it should be a bridge to independence and a bridge to opportunity. And I think you are going to have to have machinery that will see to it that that will follow.

This group should be a mobile group that moves up the ladder, and then supports food stamps, rather than continues as a recipient of food stamps.

Now, with regard to the farm program, on page 3 of your testimony, Mr. Secretary, the second to the last paragraph, you say:

> The object of our studies is to make recommendations that will allow the farmer to break out of the cost-price squeeze and to share in the strength and prosperity of American economy.

Now, I think that is a commendable statement. Could we have a little further development of the exact objective that you have in mind here in terms of equity, in terms of parity? Are you ready to further implement that statement?

Secretary HARDIN. I am ready to implement it philosophically. I am not sure that I am ready to supply the specific numbers, Congressman Zwach. But this is what I was referring to in my informal remarks in response to the chairman here a moment ago, when I said we are quite well aware that farmers are not receiving as high a rate of return on labor and capital as other people in the economy are receiving. We are aware, in other words, that farmers are not—farmers who have made very rapid advances in efficiency—and this was mentioned here a moment ago in regard to research—have not necessarily benefited themselves across the board by becoming more productive themselves.

I think many of these benefits have actually been passed on. And what our concern is here are the words you used of the equity of permitting the farm producer to also share in the rising level of living that was made possible in this country by our increased efficiency.

Mr. ZWACH. Every recommendation that your Department will make will be in the direction of pulling the producers out of this cost-price squeeze——

Secretary HARDIN. This is our hope.

Mr. ZWACH (continuing). And into equity and parity with other groups?

Secretary HARDIN. This is our hope.

The CHAIRMAN. Mr. Jones.

Mr. JONES of North Carolina. Thank you, Mr. Chairman.

As we approach the problem, Mr. Secretary, of malnutrition, obviously the best solution is to provide nutritious food directly to those in need in the most efficient and direct manner, whether it be food stamps, surplus commodities, or whatever.

In approaching this problem, getting back to the farm programs, I think we cannot lose sight of the fact that if we ever reach the point where we produce only what is needed, we are treading on dangerous ground. In this approach, has any consideration been given by the Department to a federally financed program of free school lunches—and breakfasts, for that matter—to all pupils who desire to participate, regardless of family income——

Secretary HARDIN. Regardless of income?

Mr. JONES of North Carolina. Let me qualify it just once more. We are all concerned about the poor, and some are concerned about the extremely wealthy. I refer to the Ways and Means Committee, who, I hope, will find a way to cause this class of citizens to pay their fair share of taxes. But we have developed a large segment of our population which, I think, needs some consideration. And that is the family that is just above the moderate level, or the level of poverty, which is paying the taxes, supporting the churches, and otherwise contributing to their communities, and who have three, four or five children, and do have to provide the school lunchroom money, and this is working an extreme financial hardship. And this aproach may sound socialistic, and it may sound radical. And yet the State of North Carolina a few

years ago enacted legislation which provided free textbooks for every child in public schools regardless of income.

I wonder if the Department has given any consideration at all to this approach to fight the problem of hunger and malnutrition?

Secretary HARDIN. I want to ask Mr. Lyng to check me on the school lunch program. I believe that I am correct here that we would say that we would not have the resources to go across the board in all schools for all youngsters.

Mr. JONES of North Carolina. Do you have an estimated or projected cost?

Secretary HARDIN. I don't have them here today. We could supply them for the record if you would care to have them. Actually, as we revised our school lunch program for this coming year, our primary concern has been the fact that we felt the focus should really be on the very poor, more perhaps than it has been in some areas. And this varies greatly geographically. But there is generally some subsidy for all youngsters; that is, there is a reduced price. But we have had some policies in some schools that made no differentiation, the very poor youngsters still had to pay something. And we don't want these youngsters deprived of the opportunity for nutritious food simply because they don't have the 15 cents, or whatever it might be locally, to participate. So we are looking at this aspect of it. But if you want the cost of extending this generally, we will provide it for the record.

And I think it will be a very large figure.

Mr. JONES of North Carolina. All these get to be large figures.

Secretary HARDIN. We will supply it.

Mr. JONES of North Carolina. Thank you.

Thank you, Mr. Chairman.

(Secretary Hardin submitted the following information to the committee:)

To supply lunches free of cost to all children enrolled in Public and Private schools would cost approximately $5 billion in total per year. This assumes that all or nearly all children enrolled would participate and that all program costs would be financed from public funds—Federal, State and local.

The CHAIRMAN. Mr. Mathias.

Mr. MATHIAS. Mr. Chairman, I would like to congratulate the Secretary on his recent trip to Fresno County, and also to Visalia, my congressional district. And I must say you went away leaving the people with a very good impression. I think it is a fine idea having these listening hearings, it is a great idea.

Secretary HARDIN. Thank you.

Mr. MATHIAS. We know there is quite a problem in hunger and malnutrition.

But there is one thing that does bother me in the food stamp program. And this is the fact that when the people go in to get the food there is no control on the kind of food they can get. They can buy cookies, they can buy popcorn, they can buy food that is not nutritious or good food. Now, the food is controlled in the school lunch program, the kind of food is controlled in the direct distribution program. Have you given any thought whatsoever to controlling the proper nutritious kind of food that people can buy under the food stamp program?

Secretary HARDIN. No, Congressman Mathias, we have not, or at least if we have we have so far rejected it—recognizing full well that

people can go in and still, if they want to, have poor diets. But we have been hoping—and there is a basis for believing it may work fairly well—that this nutrition education program, through the use of nutrition aids, and other things, and some other programs that will come through volunteer groups soon, we think the vast majority of these people will improve their buying habits, and we will see them feeding their families more nutritious foods than has been the case historically.

But we do recognize fully that you are putting your finger on a place that does need attention. But it is very, very difficult, particularly for the people in the upper limits of the stamp program, where they were paying half or two-thirds of the cost of the stamps, to say that you can only buy certain things with this. I guess you can. But I believe we are getting into a very, very difficult enforcement program. And I would like to hope that these programs are not necessarily permanent, particularly as far as this one family is concerned. I would hope, as someone said, that this is helping them get into a different type of life, and that in the meantime they will have learned some good eating and buying habits, and that this regimentation will not be necessary.

Mr. MATHIAS. Mr. Secretary, I appreciate that there are a lot of problems. It would be very difficult to post on the wall, don't buy cookies, don't buy the food that is not good. I realize this. I am just very hopeful that the educational part of your program is good. I think it would be money thrown down the hole unless you educate these people and tell them what foods are nutritious.

That is all I have, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. Montgomery.

Mr. MONTGOMERY. Mr. Chairman, thank you.

I have two questions, Mr. Secretary.

When do you think the Department of Agriculture will be ready to submit a farm program bill to this committee?

Secretary HARDIN. I think, Mr. Montgomery, that we will be ready to make some fairly specific recommendations to you maybe in September.

Mr. MONTGOMERY. Thank you, Mr. Secretary.

Secretary HARDIN. And we will be glad to as time goes along between now and then to discuss specific parts of this as we move along.

Mr. MONTGOMERY. Thank you.

My second question pertains to food stamps. And I might say to the chairman and the Secretary, I am working on my own food stamp bill and hope to introduce it in the next few days.

I might say that it will require less money and I think it is a more reasonable request than the Department bill or Mrs. Catherine May's bill. I hope to put in my bill a provision for State participation in the 10- to 20-percent range in the cost of the program. In 1967 this committee, other than the nine new members, had this amendment in the bill that went to the floor of the House requiring State participation of 20 percent; it was taken out on the floor. As I understand it, in the Senate Agriculture Committee several days ago Senator Dole of Kansas offered a similar amendment and it lost by only one vote.

If this amendment was adopted in the May bill, or my bill was accepted and sent to the House floor, would the Department support State participation?

Secretary HARDIN. I think we would feel that it will produce a serious problem in a few States. But we will be happy to try to administer whatever program the Congress comes out with.

Mr. MONTGOMERY. In other words, the Secretary would not try to have this amendment taken out of the bill as it was done 2 years ago?

Secretary HARDIN. I think we would still feel that there would be some of the States that would have at the present time a very difficult time meeting the maximum requirement. This amounts to additional money from their welfare budget. And I have seen the testimony in some of the States—I suspect we would lose some States participating in the stamp program if this requirement were put in the law, I am afraid we would. That is just an off the top of my head reaction.

Mr. MONTGOMERY. Of course, my State would certainly have a hard time. But I was really thinking about the good of the country and the good of the program. I certainly hope that if we could adopt this amendment, the Department would not fight the amendment.

Secretary HARDIN. I think we would want an opportunity to study it—we haven't looked at it seriously in this context—I think we would want this opportunity before we answered very flatly on it. I am reflecting the statements I have heard, some that the Governors made, with respect to the present welfare budget, and the utter impossibility of adding anything more to them.

So I think I would like to ask for time to react on this question.

Mr. MONTGOMERY. Thank you, Mr. Secretary.

That is all I have, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Montgomery.

Mr. Myers.

Mr. MYERS. Thank you, Mr. Chairman.

Mr. Secretary, every member of this committee is certainly vitally interested in helping solve the nutrition problem of this country, the malnutrition problem, I should say. And you certainly are, by your very fine presentation. You have two tools now to work toward trying to improve nutrition in this country, or eliminating malnutrition.

And that would be of course food stamps and the direct distribuion of commodities. What reasoning went into your Department's decision to take the route of food stamps rather than the direct distribution for expansion of your program?

Secretary HARDIN. There were several things, Mr. Myers, that went into this. But I suppose one of them was that what we have been doing as we went into direct distribution of commodities was really setting up another system of distribution right along side of the commercial system, which is probably the most efficient one in the world today. And we felt that this was maybe a misuse of resources.

Also we found this, that in some areas where we have the direct distribution of commodities, particularly in the sparsely populated areas, it is very expensive and difficult either for the people to get the commodities or to get them to them.

But there usually is some established procedure for them to buy groceries. And they can use the stamps in these instances. We are

quite willing to admit that in certain types of situations there are advantages to direct distribution. I mentioned earlier the reservations, where I think that we can make a strong case, that this would be the preferred way.

But we kind of think in the long run this will fit better into any total welfare program that might come into existence, that it may be more efficient to administer over the long pull, and as we get more experience, perhaps there is more of this that can be done by mail rather than by physical visiting of offices, and so forth, and simply permit people to use established channels.

Mr. MYERS. Also in your statement you made reference to the fact that through your extension service, and more explicitly the nutritional program, that you were intending, as I understand it, to develop better use of these commodities from your response to Mr. Mathias. Have you decided how much more it is going to cost now? Are you going to have to expand your nutrition aids program also to correspond with your increase in food stamps?

Secretary HARDIN. There may be some further modest increase in the aid program in future years, but not a huge increase. We feel that with maybe some slight increase in the present level that it is going to be fairly adequate. There are 5,000 of them now in existence throughout the country.

Mr. MYERS. I did understand you to say that you intended to use this nutrition aids program to further improve the education process, teaching mothers of the family what to buy and how to prepare it and be served the right food, is that right?

Secretary HARDIN. Yes, that is correct. And we are very much intrigued with this right now as an educational tool. And we visited with some of these new aids, people who were picked right up in these communities to give instruction, and we are now watching them work. We really are quite pleased with the results. We think they are getting the message across in most instances.

Mr. MYERS. That is fine. I think this is the direction that we must go.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Myers.

Now the bell has rung for a quorum call. I don't know of anything that we can do about that, except that I do want to give each Member a very brief opportunity to ask a question. I know that you would like to discuss this, and I know the Secretary would like to discuss it with you, but if you will just ask questions as we go around, the Secretary will answer you, and not try to engage in discussion. That will be the only way we can get over there and answer that quorum call.

Mr. Sisk.

Mr. SISK. Thank you, Mr. Chairman.

I will only take a moment.

First, I would like to commend the Secretary——

The CHAIRMAN. Let's put in the record that we all commend the Secretary.

Mr. SISK. I might say I particularly had one purpose in mind. I just sat through a meeting, Mr. Chairman, a day's meeting in the Western United States and I think that the Secretary made a lot of friends.

And I know they appreciate your patience——

Secretary HARDIN. And we appreciate your being there too, sir.

Mr. SISK. I enjoyed it very much.

At the bottom of page 7 in your statement, I would like to have you enlarge on this a bit. And this is in line with questions that have already been asked. This goes to a point on which I appeared before this committee some 3 years ago seeking legislation to permit both programs to operate simultaneously. And it is my understanding that your proposal would permit this, provided the administrative expense was picked up locally.

Secretary HARDIN. Yes.

Mr. SISK. And I understand that this is clearly a part of the bill that has been proposed.

Secretary HARDIN. Correct.

Mr. SISK. I want to commend you on this, because very frankly I think that it will be substantially helpful.

I had one other question I was going to ask you, if you wanted to make any quick comment on the testimony offered by the gentleman from Utah. I think we won't take the committee's time at this time. Maybe you would rather do this at that time. But you will recall some testimony that we heard on the food stamp program.

Secretary HARDIN. Yes.

Mr. SISK. Maybe at another time we can discuss that.

Secretary HARDIN. I think we do need to go into that a bit.

Mr. SISK. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. Sebelius.

Mr. SEBELIUS. I reserve my questions.

The CHAIRMAN. Thank you.

Mr. Burlison.

Mr. BURLISON. Mr. Chairman, I have a number of things that I would like to discuss with you, but we can wait until another day for that, I suppose.

I am just going to pursue one point very briefly. I think from your proposal here for extending the food stamp program it is obvious that you feel, and your administration feels, that it should be an obligation of Government to provide people with the necessary food for their existence, is that a correct assumption?

Secretary HARDIN. Yes.

Mr. BURLISON. I think you have also made some reference in your statement to another necessity of life, that of housing. I think probably most of us would agree that there is some obligation on the part of Government to subsidize or help provide housing for those who need it or require it, is that a fair assumption?

Secretary HARDIN. Well, I assume it is, because we do have housing programs.

Mr. BURLISON. That brings me to my question. Do you feel that it should be an obligation of Government to provide or help provide what is generally considered the third necessity of life, as we understand it, at least a physical necessity, that of adequate and necessary clothing.

Secretary HARDIN. Well, I would answer that this way, that at least on the basis of our experience we would place a higher—we would

place more urgency into taking care of the basic nutrition needs than we would on clothing. And so long as our resources are as limited as they are, so long as it is not possible to take care of all of the legitimate nutritional needs, I think we would be reluctant to see the program expanded.

Mr. BURLISON. Would it be fair to conclude that at least at the present time your administration, while recognizing the need or requirement, duty of Government to help with housing and with food, feels that there is no overwhelming or compelling need, equivalent need in the area of clothing?

Secretary HARDIN. Well, certainly in terms of priority such would have to be the case. Now, we could recognize that when we are giving some relief here on food we are relieving other parts of the budget. So indirectly we should be helping.

Mr. BURLISON. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Burlison.

Mr. Lowenstein.

Mr. LOWENSTEIN. Mr. Secretary, I appreciate very much the spirit of your statment, and the statement by the President which ended with the quote:

> That hunger and malnutrition should persist in a land such as ours is embarrassing and intolerable.

I am curious if it is your view that the program proposed here will eliminate involuntary hunger and malnutrition in this country at the earliest possible date.

Secretary HARDIN. You are curious about the statement?

Mr. LOWENSTEIN. No, I am curious as to whether your view of this legislation that we are considering is that it would eliminate hunger and malnutrition in the spirit of the President's statement.

Secretary HARDIN. Yes, poverty related, recognizing that there will be some due to ignorance or just a deliberate choice of poor diet that we are not going to eliminate in this manner.

Mr. LOWENSTEIN. Do you have any idea what projected percent of the total Agriculture budget would be spent on this particular aspect? Considering all agricultural programs, including food stamps and direct allocation of commodities, what percentage of the total cost would go to relieving problems of malnutrition and hunger?

Senatory HARDIN. You means the percent of the food malnutrition program would be of the total budget of the Department of Agriculture?

Mr. LOWENSTEIN. Right. If this program were adopted, what proportions of the budget for Agriculture would it represent?

Secretary HARDIN. As matters now stand, it would appear about a fourth. This year rising to a third when fully implemented.

Mr. LOWENSTEIN. Two other short questions. Several times you said that this bill would decrease funds for people receiving stamps in certain categories. Which income group would that apply to? Obviously it does not apply to people who exist on welfare—but own airplanes—we have covered that earlier. What kind of people would be affected by these reductions?

Secretary HARDIN. We are trying to make this so that it gets at the very poor, and more adequately than it has in the past. And this

has the effect practically of being just a little more helpful than those we call the middle at the very top of the bracket of eligibility.

Mr. LOWENSTEIN. My final question relates to a matter that came up earlier, more or less in passing—the matter of the additional cost to the taxpayers that it is alledged would result from placing ceilings on individual subsidies. Is it possible that this additional cost might suggest, not a defect in the subsidy limitation proposal, but rather a need to reexamine the snapback provision, and in fact the general formula for subsidies? I wonder if you have any comment on that?

Secretary HARDIN. Yes, I do have a comment on that. And I think in the letter that I sent to both the House and the Senate I did state that I believe that you could design sound farm programs that would provide for some limitation in payments. But we felt you had to consider this at the time you considered new legislation, and not merely put an amendment on an existing law.

Mr. LOWENSTEIN. Then it would be a good time to consider it when the new farm program is proposed?

Secretary HARDIN. Yes.

Mr. LOWENSTEIN. Thank you very much.

The CHAIRMAN. Thank you, Mr. Lowenstein.

Mr. Rarick.

Mr. RARICK. Mr. Secretary, I am interested in helping farmers and to keep farmers on the farm. I was surprised in reading your statement at paragraph 1, page 4, subparagraph 1, that instead of keeping the farmers on the farm, administration policy calls for a program to voluntarily retire farmland—to get farmers off the land. May I ask that you give us an explanation on how far you intend to go in "voluntarily" retiring farmland?

Secretary HARDIN. This is something that is a matter for us to work out together in the months ahead. But we do have probably in the neighborhood—taking only good land—probably in excess of 60 or 70 million acres at least more in production than is needed to meet the foreseeable requirements of this country domestically or anything that we could sell abroad.

Mr. RARICK. For how many years?

Secretary HARDIN. For the foreseeable future, and I would say at least two decades.

Mr. RARICK. That is a repudiation of the line of the population explosion people who keep telling us that we aren't going to have the food to feed our people.

Secretary HARDIN. I can't answer this for all time.

Mr. RARICK. Might I ask this question——

Secretary HARDIN (continuing). But we do have the ability to greatly increase our production from the current acres that we are using in this country.

Mr. RARICK. May I ask, then, is this a project to phase out agriculture in the United States? Some of my farmers ask if we are in a "deagriculturalizing" stage now—to turn the country into an industrialized economy?

Secretary HARDIN. Of course we are becoming more of an industrialized economy because a higher percentage of our people are going into that area of endeavor; there is no question about this. But I

would think that we could guarantee that the total production of our farms in this Nation will be greater in every succeeding year in the years of this century.

Mr. RARICK. We also discussed the possibility of food stamp violations and manipulations. I know you haven't been in office very long. But can you tell me, are there any records at your office as to the number of violations and prosecutions for food stamps irregularities?

Secretary HARDIN. There is a record; yes.

Mr. RARICK. You wouldn't have any way of knowing?

Secretary HARDIN. I don't know right now, but I would have access to the information; yes, sir.

Mr. RARICK. May I ask you, if you would, sir, to make it available. We will insert it in the record, to see if there has been any followup by actual prosecution? I think that the offenders are entitled to know that someone is keeping an eye on them, and we are going to prosecute violators?

The CHAIRMAN. Without objection that will be entered in the record.

(The following information was submitted to the committee:)

The following materials summarize actions taken under the Food Stamp Act, through March 1969, with respect to the enforcement of food stamp regulations among participating retail food stores and wholesale food concerns.

The number of participating stores has increased from about 12,000 during the pilot program which operated in 43 areas to over 90,000 in the nearly 1,500 areas participating at the end of the fiscal year 1969.

Each participating retailer and wholesaler is individually authorized by C&MS in accord with the requirements of the Act. As part of the authorization process, C&MS personel make certain that the store owner is fully acquainted with the rules governing the acceptance of food stamps. After authorization, local C&MS personnel undertake a continuing educational and supervisory program to insure store employees know the rules and that the rules are being observed.

When available information indicates a store may be violating the rules, despite C&MS' efforts to obtain compliance, C&MS requests the investigatory services of the Office of the Inspector General.

Through March 1969, C&MS has made 4,336 investigatory requests to the Office of the Inspector General and, as of that same date, 3,587 investigations had been completed. Of the 3,587 completed investigations, final action was pending on 263 at the end of March.

Of the 3,324 completed cases, the following is a summary of results:

1,281—investigation did not reveal violations;

1,504—minor violations that resulted in an official warning letter or an official compliance visit to the owner of the store;

539—stores were disqualified from participation.

Of the 539 stores disqualified for program violations:

122—were disqualified for 30 days;

70—were disqualified for 60 days;

165—were disqualified for 90 days;

128—were disqualified for 6 months;

52—were disqualified for one year;

2—were disqualified for three years.

All investigations that involve significant violations were referred to the Department of Justice for possible action under the criminal and civil penalties provided in the Food Stamp Act. Through March 1969, a total of 881 cases have been so referred. Of that total, 635 were declined and an additional 160 actions were still pending.

There have been 81 criminal actions completed through March 1969 and five completed civil actions. Of these actions, in two cases there were decisions of not guilty and nine cases were dismissed.

In the 70 successful criminal actions, penalties ranged from probation periods, imprisonments and/or fines. The longest period of probation was four years. The longest period of imprisonment was six months. The largest fine was $8,000.

The CHAIRMAN. Mr. Jones.

Mr. JONES of Tennessee. Thank you, Mr. Chairman.

Mr. Secretary, I commend you for your statement, as others have said. I am very greatly disappointed, however, that we cannot get you to agree to go along with a regular farm program as well as a food stamp program. My people are intensely interested in seeing this going on currently with a food stamp program. And I feel that it is quite necessary. One other thing that I would like to comment on is what someone else here on the committee said, and that is the support that has been given or will be given to the Farmers Home Administration in providing water facilities, housing facilities to the rural area. In my opinion this is the way to stop some of this poverty that we have and keep these people out in the country.

And this is one way I think we can really do it. And I certainly support what has been done by Farmers Home, and I hope more can be.

Secretary HARDIN. I hope we can keep attention on this, because in what we call rural America we have over a fourth of the people in the Nation in what has been estimated as half of the substandard housing.

The CHAIRMAN. Thank you, Mr. Jones.

Mr. Melcher.

Mr. MELCHER. Mr. Secretary, I have noted the recommendation of the Department on the increase in loan rate on grain storage facilities. And I think it probably reflects the rising rate of interest. But in view of your comments on the cost-price squeeze and the need of agriculture and the dire position of agriculture right now as related to income, what are going to be your recommendations about curbing the high interest rates? Because almost all of agriculture will be going to the bank or some lending agency soon to renew their notes.

Secretary HARDIN. Of course, what we are hoping is that the current program to stabilize the economy of the Nation physically—that is, to head off this inflation that we are in—will have a very direct and immediate effect upon interest rates. And hopefully if the efforts have been successful in forcing a surplus of the Federal budgets, and the efforts have been made by the Federal Reserve, if the surtax is extended, and if certain other things are done, we feel that this is the proper way to get at the matter of interest rates. And there is at least precedent for believing that if the economy levels out we will see a reduction in interest rates.

Mr. MELCHER. What, Mr. Secretary, would be your recommendations in the next few months between now and, say, the end of November for all the agricultural loans that will have to be renewed? Do you have some recommendations through FHA, PCA, or commercial banking?

Secretary HARDIN. There is certainly nothing that we can do under existing law for the agencies outside of Government. And we would have to have special loans available through Farmers Home Administration at reduced interest rates which are continuing. Now, there is a question of course again of the quantity of these, and whether there

will be enough of them to meet all the need. And I doubt if there will. And there will be a necessity of establishing priority. But it is in that direction. That is all I have to suggest.

Mr. MELCHER. Do you have any recommendations which would be helpful within the next few weeks for creating greater funding for the Farmers Home Administration to meet any emergencies that may arise?

Secretary Hardin. Not within the next few weeks we will not.

Mr. MELCHER. Mr. Chairman, I would like to say that a tight money crisis is a matter of a very few weeks, and even days, for a great many farmers, ranchers, and small businesses. I know this is true in eastern Montana.

Savings and time depositors in our banks are now getting 5 percent and sometimes less on their deposits. Many are withdrawing their funds. A great many more will soon withdraw them to make higher interest investments.

Bankers tell me that as a result of savings withdrawals, they are not going to have enough loan funds to carry all their old customers, regardless of interest rates.

The prime rate of 8½ percent set by Eastern bankers for their most select customers is creating a competition for funds in which rural banks and their farm, ranch, and small business customers cannot compete. Even the Treasury is heating up interest rate increases and tightening money supply by selling notes at 7.4 percent interest. This means at least 9 percent for agricultural borrowers, and probably more, to get necessary capital.

Many are going to be in real trouble, and I am not talking just about the small, struggling operators who lack adequate resources to make a reasonable income, but about the commercial family farmers who have adequate operations, and good farmers and ranchers, but are dependent on borrowing to finance cattle herds, feeders, and the cost of putting in crops and carrying expenses until they have something to sell.

We need to cut back Government expenditures just as much as we can to relieve the pressure on the economy. In doing so, we need to establish some priorities so essential services and programs are not curtailed, and credit that is necessary to a basic industry like agriculture is not squeezed tight or ever eliminated.

In my opinion we should take emergency steps to get funds into the rural areas at once, with provision for reasonable interest rates. High interest is inflationary, not deflationary. In the effort to get out of the depression in the thirties, Congress appropriated money to pay excess interest on agricultural loans, and if we have to do something like that now to prevent the credit situation from liquidating some fine farmers, then I think we should do it.

This is a matter so important; with such a division of responsibility between Federal Reserve, the Treasury, and the Secretary of Agriculture and other department heads as representatives of their segments of our society, or economy, that I feel that the President himself should intercede to see that capital—loan money—is made quickly available in critical areas at reasonable rates.

Farmers and ranchers have repeatedly been the goats of inflation, with cost racing up while product prices remain low. Unless there is

quick action, they are also going to be made the first victims of the steps to control the inflation.

The CHAIRMAN. Thank you, Mr. Melcher.

Mr. Córdova.

Mr. CÓRDOVA. Mr. Secretary, I was glad to hear your replies with respect to the eligibility of strikers and students to make food stamp purchases that if they are otherwise eligible they are after all American citizens. You are aware, of course, that there are three communities of American citizens which are not now covered in the food stamp program: Guam, the Virgin Islands, and Puerto Rico. And these communities are subject to the obligations of American citizenship, the chief of which is the obligation to send their young people to fight the wars of the Nation wherever the President and Congress may determine.

The CHAIRMAN. Just ask him a question and revise your remarks.

Mr. CÓRDOVA. Would you have any objection, Mr. Secretary, to the inclusion of these three communities in the food stamp program?

Secretary HARDIN. I think this is a matter that is entirely up to the Congress, sir.

The CHAIRMAN. Thank you very much.

And now, Mr. Goodling.

Mr. GOODLING. A few very short questions, Mr. Secretary.

How many people in your Department are presently employed in the food stamp program?

Secretary HARDIN. 1,200 approximately.

Mr. GOODLING. And do you recall how many were employed a year ago?

Secretary HARDIN. About 900.

Mr. GOODLING. How many do you anticipate will you need if and when you get the $620 million?

The CHAIRMAN. Can't you insert that in the record?

Mr. GOODLING. He may put it in the record.

One more question. Will you also insert in the record how much you anticipate you will need in 1971 when you receive a billion and a half dollars?

The CHAIRMAN. You may put both of those answers in the record.

Secretary HARDIN. We will be happy to do so.

Mr. GOODLING. I trust there will not be more administering the program than there are recipients.

(The following information was submitted by the Secretary:)

Total Federal food stamp employment averages less than one employee per project area. At the end of the 1969 fiscal year, there were 1,200 authorized positions, with about a 10 percent vacancy rate. In 1970, if the authorization were increased from $340 million to $610 million, we would expect to need about 1,400 authorized positions at the end of the fiscal year. In 1971, if the program were funded at a $1.5 billion level, we would expect to have 1,600 authorized positions.

The CHAIRMAN. Thank you very much, Mr. Secretary. We appreciate your attendance. We are sorry we have to close so early to get the rollcall.

(Whereupon, at 12:40 p.m., the committee was adjourned, subject to the call of the Chair.)

GENERAL FARM PROGRAM AND FOOD STAMP PROGRAM

MONDAY, JULY 21, 1969

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D. C.

The committee met, pursuant to recess, at 10 a.m., in room 1301, Longworth House Office Building, the Honorable W. R. Poage (chairman) presiding.

Present: Representatives Poage, Abernethy, O'Neal, Foley, de la Garza, Montgomery, Belcher, Teague, Zwach, McKneally, and Resident Commissioner Córdova.

Also present: Christine S. Gallagher, clerk; William C. Black, general counsel; Hyde H. Murray, associate counsel; and L. T. Easley, staff consultant,

The CHAIRMAN. The committee will please come to order.

The committee has met this morning to give an opportunity to Members of Congress to present any testimony they want to in regard to any of the bills which they have introduced relating to any phases of the general agricultural program or of the food stamp program.

We have statements for the record from Hon. Odin Langen, of Minnesota, Hon. Silvio O. Conte, and from Hon. Alexander Pirnie. I believe those are all the statements we have, are they not?

Without objection these statemnts will be made a part of the record.

(The statements follow:)

STATEMENT OF HON. ODIN LANGEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

THE FAIR FARM PRICE ACHIEVEMENT ACT OF 1969

Mr. Chairman and Members of the Committee, it is a real honor for me to appear once again before this distinguished Committee. As one of the few Members of Congress representing Districts which have more than 25 percent of the people living on farms, I am acutely aware of the importance of the work done in this Committee.

Gentlemen, rural America is presently in a state of quiet desperation. Its economy is stagnated because farm income has not kept pace with the rest of the economy. Its young people are leaving the farms because they see no future there. Rural communities are slowly becoming ghost towns.

These conditions and their causes are amply set forth in an excellent document prepared by this Committee entitled "Food Costs-Farm Prices". From 1963 to 1968, non-agricultural income rose over three times faster than farm income. In that same period, farm costs rose almost twice as fast as the prices farmers received for their products. A most graphic demonstration of the consequences of inadequate farm income is the almost unbelievable increase in farm debt of $20 billion to $50.4 billion in the same five year period. It should be obvious that

farmers are actually having to live off the capital they have invested in their farms. When this state is reached, the collapse of our rural economy cannot be too far in the future unless the situation is drastically altered.

However, to accept the inevitability of this collapse is to give up on the future of our entire economy because it should be clear to everyone that a healthy agriculture is an essential ingredient to our future growth. It dwarfs all other industries in productivity advances, number of employees, assets, and purchases. It is truly the backbone that supports the rest of our economy. Consequently, an adequate and equitable program to alleviate the depressed conditions in rural America should receive the support of everyone.

Nevertheless, it has become clear that the public will no longer accept farm programs that rely primarily on government subsidy payments to farmers. I think it is fair to say that their attitude demands a complete change in the means used to compensate farmers for their production. The recent action by the House of Representatives in limiting farm subsidy payments to $20,000 per farm reflects the public's attitude on this matter.

The bill that I have introduced, called the Fair Farm Price Achievement Act, can put this nation on the right road toward solving the problems of rural America. It would return prices to parity levels while reducing Government expenditures at the same time. It would further assure the American people an adequate supply of food in the future.

The bill guarantees full parity to wheat and feed grain farmers in return for voluntarily withholding modest acreage from production. It gives the farmer bargaining power, takes the Government out of such of his planning, and provides for a food reserve and necessary import controls.

The Fair Farm Price Achievement Act is based on a system of incremental price supports. It incorporates provisions dealing with a payment-in-kind, cross-compliance and the importation of foreign agricultural commodities. Under this program, a small grain farmer could voluntarily achieve a higher price support in proportion to his efforts to help hold down production of these crops, up to a 20 percent reduction. The following table demonstrates how the system would work:

If the percentage of his acreage withdrawn from production is not less than—	His level of price support in percentage of parity price shall be—
5	70
10	80
15	90
20	100

Farmers choosing not to participate in this program would receive 50 per cent of the parity price for their grain crops, or whatever the market reached.

The acreage-average would be used with regard to grains other than wheat, and is the average annual acreage which a farmer has devoted to the production of any combination of these crops during the past 3 years. The acreage allotment pertaining to wheat is also established from the history of the past 3 years, but cannot be used for small grain production.

To qualify for the incremental price supports under the bill, a farmer must reduce his acreage by at least 5 per cent in both wheat and other small grain crops. This "cross-compliance" is necessary to effectuate the purpose of the bill, which is a real reduction in production, not just the retirement of the least productive acres on each farm. The land which is taken out of production is not to be planted to any other crop or to be used for grazing, so as not to aggravate any other production problem. However, the farmer has great leeway in the planning of his remaining acreage.

Under the Fair Farm Price Achievement Act, it is estimated that farm income would increase $1.8 billion a year. Think of what such an increase in farm income would do for rural America, where almost half of the nation's poor live and where over half of the nation's inadequate housing exists. The impact on "Main Street" would be tremendous as the added farm income found its way into local business establishments, school systems, local units of government, and the like. Even the urban areas would benefit with added income from farm purchases and the prospect of halting the migration to the cities.

The additional income to farmers, which is shown on the following chart, has been calculated in the following manner. Taking the results in the 1968

crop year, the assumption was made there would be a 20 percent reduction in production resulting in full parity prices to the farmers. The following chart compares the results for each commodity covered by the Fair Farm Price Achievement Act:

Commodity	1968 actual crop year			Under proposed program			Difference (millions)
	Bushels (millions)	Price [1] (1968)	Income (millions)	Bushels (millions)	Price (parity)	Income (millions)	
Wheat	1,570	$1.71	$2,685	1,256	$2.63	$3,303	$618
Corn	4,375	1.18	5,162	3,500	1.64	5,740	578
Rye	23	1.00	23	18	1.41	25	2
Oats	930	.60	558	774	.90	670	112
Barley	418	.90	376	334	1.35	451	75
Soybeans	1,080	2.42	2,614	864	3.40	2,938	324
Flax	27	2.82	76	22	4.04	89	13
Sorghums	739	1.09	806	591	1.47	869	65
Total income increase to farmers							13,785

[1] Government payments included.

If you exclude government payments to farmers in 1968 under the wheat and feed grains programs, the additional income to farmers under the Fair Farm Price Achievement Act would have amounted to almost $3.2 billion in that year. Without government payments, income to farmers from wheat would have been $738 million less, $524 million less from corn, and $111 million less from grain sorghums.

Additionally, farmers would be able to cut some of their production costs by up to 20 percent. For example, seed, ferttilizer, and labor costs will be reduced by removing acreage from production.

In the area of farm costs, my bill recognizes that certain costs will continue to be incurred on acreage that is withdrawn from production—taxes are the most glaring example. Since this land will no longer contribute to the farmer's income, the bill provides for compensation payments in cash or grain, not to exceed $10 per acre, to cover these unavoidable costs.

I feel that it would be obvious to anyone who has the slightest acquaintance with conditions in rural America that the key to improving the situation on the farm is to improve farm income. In 1968, farm income amounted to $15.1 billion. However, had farm income kept pace with non-agricultural income during the past five years, farmers would have received $19.5 billion—an additional $4.4 billion. Cumulatively, farmers would have received $11 billion more in income over the past five years had farm income increased at the same rate as non-agricultural income. Just think what a difference that $11 billion would have made in rural America—I'm sure we would not be witnessing the despair and decline that exists today.

There are further benefits to all Americans under this bill. I have calculated that by subtracting the costs of the commodity programs under this proposed legislation from the costs of the present programs for the same commodities, the taxpayers would have saved approximately $1.88 billion for fiscal year 1968 and $2.70 billion for fiscal year 1969 in the Department of Agriculture budget, or an average of $2.29 billion a year. The following chart demonstrates the savings for each program:

GOVERNMENT COSTS NOT INCURRED UNDER FAIR FARM PRICE ACHIEVEMENT ACT (1968)

[In millions of dollars]

	Fiscal year	
	1968	1969
Wheat: Total outlays for payments and related	1,268.0	1,841.9
Feed grains: Total outlays for payments and related	609.1	857.9
Total	1,877.1	2,699.8

Gentlemen, it is clear that we need new programs that will indeed make the farmer a full partner in our economy while reducing the excessive burden now being carried by the American taxpayer. The Fair Farm Price Achievement Act, dealing primarily with wheat and other small grain crops, offers and provides for the following goals:

First, it offers the opportunity for the farmer to achieve full parity prices and his rightful share of our national income.

Second, it will decrease government expenditures by more than $2 billion a year, thus benefitting taxpayers and releasing funds for other vital programs.

Third, it offers less Government control for the farmer and provides him with the opportunity of voluntarily curtailing production to meet demand.

Fourth, it offers sufficient incentive to the farmer so as to encourage a very high percentage of compliance. Experience has surely proven that no program will be effective without a high precentage of compliance.

Fifth, it presents no problem of administration. All of the provisions of the bill can be successfully administered through the township, county, and State committees.

Sixth, it permits the laws of supply and demand to function within the provisions of the legislation so that acreage shifts from one crop to another will be governed by prices as determined by supply and demand.

Seventh, it deals with the entire national productive unit of wheat and small grain feed crops. Since reductions are required from actual planted acres, there is assurance that compliance will provide a reduced total production. Acres taken out of production will not be used in producing other crops.

Eighth, it will provide for the establishment of a food reserve that will, by law, be kept out of the general market unless it is sold at 105 percent of parity.

The bill thus outlined will go a long way towards alleviating the present aspects of our farm programs which so many of us find regrettable. It will result in the savings of substantial amounts of public funds. At the same time, it provides the farmer with a fair share of the national income, while controlling overproduction that affects the market price so drastically.

Here we have farmer bargaining power at its best, with a relatively simple program of compliance and administration, giving him flexibility of operation and freedom from burdensome government interference. With this bill, the farmer could achieve full parity of prices by his own choosing. The farmer would pick up this responsibility from the Government, and I believe he would welcome it.

Another feature of this plan is that it does not pay anyone for not doing anything. The farmer must till the land and raise the crops. He must work for what he gets, and he only receives a price for what he produces.

This bill also creates a reserve for future needs, but prevents the Government from using such reserves to drive commodity prices down by dumping stocks on the open market at lower than parity prices. This is accomplished by directing the Secretary of Agriculture to establish a reserve composed of one or more of the following crops; wheat, corn, barley, oats, rye, soybeans, flax, and grain sorghums. Crops placed in this reserve shall remain the property of the Commodity Credit Corporation and may be sold for unrestricted use only to meet the need for increased supplies and then at not less than 105 percent of the parity price.

I have on many occasions through the years called attention to the effects which the importation of foreign agricultural commodities have on our farm prices. The bill provides that the President shall institute an investigation whenever it would appear that agricultural commodities are being imported in such amounts as to interfere with the laws of price-support programs for those crops.

This, then, is the bill. I believe it offers a solution to the most pressing agricultural problems facing us today: inadequate supplies of food in the future, inadequate farm income, and excessive government expenditures under present farm programs.

It offers rural America the opportunity of voluntarily achieving full return for value received, and it offers great hope for the revitalization of the rural economy. The benefits to the city dweller are that he will be spared the costly billions now being spent on current farm programs. The migration to the cities will slow or stop as rural America rebuilds itself, leaving additional monies to be directed to dealing with urban problems.

But we must deal with this situation now. It would be well for us to remember that periods of prosperity have always been gained by tackling the most difficult problems with persistence, accomplishing what seemed like almost impossible

solutions. To solve the farm problem would be to put us far on the road to national economic stability. It is with these goals in mind that I offer the Fair Farm Price Achievement Act of 1969.

STATEMENT OF HON. SILVIO O. CONTE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS

Mr. Chairman, although I am a co-sponsor of H.R. 12222, the Administration bill to expand our current food stamp program, I appreciate this opportunity to testify today in support of a proposal to place a ceiling on farm subsidy payments as part of any long-term farm legislation.

I don't believe there is much that needs to be added to the excellent presentation made by Secretary Hardin last week in support of the Administration food stamp bill. I am sure that improvements can be made on this bill and I strongly urge this Committee to report the strongest possible bill to eradicate the scandal of hunger and malnutrition in this land of plenty. But, on the whole, it must be said that the Administration bill represents an excellent beginning and a genuine commitment.

I do want to make one further comment on the food stamp legislation before turning to the subject of a farm payment ceiling. It is essential that the food stamp bill be given immediate attention. Under no circumstances should this vital legislation be delayed pending what is likely to be a much lengthier process of putting together a new farm bill.

Mr. Chairman, as this Committee knows, our present farm program is scheduled to continue through 1970. Despite the inadequacies of that program, there is no need for haste in devising a new and more sound farm program.

In contrast, all of us surely must realize now the great urgency of acting quickly and decisively to eliminate the conditions under which some ten to fifteen million Americans are today suffering from hunger and malnutrition.

It would be absolutely intolerable to hold this food stamp bill hostage until the passage of a new farm bill. I trust no one on this Committee would permit this needed food stamp legislation to be used as a device to perpetuate our present inadequate farm program.

My main purpose here today, however, is to speak to the matter of long-range farm legislation.

Gentlemen, I make no pretense, particularly before this distinguished Committee, to being an authority on the overall subject of farm legislation.

I have, however, spent a good deal of time considering one major aspect of that program. I refer to the matter of farm subsidy payments. I am convinced that there is no justification for the continuation of excessively large payments to a handful of corporate farming giants.

Last May 27, our colleagues in the House supported my amendment placing a $20,000 ceiling on total farm payments for the second year in a row. This year they did so by the even greater margin of 224 to 142.

Although the other body has once again failed to go along with that proposal, I am sure I speak for a majority of this House in urging our conferees to insist on the House amendment with all possible vigor.

But, whether or not that amendment prevails this year, we must still address ourselves to the long-range need for reform in this area. In more recent studies of the problem I have become convinced that there is a better proposal—one easier to administer and, more importantly, capable of saving twice as much as my previous proposal.

Mr. Chairman, when I proposed a $20,000 ceiling in the House, Secretary Hardin's analysis and report on 1968 farm program payments were not available.

Since then, these materials have been made available through the Senate Appropriations Subcommittee on Agriculture.

In recent testimony before that body, Secretary Hardin estimated that a billion dollars, or more than a third of the $2.9 billion paid to cotton, wheat and feed grain producers in 1968, were income supplements, in no way related to supply-adjustment needs. They were payments over and above the amounts needed as economic incentives for acreage diversion and other supply-adjustment practices.

These income supplement payments—$508 million to cotton producers, $368 million to wheat producers and $148 million to feed grain producers—were in addition to the $1.9 billion total paid to these three groups for supply-adjustment

purposes. They were net additions to the producers' income from farm product sales. It is probable that these supplemental income payments will be even higher in 1969 and 1970, especially for cotton producers.

Mr. Chairman, a limitation on the amount of these supplemental income payments will not defeat the supply-adjustment features of the programs.

On the basis of the facts made available to the Holland Subcommittee by Secretary Hardin, I now urge this Committee to include a limitation on the annual payments made to individual cotton, wheat and feed grain producers to $5000 per crop. With appropriate adjustments in these programs the effect of this ceiling can be limited solely to the income supplement part of the payments.

I am aware, of course, of the low levels of income earned by most farmers. I believe they need the help that an intelligently designed supply and price stabilization program provides. But there is no legitimate reason for continuing the excessively large government payments which have been a prominent feature of these programs in recent years.

Mr. Chairman, the excessively large farm program payments to the large corporations and individual land owners have not only wasted government funds badly needed for other domestic programs; they have worsened the position of the average-sized family farmer. Giant corporations and other large farmers have used these excessive government payments to further add to their land holdings and bid up land prices. These huge payments have tightened the squeeze still further on the family farm.

Every survey I have seen indicates that a majority of farmers favor a reasonable limitation on farm program payments. A Doane Agricultural Service Survey showed last year, for example, that some 85 percent of farmers themselves want to limit the size of farm program payments.

Studies in the Department of Agriculture in the last months of the previous administration, and additional studies made in the last few months, led Secretary Hardin to advise the House during the debate on the 1970 agricultural appropriations that, "The Department of Agriculture believes it is possible to design a sound farm program that limits the number of dollars that can be paid to any one farmer for programs following the 1970 crop year."

Mr. Chairman, had a $5000 limitation on payments to individual cotton, wheat and feed grain producers been in effect for the 1968 programs, 84,728 producers would have had their payments limited. These 84,728 producers received $917 million in 1968, almost one-third of the total payments under these three programs. A $5000 limitation would have reduced their payments by $493 million.

At my request the Department of Agriculture has prepared a table reflecting the distribution of these producers by state and the strikingly low percentage of such producers when compared with the total number of producers receiving payments. I have attached this table at the close of my statement.

I know of no better way to reduce government expenditures on farm programs up to $500,000,000 than to place a $5000 limit on individual producer's payments. A limitation as low as $5000 would affect approximately 85,000 producers out of a total of 2,372,000 who received payments in 1968—only three to four percent of the total. Those affected are the corporations, the wealthy landowners and the large operators, most of whom have high incomes by any reasonable standard. We would need a fifteen percent reduction in average payments to *all* producers of these crops to achieve the reduction in government expenditures that could be achieved by a $5000 payment limitation.

A $5000 payment limitation would affect about 8 percent of the cotton producers, 3 percent of the wheat producers and 2 percent of the feed grain producers. Approximately two-thirds of the cotton is produced by the producers who would be affected by a $5000 limitation, one-fourth of the wheat and a fifth of the feed grains.

If the cotton producers affected by a payment limitation are permitted to increase their acreage and the minimum diversion requirements for wheat and feed grain producers are reduced in proportion to their payment reduction, a $5000 limitation on payments to an individual producer would be more than equitable and do no damage to the voluntary supply adjustment programs.

The changes in the cotton program would encourage acreage reductions on the part of those producers now growing cotton primarily to collect the government payments, which will fully offset the increased planting on the part of those affected by payment limitations. And a 5 to 10 percent increase in the voluntary acreage diversion goals of the wheat and feed grains programs would compensate

for the reduced diversion from those crops by large producers whose payments were limited.

Agricultural specialists fully familiar with the administration of these programs advise me that the Secretary of Agriculture can easily adjust the diversion goals for the voluntary programs to compensate for the effects of a reasonable annual payment limitation for each program.

With respect to cotton, even the analysts in the Department of Agriculture's own Economic Research Service have predicted there would be no appreciable increase in total production with this change. The distinguished former Under Secretary of Agriculture, Dr. John A. Schnittker, who also supports this $5000 per program ceiling, has confirmed this view.

In a paper delivered at a Symposium on Public Problems and Policies at Iowa State University on May 27, 1969 Dr. Schnittker stated :

It will be objected that such a limitation would make the voluntary payment-based production control programs inoperative. That claim is false. So little grain (especially feed grains but also wheat) is grown on really large farms that the effect of greater production from payment limits as low as $5000 per program can be ignored. Large cotton payments, on the other hand, have been justified, not to reduce output but to increase it. No one will argue that limiting payments will lead to a cotton surplus. No one needs to take seriously the claim that a payment limit will lead to new grain surpluses.

Still on the subject of cotton, I should mention briefly one additional major change that is needed. This is the repeal of the so-called "snapback provision," section 103(d)(12) of the 1965 Act. This device was inserted into that bill because large cotton interests had foreseen the inevitable success of some form of payments ceiling and acted to prevent its application to cotton by a provision automatically reinstating the old and obsolete price support system. No rational program for a payments ceiling can permit this provision to stand. It would defeat the clear intent of Congress.

Mr. Chairman, I should briefly explain why I now advocate for long-term farm legislation a limitation on each separate program instead of a ceiling on total payments which the House has voted to apply to Fiscal Year 1970. I do so because farm program administrators at the Department of Agriculture have concluded that this approach would greatly simplify its administration. Moreover, it would simplify planning for those farmers who plant more than one of these three crops.

In conclusion, Mr. Chairman, I cannot overemphasize the importance of incorporating a payments' ceiling in any future farm program. The American taxpayer who faces another burdensome year of the surtax is rightly demanding that economies be made where they can. And Congress has now heard from no less an authority than Secretary Hardin himself that more than one third of all farm payments are, in effect, income supplements. They are *not* needed as part of any supply-adjustment program.

Perhaps, it is not altogether inappropriate that the farm subsidy program is being considered as we also consider pending food stamp legislation. It is ironic that our farm progam is vitually unique in possessing an open-ended "backdoor financing" feature under which the Department of Agriculture borrows whatever funds are required from the Treasury and is reimbursed through appropriations in a later fiscal year.

Surely, as others have noted, it would be far more justifiable to have this sort of financing to provide food for hungry families and underfed children.

There has been a great deal of talk in recent years, Mr. Chairman, to the effect that our government all too often has its priorities out of order. I know of no clearer example of this than the disturbing contrast of providing largesse to corporate farmers while we have food distribution programs for the needy that do not begin to satisfy their needs.

I am convinced, Mr. Chairman, that my proposal is an equitable way to reduce farm program expenditures by the substantial amount of $500 million. A limitation on payments at any level creates administrative problems but they would be no greater in administering a $5000 than in administering a $10,000 or a $25,000 payment limitation.

I respectfully urge that you include a $5000 payment limitation to producers of cotton, wheat and feed grains in any bill finally approved by this distinguished Committee, to extend the Agricultural Act of 1965.

Thank you again, Mr. Chairman, for this opportunity to appear before you.

PRODUCERS RECEIVING $5,000 OR MORE FROM SPECIFIED PROGRAMS AND TOTAL NUMBER OF PRODUCERS, BY STATES, 1968

State	Producers receiving $5,000 or more from—				Total producers, 3 programs	
	Cotton program	Feed grain program	Wheat program	Total	Number	Percentage receiving $5,000 or more
Alabama	1,698	117	3	1,818	75,410	2.4
Arizona	1,073	83	36	1,192	2,017	59.1
Arkansas	3,242	4	16	3,262	35,465	9.2
California	2,567	80	244	2,891	8,802	32.8
Colorado	1	455	1,352	1,808	19,452	9.3
Connecticut					323	
Delaware		29		29	1,449	2.0
Florida	30	105		135	7,967	1.7
Georgia	1,457	517	8	1,982	50,651	3.9
Idaho		2	1,131	1,133	19,416	5.8
Illinois	9	3,111	47	3,167	111,882	2.8
Indiana		1,952	19	1,971	90,520	2.2
Iowa		5,531	3	5,534	138,352	4.0
Kansas		1,126	4,217	5,343	131,758	4.0
Kentucky	23	226	5	254	64,270	4
Louisiana	1,358	9	9	1,376	24,935	5.5
Maine					249	
Maryland		52	5	57	6,470	.9
Massachusetts					159	
Michigan		302	19	321	65,489	.5
Minnesota		1,780	149	1,929	98,665	2.0
Mississippi	3,732	39	14	3,785	70,506	5.4
Missouri	889	1,698	51	2,638	101,883	2.6
Montana		12	3,296	3,308	22,794	14.5
Nebraska		3,362	566	3,928	92,552	4.2
Nevada	15		10	25	160	15.6
New Hampshire					105	
New Jersey		40	4	44	3,514	1.2
New Mexico	639	573	267	1,479	6,784	21.8
New York		35	20	55	20,887	.3
North Carolina	469	288	1	758	93,231	.8
North Dakota		37	2,857	2,894	68,855	4.2
Ohio	1	710	29	740	92,551	.8
Oklahoma	667	108	1,906	2,681	61,551	4.4
Oregon		3	832	835	8,415	9.9
Pennsylvania		42	7	49	30,195	.2
Rhode Island					8	
South Carolina	1,247	106	4	1,357	43,788	3.1
South Dakota	1	580	576	1,157	51,953	2.2
Tennessee	1,038	102	3	1,143	76,167	1.5
Texas	13,862	4,352	1,946	20,160	145,355	13.9
Utah		1	121	122	4,836	2.5
Vermont					408	
Virginia	10	81	4	95	27,960	.3
Washington		17	2,766	2,783	13,024	21.4
West Virginia		5		5	5,852	.1
Wisconsin		372	1	373	50,839	.7
Wyoming		3	109	112	2,473	4.5
Total	34,028	28,047	22,653	84,728	2,050,347	4.1

Statement of Hon. Alexander Pirnie, a Representative in Congress From the State of New York

Mr. Chairman, I am pleased to be here today to present my views on a subject which, as you know, has long interested me. As a former Member of this distinguished Committee, I am aware of some of the problems with which you are constantly faced, and share your desire for sound solutions.

Therefore, I do have some thoughts on our farm problem since I represent a state and district which rank high in farm production. I believe the positions I have taken on farm proposals of the past are consistent with my sponsorship of the legislation which I will today discuss. As you are aware, I have consistently opposed the general farm legislation which this Committee and the Congress have approved. I have done so in the belief that it represented the wrong approach to the problems facing Agriculture. The record shows that these programs, which have cost the United States taxpayers $3.5 billion annually, have failed to solve the complex farm problems with which we are faced.

The economic picture confronting the Nation's farmers is indeed gloomy. Farm income is lagging far behind the rest of the economy. Since 1963 non-agriculture

income has risen almost 50%, while farm income is up only 15%. Farm costs rose almost twice as fast as prices for farm products in the last five years. In that same period there has been a $20 billion increase in farm debt.

In my judgment, these and other indicators we can all see add up to the undisputed conclusion that the approach we have been employing toward the solution of our farm problems is not the correct one.

I believe the House recognized the validity of this proposition last year when it was refused to extend the "Food and Agriculture Act" for more than one year. It further substantiated this view when it sought limitations on subsidy payments made to one individual during a single year. Let's make no mistake about it: American farmers want out of the government dole because it isn't working, and non-rural Americans want out because of the huge costs involved.

Therefore, it seems to me that we should look to an approach which will more nearly satisfy both, and I think the bill I have introduced would be a major step in that direction.

The "Agricultural Adjustment Act of 1969" is designed to phase-out over a five-year period subsidy payments for wheat, feed grains, and cotton. At the same time, it provides for the retirement of at least 50 million production acres in a way which will not endanger either our capacity to produce or our economic stability. Furthermore, it will provide assistance to those farmers who are forced from the farm but who do not have the skills required to obtain gainful employment elsewhere.

I have discussed this legislation with farmers in my District and I can say that they are enthusiastic about it. They believe that they should have the opportunity to compete in the market place and they are confiident that they can do so successfully. I might add that they are totally against the continuation of expensive, subsidy-type farm programs, not only because they don't agree with the philosophy of them, but also because they realize they are having to bear a good portion of the cost.

One final item which I think will be of interest to the Members of this Committee. Subsequent to my introduction of the "Agricultural Adjustment Act of 1969," the Utica Daily Press, the largest newspaper in my District, editorialized on the legislation. It is basically an urban paper, but it is widely read throughout the District, which has a large farm population. The editorial declares: "This is a step that should have been taken long ago and the President and Congressmen from metropolitan areas, Democrats and Republicans, should support the move. It has been long overdue, unfairly enriching corporation farmers and adding to burdensome tax bills." This statement sums up my views and I hope that you will give this bill every consideration.

The CHAIRMAN. Are there any Members of Congress who want to be heard. The Chair hears no response.

I want it understood that this committee has given an opportunity to every Member of Congress who has introduced legislation to be heard, and I am going to be rather disappointed if Members later complain they had no opportunity to be heard.

I want to insert in the record a copy of the memorandum addressed to "Authors of all Legislation Pending before the House Committee on Agriculture which would Extend or Amend Existing Laws on the General Farm Program and the Food Stamp Program," which was dated July 3, 1969.

Madam Clerk, I understand this was mailed to every Member who had introduced legislation at this time.

Mrs. GALLAGHER. Yes, sir.

The CHAIRMAN. I am advised that this was mailed to every Member who has introduced legislation of this type. This does advise them that they would have an opportunity to be heard today, and if they want to be heard on the food stamp program, tomorrow. It does invite them to appear. It does point out that since there are some 56 authors of various bills we are not attempting to list all of the bills, but we will give careful consideration to their legislation.

I want without objection to include a copy of that letter in the record. The Chair hears no objection.

(The memorandum follows:)

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C., July 3, 1969.

MEMORANDUM TO AUTHORS OF ALL LEGISLATION PENDING BEFORE THE HOUSE COMMITTEE ON AGRICULTURE WHICH WOULD EXTEND OR AMEND EXISTING LAWS ON THE GENERAL FARM PROGRAM AND THE FOOD STAMP PROGRAM

From: W. R. Poage, Chairman.
Subject: Hearings, Monday and Tuesday, July 21st and 22nd.

I invite you, as a sponsor or co-sponsor of one or more bills pending before our Committee which would extend or amend existing laws on the general farm program and/or the food stamp program, to participate as a witness in hearings which we have arranged especially for Members of Congress, as follows:

MONDAY, JULY 21, 10:00 A.M.

Full Committee, Open Session, Room 1301 LHOB:
Subject: To hear Members of Congress on all bills pending before the Committee which would extend or amend existing laws on the general farm program.

TUESDAY, JULY 22, 10:00 A.M.

Full Committee, open session, Room 1301 LHOB:
Subject: To hear Members of Congress on all bills pending before the Committee which would extend or amend existing laws on the food stamp program.

If you wish to appear in person or file a statement for the record, I should appreciate your so advising Mrs. Christine Gallagher, Clerk to the Committee, or Mrs. Martha Hannah, Subcommittee Clerk.

Inasmuch as there are some fifty-six authors of various bills on the above subject, we are not attempting to list all of the bills here, but I assure you that the Members of our Committee will give careful consideration to all legislation before us.

I regret that it is necessary to take this means of communicating with you rather than writing each of you personally, but we felt it was best to send this mimographed memorandum in the interest of time.

Enclosed herewith for your full information is a copy of our Schedule of Hearings, together with a press statement further describing our forthcoming hearings.

SCHEDULE OF HEARINGS

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TUESDAY, JULY 15, 10:00 A.M.

Full Committee, Open Session, Room 1301 LHOB: Subject: All bills pending before the Committee which would extend or amend existing laws on the general farm program and the food stamp program. Witness will be Secretary Hardin.

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MONDAY, JULY 21, 10:00 A.M.

Full Committee, Open Session, Room 1301 LHOB: Subj: To hear Members of Congress on bills pending before the Committee which would extend or amend existing laws on the *general farm program.*

TUESDAY, JULY 22, 10:00 A.M.

Full Committee, Open Session, Room 1301 LHOB: Subj: To hear Members of Congress on all bills pending before the Committee which would extend or amend existing laws on the *food stamp program.*

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TUESDAY, JULY 29 THROUGH FRIDAY, AUG. 1, 10:00 A.M.

Full Committee, Open Session, Room 1301 LHOB: Subj: All bills pending before the Committee which would extend or amend existing laws on the general

farm program and the food stamp program. To hear the following farm organizations:

Tuesday—Midcontinent Farmers Association.
Wednesday—Congressman Springer of Ill. and United Grain Farmers of America.
Thursday—National Council of Farmer Cooperatives.
Friday—National Grange.

TUESDAY, AUG. 5 THROUGH THURSDAY, AUG. 7, 10:00 A.M.

Full Committee, Open Session, Room 1301 LHOB: Subj: All bills pending before the Committee which would extend or amend existing laws on the general farm program and the food stamp program. To hear the following farm organizations:

Tuesday—American Farm Bureau Federation.
Wednesday—National Farmers Union.
Thursday—National Farmers Organization.

Chairman W. R. (Bob) Poage, D-Tex., of the House Committee on Agriculture announced today that he has scheduled leading farm organizations to testify on pending farm and food stamp legislation after Congressmen sponsoring various measures have appeared before the Committee.

Hearings will open July 15, with Secretary of Agriculture Clifford M. Hardin listed as the initial witness.

After the Administration has had the opportunity to present its views, through Secretary Hardin, the hearings will be recessed until Monday, July 21, when Members of Congress who have introduced bills affecting farm programs generally will appear. On Tuesday, July 22, authors of House bills relating primarily to the food stamp program will be invited to the witness table.

Starting Tuesday, July 29, the Committee will begin a series of seven daily sessions at which representatives of major farm organizations and groups will present their views. The schedule follows: July 29, Midcontinent Farmers Association; July 30, United Grain Farmers of America, "tractor caravan" group, to be introduced by Rep. William L. Springer, R-Ill.; July 31, National Council of Farmers Cooperatives; Aug. 1, National Grange; Aug. 5, American Farm Bureau Federation; Aug. 6, National Farmers Union; Aug. 7, National Farmers Organization.

Other persons and organizations wishing to present their views on various farm and food stamp program proposals will be scheduled to testify at sessions to be arranged later. Poage emphasized that he wanted to give everyone who cares to do so an opportunity to testify, and at the same time he wants to move on to a decision. To accomplish this he may, after general witnesses are heard, break the remaining testimony up by subject matter and let several subcommittees conduct hearings at the same time.

The CHAIRMAN. Mr. Melcher?

Mr. MELCHER. Mr. Chairman, I would like to make some observations now about the massive land retirement proposals which are being made, and to which I am very much opposed.

I have been in touch with the 18 farm groups working on a general farm proposal, which I may join in introducing to get it before the committee for consideration, and I shall make more extended comments then.

But I am deeply concerned by the massive land retirement schemes being proposed for a number of reasons, and one of the most important is that it will liquidate rural communities as well as tens of thousands of farmers—a good many of them farmers who want to continue and now have adequate farm units. It will tear up and terminate a good deal of our rural society and economy, and it will inevitably mean a migration to overcrowded cities, creating labor force tensions, housing problems and intensifying many other urban ills.

Secretary of Agriculture Hardin indicated in his testimony that one of the basics in the program he will eventually recommend is retirement of some of our production resources and retraining of people for new opportunities—new opportunities which may not exist if inflation is controlled and employment levels off or declines a little.

The American Farm Bureau has proposed massive land retirement at a rate of not less than 10 million acres per year for 5 years, for a total of 50 million acres, minimum. Economists at Iowa State University have a 60-million-acre retirement plan. An easement plan out of Mississippi suggests that 70 million acres will need to be taken out of production, and I have seen a Library of Congress report which says the majority of a group of farm economists who met at the Department recently that the costs of land retirement have been underestimated by as much as 50 percent; that at least 80 million acres would have to be retired to maintain 1967 price levels on which farmers were going broke—and they even had reservations about that.

One of the proposals is for grazing—cow-calf operations—to be allowed on half of 70 million acres to be retired. Such Government stimulation of beef output would mean a withholding of heifers for breeding and a short supply and extremely high prices for beef for a year or two, and then inevitably a ruinous decline in cattle prices, as the abnormally great expansion occurred.

A continuation of today's price levels—the first reasonably profitable prices beef producers have had for years—will stimulate expansion and new entries into beef production adequate to meet our needs; as a matter of fact, probably more than adequate. The cattle industry has for many years experienced recurring cycles of over and under expansion in response to price fluctuations alone. Some progress toward leveling of this cycle is being made, but it still occurs, and it would be wrecked by Government-sponsored expansion of cow-calf operations.

Whether or not the massive land retirement plan we might adopt provides for use of some of the land for grass and hay, the pressure for such use will mount and inevitably at least a portion of it will be put to such unwise use, in my opinion.

The land retirement plans are being pressed upon us with the argument that only small, inadequate farming operations will be closed out in most instances; that the operators will be better off if retrained and send to the cities in relation to new opportunities, which may not exist.

The reality is that a good many commercial family farming operations will be broken up and made infeasible.

In my country—the upper Great Plains which admittedly will be the site of the most extensive retirements—there is a high proportion of part owners on the land—62 percent in Montana and 60 percent in the Dakotas, according to census figures.

These are farmers who own a home place and create an adequate land unit by renting, or getting permits to use the public domain. To the extent that private lessors rent or sell production easements to the Government instead of leasing to the part owners now operating their land, existing farming units are going to be reduced to less than adequate size and their operators skidded down the ladder into the un-

fortunate group that have holdings too small to make a decent family living. The proportion of part owners indicates there will be a lot of them.

The proposal for Government-subsidized liquidation of great sectors of our rural society—communities as well as farmers—shows shocking lack of concern for the human values; the social values, which are involved.

The middle-sized farmers who think massive land retirement is only going to effect small, inadequately equipped operations are as wrong as they can be, as are any rural community businessmen who think that it is of no concern to them.

The massive land retirement proposal is a proposal for massive subtraction from our rural economy—a proposal to take away more and more.

What the rural economy really needs is addition—addition to prices and income—not subtraction, if it is going to be a strong pillar in our society.

Decent prices for farm commodities for a few years, which would actually create new opportunities on farms and in rural communities and reverse the trend of migration from the cities, is the sort of addition our whole society and economy need.

I do not believe massive land retirement will save a significant amount of money for the U.S. Treasury. The economists are now gradually raising the cost estimates from $1.2 billion to $1.7 billion, and then $2 billion or $2.5 billion. Those cost estimates will continue to grow, like the cost estimates on highways, or a new weapons system, or the Rayburn House Office Building.

The human cost of subsidized subtraction from rural America will not be included in the figures; the cost of farm closures, business bankruptcies, of outmigration and of welfare payments in the cities that will result will not be included in the total. They will be private or non-Federal costs, not to be included in U.S. Treasury cost data submitted to us.

We had far better add something in rural America than subtract.

Legislative Reference Service studies I have been reviewing indicate that farmers have received about $2 increased income for each $1 of farm program costs in recent years. That is a lot better cost-benefit ratio than any massive land retirement proposal, honestly calculated to include all its costs, will ever show.

We need to strengthen and renew the programs we have, in my judgment, and not try to solve the farm problem by sweeping it into the ghettos—under the rug—where it may be less noticeable for a little while.

The CHAIRMAN. Thank you, Mr. Melcher.

Apparently there are no Members of the Congress who want to be heard on general legislation except I would point out that I got a letter from Mr. Findley this morning in my office in which he stated that he had a speaking engagement in Illinois today, and that he could not attend our committee and he would like to be heard at some later date. I will advise Mr. Findley that we will hear him at some later date if we can work out a mutually satisfactory date on which to be heard. But I want it real clear, and I hope that our friends of the press will get this, that this committee is meeting, that this committee is

here for this purpose of hearing Members of Congress and if they are not here it is because of their own lack of interest and not because of the lack of interest on the part of the committee. I would also point out that the Chairman introduced legislation on this subject and is here today, but inasmuch as we will be discussing this for a number of days, I will not take any of the committee's time to discuss it today.

Is there anything further to come before the committee?

(Off the record.)

The CHAIRMAN. All right, the committee will stand adjourned until tomorrow morning at 10 o'clock.

Thank you for coming out.

(Whereupon, at 10:10 a.m., the committee was adjourned, to reconvene at 10 a.m., Tuesday, July 22, 1969.)

GENERAL FARM PROGRAM
AND
FOOD STAMP PROGRAM

TUESDAY, JULY 22, 1969

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to recess, at 10 a.m., in room 1301, Longworth House Office Building, W. R. Poage (chairman) presiding.

Present: Representatives Poage, Abernethy, Stubblefield, O'Neal, de la Garza, Vigorito, Jones, Montgomery, Alexander, Burlison, Lowenstein, Jones of Tennessee, Melcher, Belcher, Teague, May, Wampler, Goodling, Miller, Mathias, Mayne, Zwach, Price, Myers, Sebelius, McKneally, Mizell and Resident Commissioner Córdova.

Also present: Christine S. Gallagher, chief clerk; William C. Black, general counsel; and Hyde H. Murray, associate counsel.

The CHAIRMAN. The committee will please come to order. The committee has met this morning to hear any statements which Members of Congress would care to make in regard to the pending legislation relating to the food stamp program, or the general farm program.

The Chair has a statement from Charles E. Bennett of Florida. I thought he had intended to appear in person to present his statement.

Mr. BLACK. That is what I understood, Mr. Chairman.

The CHAIRMAN. But if he does not—did you understand that Mr. Bennett wanted to insert this in the record?

Mrs. GALLAGHER. No, sir, I understood that he wanted to appear personally. He said he did.

The CHAIRMAN. I understood that he wanted to appear personally, but he is not here. Is there anyone else who wants to appear? Is there anyone else who cares to make a statement to the committee?

Here is Mr. Bennett now. Good morning.

STATEMENT OF HON. CHARLES E. BENNETT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. BENNETT. Good morning, sir.

The CHAIRMAN. Mr. Bennett, we are glad to have you with us and and we are delighted to hear from you, and delighted to have your statement.

Mr. BENNETT. Thank you very much, Mr. Chairman.

Mr. Chairman these hearings are among the most important in the Congress I believe and I congratulate you and the members of this

significant committee on its contribution to stamp out hunger in America.

I appreciate this opportunity to appear.

I have a bill H. R. 11583, pending before the committee which would eliminate all of the serious hunger cases in the United States and would do the job as economically as possible.

Last year I introduced legislation which attempted to accomplish this narrow but important objective. The thrust of my bill was included in the 1969 Agriculture Appropriations Act as a legislative rider on an appropriations act, Public Law 90–463. It is carried under the heading "Removal of Surplus Agricultural Commodities (Sec. 32);" in subparagraph 4 of that act.

This rider on an appropriations act authorizes the Secretary of Agriculture to feed needy persons suffering from continued hunger through no fault of their own, wherever he may find them.

The bill I have introduced this year, H. R. 11583, makes the same provisions but does not do it on a temporary appropriations rider basis; and I am hopeful the committee will approve this legislation now before it (H. R. 11583). The Agriculture Committee has the jurisdiction to legislate in this field, which the Appropriations Committee does not; and it seems appropriate that your committee take this legislation under its active control by the measure I have introduced.

I regret to say that the program which was authorized by this legislation rider was apparently not used at all during the past year.

The funds were just channeled to other food programs. The hearings in the House on this are to be found on page 172 of part V of Department of Agriculture appropriations hearings for 1960.

Perhaps the Department was reluctant to use this program because of the fact that it was only a rider, rather than a provision of permanent law.

By making this program permanent legislation, the Secretary, and State and local welfare agencies, can plan an efficient program and know that the program will not be immediately ended whenever any Member of Congress choses to raise a point of order against it.

It should be a principle of our Government that when needy persons suffer in our land from continued hunger through no fault of their own, they should be fed, regardless of whether the area involved is under the food stamp program or a system of direct food distribution. This is what my bill would do as an ongoing program.

We are currently spending well over $10 billion annually on welfare relief of poverty and free food programs, and what we must now do is make sure that, despite these tremendous programs, no children or others starve to death in America through no fault of their own.

My legislation would assure that this would not happen. The other legislative enactments do not give us this assurance despite their much greater expenditures.

Recently it was discovered that an individual's mental ability could be destroyed forever, as a result of being deprived of certain foods in the early years of life. By age four, doctors report 90 percent of a child's brain capacity has been developed.

It is important that no child go without food. Congress has an obligation to provide programs that assure that where a person is without fault, such as a child, he shall not suffer from hunger. A

laser-like narrow approach is needed to solve the serious hunger problem in America. The responsibility needs to be definitely placed with the Secretary.

Mr. Chairman, I am hopeful the committee can make this program permanent legislation so that the Secretary of Agriculture and the State and local welfare boards can seek out the needy hungry in our country and see that they do not suffer from continued hunger from which they suffer through no fault of their own. In many cases, such people are probably children of the very ignorant or perhaps even of the insane; but this is all the more reason they should be identified and helped. They should not suffer because of the fault or tragedies of their parents.

Now, by way of impromptu summary, when the revelations which have been proved to be somewhat exaggerated or substantially exaggerated with regard to hunger in this country came before us a year or so ago, in the national media, I realized that we already had programs costing billions of dollars in the field of trying to bring about an assuagement of hunger in our country, and to me it was a shocking thing that in view of this tremendous expenditure that our country was making and the great bureaucracies set up to handle this sort of situation, there was nobody told to find who was starving to death of hunger, and to end it. There was nobody directed to find those people, and nobody directed to feed them.

As of this moment there still is not, except for this rider on the appropriations bill which has apparently not been used for the purpose outlined.

I introduced, promptly, legislation to make it the responsibility of the executive branch of the Government to find out where somebody is actually starving to death from hunger, through no fault of their own, and feed them, just as simple as that, a program which would probably cost a very few millions, if that much, a year. The number of people must be very, very small, indeed; and probably in most cases they are children of very, very ignorant people, or perhaps even insane people.

This should not be allowed to be a continuing possibility. This sort of thing can be brought up again in our country, to destroy the image of our country; and it is such a small, minuscule program which I am asking for. But it is an important program.

Since it was put on as a rider on the appropriations bill, and since the words of this have been approved by Congress, this year, instead of taking my original bill, I took the words of the rider which has already been approved by Congress. That is the bill before you now. It says that the Secretary of Agriculture shall find where the people are that are in serious hunger situations and shall see to it that they are fed.

Now, of course, the Secretary of Agriculture supervises many of the programs we now have, but there is nobody, in the absence of this legislation, who is today required to find the people who are in serious hunger situations and see to it that they are fed. It is a dangerous thing from the standpoint of our country to allow the possibility of people dying from hunger in our country to continue, without somebody having the responsibility whom we can approach and say, well, now, here is somebody that died of hunger, why did you not

have a way to find this person out and do something about it. Absent the legislation I am testifying for today, there is nobody in the Federal Government who has this responsibility.

Therefore, I sincerely hope that this program which I have suggested in this very brief bill, a very inexpensive type of legislation, will be enacted to protect our country against such undue and improper criticism and to protect the people who are actually very hungry, without fault of their own, and protect them in our country against starvation and hunger.

The CHAIRMAN. We appreciate your statement and we are always delighted to have you come and talk with us, and we appreciate the interest you are taking in this problem. I think there is a problem here that is worthy of our consideration, and I think you are to be congratulated for bringing it forth in a specific form.

Frankly, I felt the Appropriations Committee was making a mistake in the way they handled this. I therefore obviously think you are making a mistake in the way you are handling it in taking this money out of section 32 funds, I have no objection to the program, but I don't like these raids on section 32.

Mr. BENNETT. Well, I am just trying to follow what Congress has already done.

The CHAIRMAN. I understand.

Mr. BENNETT. My original bill did not do this.

The CHAIRMAN. I understand why you are doing it, but I merely want to point out that when we make another raid on section 32 funds, and we did yesterday to the tune of $100 million, and only two of the members of this committee voted against it. We took $100 million out of section 32 funds, which I think is the bulwark of our farm program for a great many commodities, specifically the perishable commodities fruits, vegetables, and milk. They are basically dependent on section 32, and I think it is a good, sound section, and nobody has gotten up and challenged section 32 directly. There have been these indirect attacks on it and you completely destroy the validity of section 32 by just continuing this kind of an approach to get money.

Mr. BENNETT. I know that the next thing I say will appeal to you very much, and that is that when I originally drafted this legislation it did not come before your committee, and one of the reasons why I attacked this particular fund was because it was in the rider, but there was another reason—I wanted your committee to have jurisdistion because this is the committee where this should come from, and by amending that particular act this bill came before your committee, which it did not do when I first introduced this legislation. I have forgotten what committee it went to before, but it did not come before your committee. I have no objection to where you get the money. I would say what you did yesterday from this same fund would finance my bill for 100 years—$100 million. In my opinion, this program right here today will not cost you $1 million a year. What Congress did yesterday, in an off afternoon with most of the members of this committee voting for it, will cost what it would take my legislation a century to use up. But, I do not care where the funds come from, I would rather have them come from the general appropriations, actually, but I did this so that your committee would have jurisdiction.

Now, you have jurisdiction and you can amend it to come from some other funds, like general funds, if you desire to do so.

The CHAIRMAN. Well, I am glad that you agree that the money should come from the general fund. I think it is well worth while to maintain the integrity of section 32 funds if we have any intention of maintaining a farm program other than merely for the basic commodities. I recognize section 32 gives no protection to cotton or wheat or corn. They get their support out of special commodity programs. But, section 32 is the basic support for a great many of the smaller commodities in the United States. My people are not primarily interested in this, but I propose to try to protect that fund.

I agree with your objective.

Mr. BENNETT. The main objective of this legislation is to put on the back of some particular official in the Federal Government the responsibility to find out who, in fact, is dying from hunger in our country and to feed them.

Now, of course, as to how they are fed, they probably are not going to be fed out of general funds anyway, but those who are found will probably in most cases be fed out of other existing programs like the welfare program or something like that.

In some children of ignorant or deranged parents this could happen, but the thing I am trying to do is to see to it that it never happens and that there is a specific official that has the responsibility to see that it never happens.

Now, outside of administrative activity, my guess is there would not be very many funds actually required to feed these people because there are probably enough programs already where the money could come from and the food come from. What I am really mostly interested in is the administrative responsibility, so if you find out that somebody died from hunger in the United States you could go to the Secretary of Agriculture and say why is he dying, why did they die, why did you not find them, and gradually we would see to it that nobody would.

That is the objective of this legislation.

The CHAIRMAN. Well, I appreciate the interest you have shown and your diligence in bringing it to us.

I wonder if there are any questions of Mr. Bennett?

Yes, Mr. Kleppe.

Mr. KLEPPE. Mr. Chairman, Congressman Bennett, I am very interested in this statement you make about the Secretary having the responsibility of finding the people that are hungry and are going to die or do die, or something. Have you had any thoughts about how this might come about? Are we going to, is he supposed to use the regular welfare channels to determine who is, in fact, hungry?

Mr. BENNETT. Well, as the Secretary of one of the largest departments in our country I would think that he would want to do this as economically and as efficiently as he could, and it is my guess that he would delegate this thing down through the State welfare agencies.

In other words, my guess is there would be some kind of a setup established in every State.

Mr. KLEPPE. That is exactly my point right now. If this were going to be done in a welfare setup per se, it could take care of that acute problem that you refer to.

Mr. BENNETT. Well, I introduced legislation to give the Secretary of Health, Education, and Welfare this responsibility, but that Secretary has never acted on the legislation, and I have not had hearings on the legislation. I do not care which Secretary does it.

Mr. KLEPPE. The only reason for my question is that unless there is another avenue of determining exactly who is hungry, we probably would not accomplish very much by it.

Mr. BENNETT. Well, my original thought was that the Secretary of Health, Education, and Welfare ought to do it but you know, here in Congress we cannot always get hearings on everything we want to get hearings on, and we cannot get the Department to look at your proposition, and so your committee was willing, your chairman was willing to give me a day in court on this, and I would rather have the Secretary of Agriculture do it and have it done, than wait for 10 or 15 years to have the Secretary of Health, Education, and Welfare to make a report on the bill and never have it done in the meantime. In other words, I am anxious to get the work done. I do not care who does it, and I think the Secretary of Agriculture could do it without hardly even knowing he is doing it. I think it would take a minimum of activity.

Mr. KLEPPE. Well, specifically, your bill does not make any particular provision for seeking out these hungry people, other than present methods and it does leave the responsibility within the hands of the Secretary; is that correct?

Mr. BENNETT. My original bill did go into this sort of detail but, you know, I analyzed the rider that was put on the appropriation bill, and the rider that was put on the appropriation bill gives every bit of authority to set up everything that wants to be done by regulation by the Secretary himself. It leaves it a rather flexible situation. I did not draw my original legislation that way, but that is the way the rider on the appropriations bill is, and the power is there. The power is there to do it and the Secretary—just as the Secretary of Agriculture wants to do it under his own regulations.

I did have such criteria and such direction in the bill which I originally introduced, but I cannot get a hearing on that bill, and I am having a hearing on this one, which is just putting into permanent type legislation a rider on an appropriations bill which is absolutely capable of accomplishing all of the objectives. The only thing wrong about it from the legislative standpoint is that it leaves up to the Secretary all of the details that you are not asking about.

But, I did not think they were good things to leave out. My original legislation went into such details and directed him to get in touch with the Department of Welfare in each State and to rely heavily upon them for the type of activity which would be forthcoming.

The CHAIRMAN. Mrs. May.

Mrs. MAY. One comment and one question, Congressman Bennett. I deeply am sympathetic with your approach, and at the same time I agree completely with the Chairman about further raiding of section 32 funds, and I appreciate that you are anxious to get the job done, no matter where the money comes from.

Now, to follow up the questioning from Congressman Kleppe, do you not think that when it comes to administering the responsibility

within the executive branch that this almost has to be a joint responsibility of HEW and the Department of Agriculture? Each Department using its full facilities for the big job of identification?

Mr. BENNETT. The answer to that question is certainly yes.

Mrs. MAY. I think that food will be forthcoming once we have found the person, who under the circumstances that you describe is for one reason or another, actually starving. We have food programs ongoing and welfare programs, but our big problem is to identify where the actual hunger exists, whether it is an Indian reservation or in the big city. The Department of Agriculture is administering one program, the food stamp, and HEW has several welfare programs in all States, so the responsibility must be a joint one. From what I know about the administration's development of their hunger and malnutrition program, they have been working closely together, the Secretary of HEW and the Secretary of Agriculture.

I think that this is something that we in Congress could pinpoint, maybe, and write into the legislation at the proper place, and discuss it with them, and not wait, but getting the show on the road immediately and show our interest in it.

But, I do not think that it can be done as quickly or as widely or as competently unless you require both of these agencies to take joint responsibility.

Mr. BENNETT. I certainly agree. Of course, we all know in our own staffs if we get two people to draft a bill it takes twice as long to get it out as if you take only one man. In other words, I do not now assign two people to have the same responsibility because my experience has been that it does not get done.

So, I think that either the Secretary of Health, Education, and Welfare or the Secretary of Agriculture should have a responsibility or the President should. The only way to do it otherwise is to have the President have the responsibility. We are a little remote in Congress to put the feet to the fire of the President, so I think that it has to be either the Secretary of Agriculture or the Secretary of Health, Education, and Welfare. It was originally my desire to have it the Secretary of Health, Education, and Welfare because most of the personnel involved would be people under his Department. But, I was not able to get a hearing on that bill, and in the meantime the appropriations bill ran with a rider, which is a good rider. It will do everything we need to do. With that rider as permanent law there would be no necessity for any additional legislation at all.

Now, my bill is the same wording as the rider and it will do everything you want to do, and it will put in the hands of the Secretary of Agriculture this responsibility. The reason I am doing it with the Secretary of Agriculture is because your fine chairman was interested in doing what was needed to be done in this field. He did not want to waste Federal funds and he does not want to attack a program like the 32 program. He just wanted to see to it that in the few instances that this sort of thing occurs, if any, that it can never occur again, and that somebody in the Government has the responsibility to see that it does not occur.

Right now there is nobody in the Federal Government who has the responsibility to see that it does not occur. There is nobody you can to

and say now, why did this happen, how could it happen. There is nobody in the Federal Government that has that responsibility. Therefore, I would not want to have two secretaries do this, I would want to have one secretary do it and I do not care which one, but it ought to be one or the other.

This is why I have brought this before you today and I think it would be a very inexpensive program. I guess it would cost less than $1 million a year.

Mrs. MAY. Well, I think we are all on the same wave length, Congressman Bennett, and I quite agree that there should be original responsibility, but there is plenty of precedent in other programs and laws where we can designate joint effort, single responsibility but joint effort, and I think that would not be hard to accomplish.

Mr. BENNETT. I think that is a good idea.

The CHAIRMAN. Are there any further questions of Mr. Bennett?

Mr. MYERS. Mr. Chairman.

The CHAIRMAN. Yes, Mr. Myers.

Mr. MYERS. I think we are all certainly concerned about getting the job done but I am interested in knowing what you want the Secretary to have as a mandate, the welfare agencies or whatever agency it might be, but how is he going to get this done? If they have not done it up to now, what authority does he have to cause them to do it?

Mr. BENNETT. Well, if I were the President or the Secretary of any department that had any remote connection with this problem I would have done it a long time ago. I would have contacted all of the welfare top echelon administrators, one for every State, and told each one of these that we must see to it that this does not happen.

If the Secretary does not get cooperation then he would have to have some Federal agent attempt to find this out from the existing welfare agencies, who ought to know.

The State welfare agencies should know who might starve to death. Certainly in the big cities they know where they do. In other words, they know where there is a situation where there is an old man and a little child or something like this that is not really taken care of. They know where this is, and they could take care of it, and I think in the rural areas they would, as well.

The Agricultural Extension Service might be the agency in the rural areas, but I do not think there is any lack of ability to find people in both Federal and State government sufficiently localized to do this.

Now, I have not set all this out. I did in my original legislation. My original legislation was a detailed type of bill, but I could not get hearings on it. I could not get reports on the bill, and so I have taken this laser-like approach which will do everything you want to do.

The only thing that can be criticized about it is that it leaves up to the Secretary of Agriculture how he is going to run it. But, if I were Secretary of Agriculture, the first thing I would do, I would get in touch with every welfare chief executive in every State and say this is the law that I have to administer and what is your idea on how it ought to be administered. He would come back with an idea of how it could be done in his State, and probably it would not be

real complicated because they are supposed to be looking after this general thing. There just is not anybody in the Federal Government that has pinpointed upon him the responsibility to see that nobody starves to death in the United States, and to see to it that they are fed.

I do not think there is any need for great funds in this because I think existing programs could take care of most of this feeding, but he has got to find them, and I do not think this is difficult to do. I think that the welfare agencies we have already could do this.

Mr. MYERS. Well, I assume you have contacted HEW?

Mr. BENNETT. I have contacted them repeatedly but they will not come out with their report.

Mr. MYERS. They will not tell you what they are doing now?

Mr. BENNETT. Oh, they are doing lots of things in this area. Do you know when the Secretary of Agriculture was asked, rather his representative before the Appropriations Committee, what they did under this rider, do you know what he said? He said they used millions of dollars to do things that we already have other laws on. Here is what was said:

Mr. HULL. In the bill for fiscal year 1969, Congress added $50 million to meet this need—$5 million to school lunch programs and $45 under section 32 funds to enable the Secretary to feed starving people wherever we might find them regardless of whether or not in a county participating in the food stamp program. Please give us a full description of the use of this $45 million special fund.

You see, this $45 million is not just for this program, it is for a lot of other programs, too, but it could be used entirely for this program.

Now, Mr. Davis answers:

Yes, sir. This year we plan to use approximately $33.6 million out of the $45 million to provide additional free lunches approximately $3 million to provide additional breakfasts, and approximately $6.4 million for equipment. That is to provide food service equipment to schools which otherwise would not be able to serve all the children or else have no equipment at all.

One million dollars is being used for the special packages in food stamp areas which I pointed out previously, and $941,00 is being used to help cover the State administrative costs in reaching these additional children. This is a a total of $44,941,000.

Well, they succeeded in spending the whole $45 million, all right, but they did not do anything about this program, not a thing, there was nobody who made any effort whatsoever to find out if people were starving to death of hunger in this country, no effort was made at all. They spent the money, all right, but they did not spend it for what the rider was supposed to do.

Mr. HULL. How much have you allocated to child to child feeding programs under subsection A of the law?

Mr. DAVIS. $43,941,000. All but the $1 million for the supplement food package. The State administrative funds are to be used in furthering the child feeding programs.

Mr. HULL. In how many instances have you found hunger, Mr. Davis?

That really shook him because he said, Mr. Davis said, "Mr. Hull, I am not quite sure I understand your question."

He did not even understand the rider. He did not understand what it was designed to do.

We have provided the supplemental food packages in a number of food stamp areas and we will probably reach a total of 175,000 to 179,000 mothers and children, in both food stamp and commodity distribution areas.

End of discussion, so they never got the point at all, and they never even understood what the rider was about. What I am trying to do now is trying to get the rider to be an effective piece of legislation, which it can be. There is nothing wrong with what the rider says. They in the department just did not even understand it. They used the money that came under that rider to bolster up existing programs they already had.

Mr. MYERS. That is what concerns me now. I do not have a copy of your bill, but I do not know how you are going to do something that they already should be doing.

Mr. BENNETT. No, there is nobody in the Government that has the responsibility, not even in HEW, to find out where people are dying of hunger in this country. Nobody has that responsibility.

Mr. MYERS. Now, the Secretary was in the other day asking for authority to spend $610 million, or he is going to request authority——

Mr BENNETT. He might ask for a billion.

Mr. MYERS. For food stamps——

Mr. BENNETT. Why, of course. We have program after program. They are running out of our ears, billions and billions of dollars. It is not small money, it is big money, but what is it all about? Are they eventually going to raise everybody's protein content and all other kinds of content in this country, a massive program? This measure of mine is a simple program that sees that nobody starves to death in this country. Those massive programs will not touch this program. The people will still starve to death under those massive programs and there even could be more people starve to death. Your national protein content might be better, but there would still be people starving in the Navajo villages. I am trying to give someone the responsibility to find those people that are starving to death in this country. There are probably on a handful of them. There are probably a good many of them that are children of ignorant or deranged parents, but they ought to be found.

Nobody ought to starve to death in this country, and I am infuriated about it. I just do not think a great country like ours should allow this; and yet we are doing it. We proliferate the statute books with billions of dollars of expenditures. For what? To give away things through the produce program or the food stamp program, or the general welfare program. There is nobody responsible under those paragraphs to see to it that nobody starves to death. There is responsibility in those programs to distribute whatever billions of dollars you give to the people who come in and apply for the funds and they are going to get food.

But, we are talking mostly about infants. They have no ability to go in and apply for food. How is a 4- or 5-year-old child going to come in and apply for food? There is no way to do this.

They have no way of doing this. How is a Navajo child going to come in to the Great White Father? His parents are the same way in many cases.

Mr. MYERS. Well, I think if you can do that for $1 million, we had better make him the secretary of that department.

Mr. BENNETT. I have already got a job.

Mr. MYERS. For a million dollars, I do not know how—it seems to me that we are going to have to go out and spoon feed them.

Mr. BENNETT. This is a question of administrative, executive responsibility. Certainly when the Federal Government spends billions of dollars in States throughout the Union, the Secretary is going to be able to get back an intelligent response from the head man in each State who has the welfare agency in the State, telling how he is going to help the Secretary of Agriculture or the Secretary of HEW to accomplish this objective. Every one of these men is going to do that, they are going to set up some kind of a program but fixing the responsibility is all I am seeking, the responsibility on somebody's shoulders to do this.

I am not suggesting that the Secretary of Agriculture should have a program to build everybody's protein content or everybody's vitamin content, or anything like that, I am just suggesting that people do not starve to death in this great country of ours and that the responsibility to prevent this is pinpointed by law.

That is all I am suggesting.

Mr. MYERS. I want to ask you for a definition of starving. Do you mean a lack of food or nutrition, malnutrition?

Mr. BENNETT. I mean primarily lack of food. I think you could have a very bizarre situation where you have quantities of food that were very much off in nutritional value, but this is a rare situation. When most people starve to death it would not be just because of the lack of a particular type of content in their food.

I think that sometimes we overdo some of this stuff on content. I know my kids have all outgrown the beds that came down to us from their grandfathers. I just do not really know why there is any great benefit about a child growing up to be 6 feet 7 inches instead of just an even 6. And I kind of think that we press this food content thing to far, and it is not my purpose to get into this sort of thing, at all.

My purpose is simply to find out where people starve to death. You know, of course, there may be some definitional problems here, and I am sure that any agency is likely to make this program a lot bigger than I have in mind. I am sure that is so and there is nothing I can do to stop that. That is just a part of life. I do think that somebody in the Federal Government ought to have the responsibility to find out what children do actually die, where they are, and how to evade it and do something about it, not just study it, but do something about it, see to it that they get food, and I think there are programs enough on our statute books to get the food. In other words, I think there is enough flexibility in the law right now that you probably would not actually have to get a dollar for any mouthful of food. You probably could get the dollars for the mouthfuls of food out of other programs. But, whatever you spend in this program would be primarily administrative. I do not think that it takes any great genius to set this up when you have 50 high-class men, one in every State, heading the State welfare program.

If they do not know where people could die in their State from lack of food, I think they ought to be fired, every cotton-pickin' one of them, if that is the situation. I do not think it is the situation. I think they are dedicated, fine men and they can find it out for you.

Mr. MYERS. But your bill eliminates duplication of agencies trying to do the same job, and if so, I certainly would support it.

One last question, the same question Mr. Hull asked Mr. Davis——

Mr. BENNETT. I would not say—I would not say that my bill eliminates any duplication. I would like to say that it does, but I do not really believe that is its purpose.

Mr. MYERS. It seems like that might be part of the problem.

Mr. BENNETT. Its purpose is to see to it that with all of these billions of dollars of health and food programs we actually feed the people that are starving to death, and that we do not now do.

So, I do not know that it eliminates duplication.

Mr. MYERS. In the appropriations area Mr. Hull asked Mr. Davis from the Secretary's office, I guess, how many people he knew of who starved. How many do you know who have starved?

Mr. BENNETT. I think from what I have read and the criticism of the program on CBS which indicated that quite a few were starving, there probably are about a score that have starved to death.

Mr. MYERS. That is hearsay.

Mr. BENNETT. Well, I myself, am not an authority on that. I do not take any junkets of any kind and I never have, and this is my 21st year in Congress. I did not come to Congress to be an investigator in that sense of the word. I think that we have to be legislators here.

Mr. MYERS. I am just trying to know if you had knowledge of any. I am not being critical.

Mr. BENNETT. Well, I do not know, myself, of anybody. If I knew I would feed them myself, if I knew of such. I used to practice law before I came here, and I used to be a probate type lawyer, and I must say that I did have instances where I had some rather bizarre clients and knew of other bizarre clients, people who were very strange people, and I remember one case particularly.

I think I remember one adult who probably starved to death, with many dollars in assets. So, this person had just gradually grown inwardly and I guess it was partly a mental problem.

Mr. MYERS. All of the bills in the world would not have stopped this, would it?

Mr. BENNETT. Yes, this program would stop that, it would be the responsibility of the welfare agency to know. I believe in the instance I referred to that a welfare agent could have found a way to encourage this particular old lady to have had a better diet.

There are not many such cases, but to say there are no such cases is to tell an untruth.

I also think it is true among some Indians. There are not many Indians in Florida, but there are several hundred. There is not a great push on the part of these people to take part in all of the programs which might be of assistance to them, and sometime I think the children of Indians do suffer in this country. Conceivably, this happens in the ghettos. I do not know whether it does or not. I do not think very often, but I think that it might happen because there are a great many people in the ghettos whether in the North or South, where the parents are not readily identificable, either male or female.

When there are children of this type, remote from paternal supervision, a thing like this could happen by indifference because who has the responsibility, you see. I think this is the sort of thing that ought to be solved. I think it is a tiny program, but I think it is horrendous

that we let the problem continue to exist, that people can starve to death in this country.

To just say, oh, well, these people are crazy, or these people are creeps, or these people have got bad character, or these people are ignorant, this is no answer at all. This is America and nobody ought to starve to death in this country. Little children cannot make the decision of whether their parents are going to be bright or not.

As a matter of fact, as I say in my testimony, and as I am sure you know, that people can actually be permanently made insane because of their diet in the first 4 or 5 years, people who otherwise would be perfectly bright. In fact, I know of one such man. I know a man who is 22 years of age who never learned to read and write and never will. He comes from affluent parents but they did not know to give him the diet he needed, and I guess they gave him every kind of diet they knew to do, but they did not give him the diet he actually needed and as a result he has never been able to read and write.

He would have been a perfectly bright individual. His parents were very bright, very kind and very affluent, and very, very able.

Mr. MYERS. Thank you.

The CHAIRMAN. Thank you, Mr. Myers. Are there any other questions?

Mr. MATHIAS. Mr. Chairman.

The CHAIRMAN. Mr. Mathias.

Mr. MATHIAS. Mr. Bennett, the idea behind the bill is to find out after a child dies?

Mr. BENNETT. No, before. The proposed law says they have got to find them and feed them so that they do not die. The intense hunger situation is what my bill is designed to get at. It is not to raise the protein content of our American school children or something like that.

Mr. MATHIAS. Some time you have made mention about children on the Indian reservations dying, and finding out why the children die, and then you say when they do die, then we can find out what causes that?

Mr. BENNETT. We are not trying to just find out what happens. My bill says to provide, either directly or through a State or local welfare agency an adequate diet to needy children and low-income persons determined by the Secretary of Agriculture to be suffering, through no fault of their own, from general and continued hunger resulting from insufficient food.

That is all there is to it.

Now, this is something that Congress has passed. It is in a rider, but the Secretary of Agriculture does not understand it because all he is doing is using, for other programs, the money under the rider. He is using $45 million under it, because that is how much you could spend under the rider last year, and I think it is going up to $100 million this coming year. But unless he understands the purpose of the order, he still is not going to find people who die of hunger and feed them before they die.

What I want to do is make the Secretary do it. If you pass this law you can get the Secretary of Agriculture in here before you and you can say, well, Congressman Bennett came before us and he urged us to pass this for people who are dying in this country, and you in Agricul-

ture know what he said, now what kind of a program do you have and what have you done under this program?

Not how much money you spent, but whether you have found out whether anybody was dying of hunger and saw to it that they did not die.

Mr. MATHIAS. I know in many Indian reservations they do have health programs and food programs already, and the Government spends a lot of money for this. Also on many reservations they have doctors who are paid by the Government to take care of the health of these Indian people.

M. BENNETT. Well, of course, you know that some Indians did die last year from hunger. They did.

Mr. MATHIAS. I did not realize that. Would it not be a lot simplier to write to the Buerau of Indian Affairs a directive saying watch for malnutrition on your reservations?

Mr. BENNETT. Well, why should you just single out Indians? Why should you not take care of this little old lady that I just referred to, or this mass of nomadic children who are in the ghettos who do not have any parents, or the child of a bizarre old man who has lost reality and is taking care of a grandchild, perhaps, and does not really know that they cannot live on one hotdog every 3 weeks.

Mr. MATHIAS. Well, I just mentioned Indians because you mentioned them several times.

Mr. BENNETT. Well, it is a place where I know that people have been certified as having died in the last few years from hunger, in the United States.

But, I do not know that there have been certifications in the ghetto. So my experience as a probate lawyer I would expect that in big cities like New York there are a few every year. I would guess this, both adult and child. I mean, if a town the size of Jacksonville can produce one every once in a while I would think that New York City produces them every year.

Mr. MATHIAS. That is all I have, Mr. Chairman.

Mr. ABERNETHY. One question, Mr. Chairman.

The CHAIRMAN. Yes, Mr. Abernethy.

Mr. ABERNETHY. Mr. Bennett, have you made inquiry through the Bureau of Vital Statistics to determine how many cases annually are certified as having reached or died as a result of starvation?

Mr. BENNETT. No, sir; I have not. My staff may have, but I do not know, myself.

Mr. ABERNETHY. Do you know whether or not people have been certified as having starved to death?

Mr. BENNETT. My understanding is that they have.

Mr. ABERNETHY. You say your "understanding is." Now, where did you get that information, if you did not get it from the Bureau of Vital Statistics?

Mr. BENNETT. Well, I do not remember. You see, I have been working on this about 10 years and I did not know until I think yesterday afternoon or something like that that I was going to have the opportunity to appear here.

So, I have not brushed up. My own committee was meeting when I was called here. In other words, my committee went in at 9:30 and I am chairman of the Sea Power Subcommittee and I have got other

things besides hunger on my mind. So, I just do not know categorically, and I can furnish it for the record but I cannot off the top of my head tell you the number. I think the number of people that have starved to death in this country in any 1 year is probably less than 20 by certification, but the fact that anybody starves to death in this country is pretty horrendous to me.

Mr. ABERNETHY. I thoroughly agree with you, but what I am trying to find out is where these people are.

Mr. BENNETT. Well, I have indicated some places. There is no doubt at all that some Indians have died of starvation in this country and have been so certified in the last few years. Some have, and particularly in the Navajos, I think.

Mr. ABERNETHY. Where did that take place?

Mr. BENNETT. Well, wherever the Navajos are, somewhere out West.

Mr. ABERNETHY. That is all.

Mr. BENNETT. The Navajos apparently are the most deprived of all of the Indians. Now, it is not because there are not programs for the Navajos.

Mr. ABERNETHY. What you say may be true and I am not saying it is not true. If it is true, the Indian Bureau ought to be abolished.

Mr. BENNETT. Well, I am not an authority on whether anything ought to be abolished. I am just trying to get something established to take care of these people that are hungry. I am not picking any fights with anybody; I am in no position to pick a fight.

Mr. ABERNETHY. That is one of the objectives, as I understand, of the Indian Bureau, and it is one of the oldest bureaus in the Federal Government. If some of their wards out there are dying from starvation we ought to abolish the Bureau.

Mr. BENNETT. Of course, not all Indians are wards. I do not know if you know that.

Mr. ABERNETHY. Well, they are not all wards——

Mr. BENNETT. Well, the Indians in Florida are not wards of the Federal Government.

Mr. ABERNETHY. Well, they are all wards under the supervision——

Mr. BENNETT. They are not. The Indians in Florida are not under the supervision of the Great White Father. They never signed a peace treaty.

Mr. ABERNETHY. They are still fighting?

Mr. BENNETT. Just like some of us other folks.

The CHAIRMAN. Are there any other questions of Mr. Bennett? If not, Mr. Bennett, we are very much obliged to you. We appreciate your appearance, and it seems to me that what you presented is exactly what this committee has sought to do for a good long time. We have sought to find these starving people. This committee made a survey last year and we could not find starving people. We do not say that there are no starving people in the United States, but our study convinced us that there was no such large body of starving people as a good many of the newspapers reported and as a number of our colleagues cried about on the floor. We could not find them.

Frankly, I would like very much to see some agency of the Government given the specific direction to find them. If they are there, we

want to see them, but we are tired of feeding these newspaper ghosts, these people who do not exist, these people who nobody can put a name on, or a face. We are tired of appropriating money to feed something that does not exist. If there are starving people, I believe every member of this committee wants to feed them, and now I am glad to see you trying to identify those people and trying to give somebody the responsibility for identifying those people. I would like very much to have a statement from the Secretary of Agriculture that there were or were not so many starving people in Mississippi.

Let us see the names and the faces, and I think you have got a good proposal.

This House did approve, and most of the members here have voted for this wording. It is in the appropriations bill. The only criticism I find of it and I found it at that time, I still think that it should be changed so that it will not be a threat to what I think is a fundamentally sound agricultural program.

Mr. BENNETT. I agree 100 precent with that. You amend the bill and make it any way you want to. I just want to take care of the hungry people.

The CHAIRMAN. Well, thank you, Mr. Bennett; we appreciate your testimony.

Mr. BENNETT. Thank you very much.

The CHAIRMAN. Now, is there anyone else here this morning who wants to be heard, either on the food stamp or the general agricultural bill? Or any part of it?

If there is anyone else who wants to be heard, we want you to be heard now, and we do not want you to come back 4 weeks from now and say that you were denied the opportunity to be heard. This committee is sitting, this court is in session, and as the Federal court would say, all of you who have business before this court draw nigh and be heard.

I am getting a little tired of seeing statements put in the record about how Members cannot get hearings from this committee. We are open every day, glad to hear witnesses, and the same people do not come to be heard, and then insert something in the record about how they wanted to be heard.

I am just getting tired of that. I want these people who say that they want to be heard to come up here and speak out. This is a public hearing.

We want you to, if you are serious about it, we want you to speak out, and subject yourself to questions, as Mr. Bennett has done.

Now, is there anybody here, I want the record to show. If there is not, let the record show that nobody answered that they wanted to be heard.

Mr. MAYNE. Mr. Chairman.

The CHAIRMAN. Yes, sir, Mr. Mayne.

Mr. MAYNE. I have a written statement from Congressman Schwengel that I would like to submit.

The CHAIRMAN. We will be glad to insert it and make it a part of the record. I have a statement here from Congressman Camp, who wants it inserted, and without objection they will both be inserted in the record.

(The statements referred to follow:)

STATEMENT OF HON. FRED SCHWENGEL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA

Mr. Chairman and Members of the Committee: I am submitting this statement as a co-sponsor—with my distinguished colleague, Mrs. May, of Washington—of H.R. 12222. This is the Administration's bill to modify the Food Stamp Act and to extend and increase its appropriation authorities.

I appreciate the opportunity to present my views to the Committee.

I do not believe it is necessary to dwell upon the need to combat hunger and serious malnutrition in a country where its farmers are so productive and its commercial marketing system is so efficient. Nor do I believe it necessary to dwell, at length, on the complexities of the problem.

For many families, their food problem is poverty-related. Their incomes simply are not large enough to permit them to buy the kinds and quantities of food needed for even a minimal diet. They need more food purchasing power and they need educational guidance in using their food dollars wisely for good nutrition.

For other families—and, in fact, for many families with moderate or even high incomes—there is need for a more imaginative informational and educational program about the importance of food diets and how to achieve them.

I believe we must place a high priority on programs to effectively combat *poverty-related* hunger and serious malnutrition. There is increasing evidence that the lack of good nutrition in the pre-natal period, and in the first few years of life, can result in retardation that may keep such children in a cycle of poverty throughout their adult lives.

At the same time, I recognize that we need broader programs to help people move out of poverty into self-supporting, productive roles. But, in the meantime, the social costs of poverty-induced hunger and serious malnutrition are so great that we need to insure that our Federal food programs are effectively designed, efficiently operated, and prudently administered.

It is my view that the Food Stamp Program is such a vehicle. One, under which, we can move against poverty-induced poor diets; one that incorporates a very desirable self-help principle; and one that involves a sharing of responsibility among Federal, State, and local governmental units.

I have had the opportunity to observe the Food Stamp Program in operation. A total of 10 counties in my district in Iowa are now participating in the program. Two counties—Scott and Johnson—joined the program in December of 1966. The 9th and 10th counties—Louisa and Muscatine—started to operate in March of this year.

On April, 89 Iowa counties were operating food stamp programs. A total of 47,700 people purchased food stamps that month in Iowa. Those people invested about $626,000 of their own money in stamps in April and received stamps worth $953,000.

In other words, on the average, these needy people in Iowa invested one dollar of their own money to receive an additional 50 cents in free stamps.

In my district in Iowa, I know the county Extension people are very active in establishing nutrition education programs for food stamp families. Our county health departments have a homemaker service and the homemaker aides work to help low-income families participate. In some cases, they act as agents for elderly people—they buy the stamps for those who find it hard to get to the issuance office and they even do grocery shopping for them.

The Extension Service and Iowa State University developed a nutrition course for TV. It is called "'Families on the Grow." Families can complete a series of questions from a workbook that is provided; mail them to the Extension offices which will review them and return them to the families. Materials on nutrition are also made available in the local offices where the stamps are issued.

While I believe this all represents good, sound, progress—I am also aware that there are needed adjustments to be made in the current program. I believe that H.R. 12222 points the way to these needed changes.

First, the bill would continue the past concept that the program should be progressively expanded—over the period of the next several years. In the meantime, assistance in the form of donated foods would continue to be available for areas not in food stamps.

Second, the bill continues the program as a basic responsibility of Federal, State and local governmental agencies. I was very pleased to hear Secretary Hardin place such emphasis on State and local participation. I heartily concur

in his belief that programs cannot be adjusted to local needs if local governments do not share in the responsibility.

Third, I think it is clear, also, that a number of deserving families have not found it possible to participate in the program, because of the high investment now required. In many cases, it takes half, or nearly half, of the families' entire income. I support the bill's provision that would limit the maximum charge to 30 percent of the family's income.

Another provision of the bill would set the value of the stamps a family receives at the amount necessary to buy an adequate diet. Secretary Hardin has indicated that this would be about $100 a month for a family of four. And, of course, the Secretary has indicated that there will be a stepped-up educational program for food stamp families— to help them get the most nutrition for their food stamp dollars.

The bill also would provide that States shall make provisions for the operation of either a food stamp program or a commodity donation program on a Statewide basis. I do support the view that needy households—no matter where they reside—should be able to obtain food assistance if they are in need of it.

The bill also provides that those in extreme poverty—with a family income of less than about $30 a month—would receive stamps without a charge. I know that there are varying views about the need for this provision. But, when it is locally determined that a family's income is that low, I believe we should be *absolutely certain* that such a family is the first to be assured of food stamp help. I do not believe that such a provision does really take away from the basic self-help principle of the food stamp approach.

I want to conclude by saying that I know the Committee will give H.R. 12222 its most careful consideration. I urge its prompt consideration so that the States could begin to make the authorized program adjustments at least by early in the next calendar year.

STATEMENT OF HON. JOHN N. HAPPY CAMP, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OKLAHOMA

Mr. Chairman, I welcome this opportunity to express myself on behalf of H.R. 12222, a measure which I co-sponsored that would amend the Food Stamp Act of 1964.

Few, if any of us, have ever experienced the gnawing pain of hunger that many Americans feel each and every day of their lives.

National attention has been focused on the plight of our poverty stricken and the severe affects of inadequate diets, especially among the young.

The President has proposed actions to combat malnutrition in America, and in doing so, has made a major commitment to meet the nutritional needs of every American. His proposals deserve our fullest and unqualified support.

For may years this Country has been concerned with hunger in India, Africa and many foreign lands, while starving millions at home went comparatively unnoticed. In the President's words: "The moment is at hand to put an end to hunger in America itself. For all time. It is a moment to act with vigor."

When he took office, the President found that our present food and nutrition programs were not doing the job. He did not seek to place the blame on anyone; he sought answers to why the programs were unworkable. He asked us for a new legislative approach to more effectively use this country's resources, both private and govrenment. The President proposes a great crusade to banish hunger from our land and deliver on commitments made decades ago.

I am proud to co-sponsor the President's proposal, and I urge my colleagues to devote their immediate attention to respond in a similar manner. Let us work together with the hope that America, the land of plenty, will no longer have so many who have so little. In a land as bountiful as ours, we should not have anyone feeling the gnawing pangs of hunger.

In the words of a newspaper in my Congressional District, "having to go hungry is more than misery—it is an immorality."

The CHAIRMAN. If there is anybody else who wants to insert something, we will insert it. But, in the absence of anybody who wants to be heard or any further insertions, the committee, under previous order, will go into executive session.

The committee will go into executive session.

(Thereupon, at 10:50 a.m., the committee went into executive session.)

GENERAL FARM PROGRAM
AND
FOOD STAMP PROGRAM

TUESDAY, JULY 29, 1969

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to recess, at 10 a.m., in room 1301, Longworth House Office Building, Hon. W. R. Poage (chairman) presiding.

Present: Representatives Poage, Abernethy, Stubblefield, O'Neal, Foley, de la Garza, Vigorito, Jones, Montgomery, Sisk, Alexander, Burlison, Lowenstein, Jones of Tennessee, Melcher, Belcher, Teague, May, Wampler, Goodling, Miller, Mathias, Mayne, Zwach, Kleppe, Price, Myers, Sebelius, McKneally, Mizell, and Resident Commissioner Córdova.

Also present: Christine S. Gallagher, chief clerk; William C. Black, general counsel; Hyde H. Murray, associate counsel; and L. T. (Tex) Easley, staff consultant.

The CHAIRMAN. The committee will come to order.

We are meeting this morning to further consider general farm legislation, and we are delighted to have the Midcontinent Farmers Association, represented by the president of that organization, Fred V. Heinkel, who has often appeared before us, accompanied by several members of that association. I don't know just who all will want to make a presentation, Mr. Heinkel, but we will be glad to have you take over and present your views and that of the association.

Before we proceed we would like to have Mr. Burlison present the men, some of whom are known to us and some who are not.

I would like to have you present them.

Mr. BURLISON. Thank you, Mr. Chairman.

It is certainly my pleasure to present the officials of a very important organization in my State and in the Midwest.

The Midcontinent Farmers Association, also known as the Missouri Farmers Association—I won't go into the technical distinctions between the organizations—they are basically the same—but they certainly represent what is best in agriculture in my State and in the Midwest.

But their endeavors are not entirely limited to agriculture. I want to just point out an example, Mr. Chairman, of the great public service that this organization has performed in my State. They, for instance, led the charge in contesting the new rules that we have enunciated by the Supreme Court, as to apportionment of our Con-

gress is concerned. Although they lost in that endeavor, they certainly made a tremendous contribution to good government, I think, in the State and in the Nation as well.

It is my pleasure to introduce to the committee, Mr. Fred Heinkel, who is president of the organization. He has with him this morning vice president and expert in the area of feed grains and soybeans, Mr. L. C. Carpenter of Columbia, and chief counsel of the organization and expert in dairy farming, Mr. William Beckett, and also my friend from southeast Missouri who maintains an office in my district, Portageville, Mo., one of the leading authorities in the State and the Nation in the cotton farming industry, Mr. Hilton Bracey.

Mr. Fred Heinkel, at this time we will be pleased to hear from you.

The CHAIRMAN. Yes, sir.

STATEMENT OF FRED V. HEINKEL, PRESIDENT, MIDCONTINENT FARMERS ASSOCIATION; ACCOMPANIED BY HILTON BRACEY, L. C. CARPENTER, AND WILLIAM BECKETT

Mr. HEINKEL. Mr. Chairman, Mr. Burlison, members of the committee, my name is Fred V. Heinkel, and I reside in Columbia, Mo. I am president of Midcontinent Farmers Association with headquarters in Columbia, Mo.

Midcontinent has over 162,000 members located in Missouri, Arkansas, Oklahoma, Kansas, Nebraska, Iowa, Illinois and several other States.

Mr. Chairman, and members of the committee, we would like to express our appreciation to you for holding these hearings now, which should permit the enactment of farm and food stamp legislation yet this year.

Only recently 17 farm and commodity organizations met here in Washington and found they were in accord on the extension of the basic features of the Agricultural Act of 1965 and the extension of the food stamp program.

I do not profess to speak for any of these organizations, other than Midcontinent, but am heartened by this unity that exists among farm groups.

We in Midcontinent support H.R. 12430 which would extend the Food and Agriculture Act of 1965 and the food stamp program for 1971 and succeeding years.

The commodity programs, developed and refined over the years, which are a part of this proposed bill, are widely supported by farmers who are members of MFA. In a series of recent meetings held by MFA and attended by 1,300 delegates elected by the membership, 94 percent voted in favor of a continuation of Federal supply-management commodity programs.

Producers throughout the Nation continue to evidence their support of these programs by their participation in them. This year 477,587 farms, with 92 percent of the total national cotton allotment, have voluntarily signed to comply with provisions of the cotton program; 981,153 farms, with 88.7 percent of the total national wheat allotment have voluntarily signed to participate in the wheat program; 1,661,770 farms are participating in the 1969 feed grain program and those

farms account for more than 70 percent of the base feed grain acreage of all farms.

We are convinced that reasonable management of supplies of farm commodities is crucial to the success of any farm program. Effective, orderly production and marketing of a product is a sought after goal of every industry, and is desirable. To produce more than can be efficiently utilized is wasteful of resources, results in low returns to the increments of production—labor, management, capital—and if permitted to continue, creates economic chaos and social revolution within the industry.

Federal farm programs have, to a substantial degree, met national farm policy objectives as originally established and reviewed over the years by Congress. Soil and water resources have been conserved and our land is today highly fertile and productive. Food and fiber are abundant, selection is broad and quality high. Consumer prices are reasonable. Consumers now spend a record low portion of their disposable incomes for food—about 17 percent.

It is because of our efforts in designing programs to accomplish these objectives that we are successfully conserving and improving our agricultural resources, providing an abundance of food and fiber for a smaller part of consumer income than anywhere in the world or any time in history, and are the world's leading exporter of farm commodities.

There is another objective, the achievement of which is vital to the success of national farm policy. And it has been spelled out again and again over the years. That is, that producers receive a fair return for the work, skill and capital they devote to their farm operations.

The suggestions we are making here today pertain directly to this objective, although they also are in keeping with the overall purpose of national farm policy.

In regards to the section of H.R. 12430 pertaining to milk and dairy products, we favor the continuation of the class I base plan with appropriate amendments as contained in H.R. 7996 by Congressman Meeds and the companion bills of Mrs. May, a member of this committee, and Mrs. Hansen.

Mr. Chairman, your committee and the dairy and poultry subcommittee have held extensive hearings on the Meeds amendments and we will not take the time of the committee here to review those, but we do support them because of the need of a permanent class I base plan and the other corrective amendments of the Meeds bill.

I think you understand our views coincide with those of the National Milk Producers Federation on this issue and concur with the testimony of Mr. Gordon Laughlin, who appeared on its behalf before the Subcommittee on Dairy and Poultry on the 5th of May, 1969.

Although the subject of imports is not in a bill before this committee, we do want to reiterate our policy on this matter is that we must earnestly support the consistent enforcement of the import quota program as contained in the spirit of the existing law.

Although not contained in H.R. 12430, or any other pending legislation, we do support an amendment to the Agricultural Act of 1949 to permit an adjustment between the support price of butter fat and nonfat dry milk, so that the support price of butter could be at a dis-

cretionary level, while maintaining totally the support price for manufacturing milk.

Cotton and cotton farmers are plagued with many complex and vexing problems. The farm price of cotton is some 10 to 25 percent below actual production costs—even though efficiencies in production are at an all-time high. Cotton's share of the domestic fiber market is at a record low—about 43 percent in 1968, a year when total fiber consumption was at an all-time high, as compared with 81 percent of the previous high recorded in 1942. Movement of U.S. cotton into world markets is now at its lowest level since 1955—a drop of almost 50 percent of the previous 10-year average. Imports of cotton textiles continue near record levels despite the drastic reductions in price of raw cotton in the domestic market.

As serious as the cotton situation now is, we believe that current trends could be halted and headed toward objectives that would (1) protect farm income on an individual basis, (2) maximize market possibilities, both at home and abroad, and (3) keep program costs within acceptable limits. To stand any chance of success, a new course must permit desirable changes in farm operations on an individual basis by allowing the maximum practical movement of cotton acreage to farmers who want and are prepared to grow cotton. And, by reestablishing and maintaining a workable pricing arrangement in the world market that would hold and increase markets for U.S. cotton. We propose:

(*a*) Eliminate the requirement for mandatory diversion before permitting voluntary diversion. This requirement, in effect, takes cotton from those wanting to grow it and forces others who want to divert to plant.

(*b*) Permit sales, lease, or transfer of allotments between farms without regard to counties—and without previous referendums. Cotton acreage should be allowed to move to farmers and areas best suited to cotton production.

(*c*) Permit farmers to plant up to x percent of their farm allotments without price support benefit—excepting loan eligibility—or penalties. Such a provision would reduce cotton program costs, enhance opportunities for economies in production and provide a way for farmers to stay in the program in the event of payment limitations.

(*d*) Permit acreage allotment easements on a long-range basis. Costs would be approximately one-half of price support payments on production and could be even less if grazing or other land use were permitted. Also, this would help accomplish desirable shifts in production.

(*e*) Permit diversion of domestic allotment on short-term basis—annually. It would reduce program costs and give the farmer more latitude in arranging his operation to fit his individual needs and conditions.

(*f*) Require that adjustments for abnormal conditions reflect full credit for losses in acreage and production due to natural disasters.

(*g*) Continue the 16-million acre minimum national allotment. Any reductions would encourage both domestic and foreign producers of manmade fibers and foreign producers of cotton to increase their production at the expense of the entire cotton industry in the United States. Even more important, it would be another indirect but serious

blow to cotton farm incomes as payments to farmers are based on the size of each farm's allotment.

(*h*) Continue domestic allotment provisions as in current program. A continuation is needed to provide program stability and to build confidence in the future of domestic cotton production.

(*i*) Continue diversion payments as in current program. Diversion is a key portion of any program to provide income protection and supply management.

(*j*) Continue price support payments. Such payments are necessary to prevent economic chaos in cotton producing areas.

(*k*) Continue authority for substitution of nonsurplus crops on allotted cotton acreage in event of flood, drought or other natural disaster. This authority is essential to the economic well-being of cotton farmers and cotton communities in times of natural disasters such as those experienced during the past few years.

(*l*) Continue requirement that price support payments when added to the loan must reflect at least 65 percent of parity on the projected yield multiplied by the permitted acreage. It should be noted and emphasized that this requirement has no bearing whatsoever on the sales price or movement of cotton into either the domestic or export market. And, without this protection, cotton farm incomes would be at the mercy of pressures to reduce program costs. This requirement is, in fact, the only protection in the 1965 act that the cotton farmer has against further drastic cuts in income levels.

(*m*) Continue requirement that price support and diversion payments be based on projected yields. This requirement not only provides the same treatment for cotton as for other farm commodities it prevents violent fluctuations in income levels to farmers. It is necessary to crop financing and to income stability to farmers.

(*n*) Permit CCC stock of U.S. cotton to be offered in world markets on a competitive-bid basis. To be fully effective, U.S. cotton export policies must recognize and meet fluctuating conditions in the world market which in a great many instances are completely unrelated to normal functions of the domestic market. We urge reactivation of section 203 of the Agricultural Act of 1956 which declares "quantities of cotton shall be sold as will reestablish and maintain the fair historical share of the world market for the U.S. cotton." The so-called one-price system of the current program makes it impossible for U.S. cotton to meet the price competition of foreign production. Without question, the greatest single obstacle to export sales is the requirement that domestic and export prices must be the same—even without any consideration for freight and other costs between domestic and foreign points. A change to a competitive-bid basis is indicated to hold and increase markets for U.S. cotton without further risks to cotton farm income and unreasonable costs to the Government.

(*o*) Encourage voluntary restraints on imports of cotton textile products. As imports of cotton textiles have been greater under the so-called one-price system, it is now clear that the domestic price of raw cotton has no significant bearing on the continuing influx. Even with the price of raw cotton heavily in their favor, domestic textile mills are apparently unable or unwilling to meet the competition of foreign manufacturers. With this fact clearly established and coupled

with the almost complete loss of export markets for U.S. cotton, there appears to be no alternative except to move toward more meaningful voluntary restraints on cotton textile imports.

(*p*) Permit a national cotton reserve along with a food and feed reserve to meet natural disasters, maintain supply and price stability to both consumers and farmers and prevent the undesirable consequences of "feast-and-famine" production cycles. A reserve is needed to assure customers, both domestic and foreign, that adequate supplies would be available under all foreseeable conditions and prevent switching to manmade fibers because of questionable supplies.

(*q*) Permit and require that raw cotton textile products be included in all appropriate welfare programs, both domestic and foreign. Inclusion of cotton in the various welfare programs such as the stamp plan, food-for-freedom, commodity assistance programs to schools, et cetera, would, in addition to supplying a basic necessity of life, do more to increase the offtake of cotton than any single possibility available at this time. While we do not hold that adoption of the several recommendations we have presented would solve all the problems of cotton and cotton farmers, we do believe they would be compatible with the current program and move toward the objectives of (1) protecting farm income on an individual basis, (2) maximizing market possibilities, and (3) keeping program costs within acceptable limits.

I might digress just for this comment, that we have gone into these cotton recommendations rather extensively because we have listed here a number of features of the present program that we say individually should be continued, and of course it would be obviously clear that we support H.R. 12430 that we were supporting those, but we listed them individually because we understand there are some people, some groups that would like to abandon some of these features of the present program that we are highly in favor of.

Moving on with the prepared statement, wheatgrowers continue to suffer from extremely low prices. The domestic certificate payment, now a part of the wheat program and which would be extended with passage of H.R. 12430, assures growers of 100 percent parity on wheat used domestically. However, this has not prevented declining prices. In the 3 years the certificate program has been in effect, the blend price—national average market price plus value of the certificate—for those in the program has fallen from $2.22 in 1966 to $1.87 in 1967, to $1.79 in 1968. We urge that a wheat export certificate be created to provide higher income to cooperating producers.

We believe that a voluntary diversion program for soybeans should be included in this bill. Provision should be made to carry out such a program in any year when the combined stocks exceed 150 million bushels as of August 31—or when these stocks exceed 15 percent of the previous year's utilization, whichever is less.

We also believe it would help farmers more efficiently market their products and gain a greater return from their production if market orders were expanded to include additional commodities. Growers of those crops now covered are permitted to vote on whether to establish market orders for their commodities. This privilege should be extended to growers of other commodities.

A consumer-protection food and fiber reserve would establish and maintain a reserve of individual commodities in an amount sufficient

to protect the interests of the Nation. Of course, we now have carry-over supplies of these products. But no program has been established to maintain a proper reserve to protect us in the event of emergency which could either boost demand or sharply reduce production. With such a reserve, a greater accuracy in supply adjustment by commodity programs would be possible. This, then, would permit us to more closely and consistently approach price and income goals.

This reserve would provide that:

1. To the maximum extent practical, reserve stocks of agricultural commodities be maintained under producer control.

2. The reserve level of a commodity for any marketing year be established at a percentage of the estimated export and domestic consumption of the commodity.

3. Whenever, during any marketing year, the uncommitted stocks of wheat, feed grains, cotton, or soybeans owned by Commodity Credit Corporation fall below the reserve level established for such a commodity, CCC should acquire those quantities of the commodity necessary to rebuild the reserve at a purchase price at the prevailing market level.

4. When these commodities have been purchased and placed in the reserve, they must be held in such a manner so as not to affect market prices.

I do want now to comment on that part of H.R. 12430 which deals with food stamp programs. For many years, MFA has supported the principle of food stamp distribution, and we urge the continuation of this program for 1971 and succeeding years. We also favor expanding and improving it in order that it might be of most benefit to all who participate in this program.

We recommend the inclusion of cotton and wool products, with the continuation of the program for an indefinite date.

We insist that the food stamp program continue to be administered by the USDA for the reasons so ably set out by Congresswoman Sullivan in her presentation to the House on April 1, 1969. She said then:

> The food stamp program was placed in Agriculture because its purpose is to increase the consumption of food by low-income families at less cost to the government than the cost of removing surplus food from the market, processing it into storable form—powdered milk, powdered eggs, dried beans, peanut butter, and so forth—and then giving it away. It is infinitely better to enable poor families to buy fresh milk, fresh eggs, fresh fruits, and vegetables, and fresh meats than for the Government to buy up these products under price support, process them, and give them out in far less appetizing or nourishing form. And the food stamp program, as I see it, is far cheaper than the direct distribution program. But hand in hand with giving people an opportunity to buy a better diet goes the necessity to help many families to spend their food coupons—their food dollars—intelligently. This is an area in which the Department of Agriculture has always had expertise.

Furthermore, we have been inclined to agree with you, Mr. Chairman, and with the distinguished Congresswoman from Missouri, that the new recommendation of free stamps may be a mistake.

However, in the event an eligible recipient's income does not exceed $30 per month, we admit that whether or not this individual is required to pay the normal 50 cents with a maximum of $3 per family, is not the crucial issue.

We were impressed when Secretary Hardin testified recently that results of an experiment in South Carolina indicated the use of free

stamps boosted participation in the program by 25 percent.

We believe the program should be flexible enough to permit USDA to operate in the most effective manner possible. We would encourage standardization of eligibility requirements and nutritional standards for all areas.

We urge this law provide that either the food stamp or the surplus commodity program, or both, can be in effect in a given area providing the administrative costs are borne by the local county, city, or political subdivision.

Although there are those who don't agree, we feel it highly desirable to encourage a close working relationship between the Federal Government and the political subdivision which administers the stamp plan (421 counties of the 3,129 governmental units in the States do not now have food aid programs).

MFA resolutions have for years favored the principle of the food stamp program and sufficient appropriations to make it fully effective. Food is essential to the productivity of the individual. Hungry people lack the strength, the health, and often the desire to work. They also may lack rudimentary knowledge of good eating habits and nutrition because they have not had experience in meal planning and in the use of higher quality foods.

We know that part of our problem in the area of hunger and malnutrition stems from the lack of education in eating habits. We commend and urge the continuation of the Department of Agriculture activities carried on by the Extension Service nutrition aids program to provide information and training in good nutrition.

In conclusion, while not a part of H.R. 12430, proposals have been introduced to gradually phase out these commodity programs under discussion here, substituting in their place a massive land retirement program.

We are strongly opposed to this idea. It is not geared to specific crops. It would remove from production the least productive lands and would not, we believe, effectively accomplish the desired objective. Studies show that this approach with 70 million acres under a land retirement program would result in an increase in production of crops—with the possible exception of wheat—and would lower income to producers. This we can't stand.

We need to do everything possible to continually improve Federal farm programs to the end that farmers can work within a framework of national objectives to increase their income and that rural communities can grow stronger and more prosperous.

There now is provision, as you know, within this H.R. 12430 for a conservation adjustment program which permits the contractual retirement of land over periods of several years. We urge Congress to provide funds to expand this program to more adequately supplement the annual diversion of land under commodity programs.

Mr. Chairman and members of the committee, we do appreciate the time you have given us here today. We are vitally concerned about the need to design farm programs so that they will perform effectively and efficiently. Farmers want to produce all the food and fiber the people of this great Nation need, and want access to the markets of the world.

To enable us to do this we must have programs which will accomplish effective production adjustment and provide returns to the pro-

ducer sufficient to cover production costs and to yield a profit for the labor and capital committed to the operation.

There is another page entitled "Supplement No. 1, Re Feed Grains."

Due to the pressure of time in preparing this statement inadequate attention was paid to the feed grains program other than to point out that 1,661,770 farms are participating in the program in 1969, and that those farms account for more than 70 percent of the base feed grain acreage of all farms.

These facts attest to the merits and popularity of the program.

It has gotten rid of burdensome surpluses, stabilized production, supplies, and prices, and has been helpful to the livestock industry. It likewise has stabilized meat supplies available to consumers.

Feed grains are basic to the production of high-protein foods such as milk, meat, eggs, and poultry that constitute an essential part of the daily diet of Americans.

While we endorsed H.R. 12430 early in this statement, we feel that for the reasons above stated we are justified in urging the continuation of the feed grains program for 1971 and succeeding years.

The CHAIRMAN. Mr. Heinkel, thank you very much for a comprehensive, illuminating statement. I think it is most helpful. I feel you have made a good statement, but I feel that the greatest benefit that we can get from a meeting such as this will be the opportunity to discuss those views and to point out—to let you point out the strength where some of us may feel weakness or vice versa.

I didn't know whether you intended to have any of the other gentlemen make statements this morning.

Mr. HEINKEL. Mr. Chairman, they are along in case you and the committee want to ask questions, and I assume you will.

Mr. Bracey on my left is quite knowledgeable in the area of cotton. Mr. Carpenter is rather knowledgeable in the food stamp area. And Mr. Beckett in the area of milk marketing orders and dairy programs.

The CHAIRMAN. Well, if it is agreeable, then we will just simply get into a discussion of your statement and the views you have expressed.

I don't want to ask any question with the idea of being either argumentative or critical, because I am not either with your statement, but there are items that I think may need to be clarified. I think the only way we can do that is to discuss them.

For instance, there is one basic point that goes all the way through your statement, and yet I have always questioned its actual practicability. You have suggested that one way of strengthening these programs—I believe you suggested it for cotton and for wheat—and I assume that you will do the same thing for feed grains—is some kind of Government reserve program. Call it what you will, every normal granary or any other kind of reserve. Of course, that idea is based on the assumption that the Government acquire the commodities at a reasonably fair price. If the market goes down, the Government will hold them and keep them off the market, and bring the market price back up. They should not be sold until the market has recovered and there is an obvious market need for the commodities.

I think that, as a broad theory, is appealing, if in fact we have a machinery whereby the Government can do that. They do have such machinery in some of the countries of the world, but I doubt if in a

country in which democracy plays as large a part as it does in the United States, you can make that kind of program work.

Now, I would just like to have you comment on that, why you believe it can work and why you believe the Congress will not dump those commodities on the market when the political pressure gets heavy enough. Will not those commodities, as long as they are held, pose a threat to the market and, in effect, actually reduce the price of the farmer's commodity.

Mr. HEINKEL. Well, Mr. Chairman, we feel—and I don't think we are alone——

The CHAIRMAN. You are not. You are probably in the substantial majority.

Mr. HEINKEL. Our convictions are these: That if that program is properly set up with the proper rules written into law—and I don't believe the Congress has been noted for just rushing in in the heat of the day and changing the law because somebody shouted at them a little bit—I don't think that those reserves——

The CHAIRMAN. Mr. Heinkle, may I point out right there, you said you don't believe this Congress will rush in and change the law. Members of this Congress, at least about 96 percent or 94 percent, represent nonfarm people whose primary interest is getting cheap food and fiber. When you hold any commodity, whether it be cotton, or wheat or feed grain, off the market and the consumers get the idea that they are paying more than they have to pay—not more than they ought to, isn't this Congress going to succumb to that consumer demand? We did it in the wheat situation just a year or two ago as you will recall. These certificates that you are talking about were millers' certificates. I thought they were quite sound because they were not raising the price of wheat unduly, not even back up to where it had been. You know we have at least a substantial part of this now not in the form of a real certificate the miller will buy, but simply a contribution on the part of the U.S. Government. That is all the Government's part in this wheat certificate amounts to, and any more is simply a Government subsidy to reduce the price of wheat to the consumer. That is all it is, isn't it?

Mr. HEINKEL. Partially, yes.

Mr. Chairman, I think that—and it is our feeling and those that agree with us—that one of the main purposes of this type of reserve is in the interest of the consumer. I am just pretty sure we are right about that.

The CHAIRMAN. I hope you can solve it.

Mr. HEINKLE. We are not for tinkering with that reserve from day to day. I think what happened in 1966 in wheat is a good example. There were people going around the world and in the Nation at that particular time making a lot of speeches about feeding the undernourished people all over the world, and it created a little scare, and the people in charge of our programs—and I think we were justified—increased the wheat acreage allotments twice. As a result of that we have been in trouble with an oversupply of wheat ever since, granted that they had good production throughout the world. But had they had this type of reserve at that time I'm very much of the opinion that we would not have increased that allotment more than one time

and we wouldn't have developed some of the problems that we are now continuing to live with, that is having a depressing effect on the prices to farmers, and I don't believe it has helped the consumers, because the price of bread has continued to go up.

The CHAIRMAN. Well, do you believe that you can keep grain in storage without adversely affecting the market prices?

Mr. HEINKEL. Yes, I think it can be, under the right kind of set of rules.

The CHAIRMAN. Well, I want to believe it. I want you to argue me into it, because it seems it holds some real hope for us if we can do these things. But what I have seen happen in the past doesn't convince me that it can be done. I would like to believe that it can be done.

Mr. HEINKEL. Well, Mr. Chairman, I believe that it can just as firmly as you believe that it can't, and I have reasons to believe that. I am confident that it can be done. I don't think we have ever tried it. We haven't put these reserves under a set of rules that would keep them out of the market. They have been where they could be moved around and moved into the market.

The CHAIRMAN. Now, I agree with you in this, if we can pass legislation here that will absolutely provide that whenever the price goes below a certain figure that the Government will buy the commodity, and the Government will not sell it if the price goes above a certain figure. I think that if we can get that into the law we might make things work. But if you give the Secretary of Agriculture discretion—I am not talking neither of Mr. Hardin or Mr. Freeman or Mr. Vincent or anybody else as an individual—I have never seen a Secretary of Agriculture, and certainly were I Secretary of Agriculture I would not have the fortitude to resist the pressure—and I have never seen one that hasn't—and until we grow a different type of superman I don't believe we are going to have a secretary that can resist that pressure unless you write it into the laws that the commodity shall go in at a certain figure and shall not come out until it gets above a certain figure.

Now, if Congress will do that——

Mr. HEINKEL. I would agree with that, Mr. Chairman. I don't think we ought to expose the Secretary of Agriculture to a position where he can be subjected to those pressures. I think it ought to be written into the law. I think we had some provisions written into a bill last session that might have done that.

Mr. BELCHER. Will the gentleman yield?

I think the reason that the chairman can't believe that thing will work is because he spent 30 years on this Committee on Agriculture and 30 years in the Congress and he knows a whole lot about human nature. We say we are not going to change some programs in the 19 years I have been here, and I think we have changed them every single year. I don't think if I were in a position where I was going to be a buyer of any of those commodities, the mere fact that there was a law at that time that said that they couldn't sell these commodities, I wouldn't trust to Congress, what I know of them, that they wouldn't repeal that law and turn them loose.

Now, the thing that concerns me, supposing right now you go down to buy a beefsteak and if you get one that big it will cost you a dollar

and a half. If we had 500 million bushels of beefsteak somewhere stored up, don't you think this Congress would repeal that law and turn those beefsteaks back on the market?

Mr. HEINKEL. Well, in the first place beefsteak is not very storable, and I have a little more confidence in the Congress than that. I don't think you would.

Mr. BELCHER. Well, you might have more confidence in this Congress, but if this Congress didn't repeal and turn those beefsteaks loose you would have a new Congress next time.

Mr. HEINKEL. Well, that is democracy at work.

We are still for this bill, whether you put this strategic or consumer protection food and fiber reserve in it or not, we are still supporting 12430. I want to make that clear.

Mr. BELCHER. Well, I think as far away as Missouri, you might have more confidence in this Congress than those of us who spend every day and year here in Congress. That is all.

The CHAIRMAN. Yes.

Mr. O'NEAL. If we wrote it in the Constitution do you think we could trust the Supreme Court, Mr. Chairman?

The CHAIRMAN. Yes.

Mr. KLEPPE. Thank you, Mr. Chairman.

I notice in your remarks in your statement you indicate 162,000 members, more or less.

Mr. HEINKEL. Yes.

Mr. KLEPPE. Do you have any idea what percentage of those members are cotton growers?

Mr. HEINKEL. Oh, I would hesitate——

Mr. KLEPPE. Just an estimate, if you would.

Mr. HEINKEL. I would rather Mr. Bracey would answer that question. He is from the cotton area.

Mr. BRACEY. I would just estimate something in the neighborhood of 10,000. In other words, a man is not just a cotton farmer but probably a grain and cotton farmer.

Mr. KLEPPE. Primarily cotton. The reason I ask the question is that your statement particularly pertains to cotton as it is involved in the farm program. I was wondering what the percentage of your—what percentage of cotton farmers are members of your organization, 50, 60, 70 percent?

Mr. HEINKEL. No, 10,000, whatever percentage that is.

Mr. KLEPPE. Only 10,000.

Now, what would you estimate then, for wheat farmers, for example, are members of your organization?

Mr. HEINKEL. Oh, they would probably be 25, probably more than that.

Mr. BRACEY. Probably 40.

Mr. HEINKEL. 40,000.

Mr. KLEPPE. 40,000?

Mr. HEINKEL. Yes.

Mr KLEPPE. I kind of gather from your statement that you realize and believe that the biggest areas of problems that we have in our farm setup today is with cotton and wheat particularly as commodities.

Mr. HEINKEL. That is correct.

Mr. KLEPPE. I am also intrigued by the statement on the first page that 17 farm and commodity organizations got together in Washington and you had a great deal of unanimity of opinion. The reason I am intrigued with this is that it kind of falls along the line of the chairman in what he has been talking about and what many of us have been talking about is if we are going to successfully do anything in this Congress we are going to have to have a great deal of unanimity of opinion with farm people, farm organizations, the Department of Agriculture and this committee, and then we are going to have to pray a great deal besides.

I am just curious about these organizations that did meet here. Now, I don't ask for delineation of what they were, but were the major farm organizations represented here at this meeting?

Mr. HEINKEL. The National Farmers Union, the National Grange, and our organization, and the Grain Sorghum Producers, Soybean Growers, American National Cattleman's Association and others were present.

Mr. KLEPPE. National Wheat Growers represented?

Mr. HEINKEL. Yes, sir.

Mr. KLEPPE. And the dairy producers?

Mr. HEINKEL. Yes, sir; they were represented.

Mr. KLEPPE. Thank you. That is good enough for a while.

Now, on all of these suggestions and proposals that you made in your statement you made no particular comment about your feeling and your attitude on the limitation of payments. Would you comment on your feelings regarding that?

Mr. HEINKEL. Well, our organization has not passed a resolution or adopted a position on that. We just haven't gotten that excited about it one way or the other. We have not supported those who were putting forth effort to get a limitation placed on payments.

On the other hand, I doubt if the world would come to an end if there was a limitation placed on payments. We just don't want to get so involved and devote so much time to that and get diverted from the main issue that is the fundamental of the program.

Mr. KLEPPE. You have taken no official position?

Mr. HEINKEL. That is right.

Mr. KLEPPE. Now, you referred to cotton specifically being competitive on a world basis, and I certainly understand what you are talking about here. Are you proposing in here and do you support a cotton subsidy, export subsidy, so as to make this competitive situation possible throughout the world market?

Mr. HEINKEL. May I refer this question to Mr. Bracey?

Mr. BRACEY. Yes, sir; we are suggesting a competitive bid-type of sales program in the export market similar to past years which emanated from section 203 of the act of 1957.

Mr. KLEPPE. You are suggesting an export subsidy?

Mr. BRACEY. In some form. We are not specifying a particular form.

Mr. KLEPPE. In that regard, how do you feel about the way the IGA is working?

Mr. HEINKEL. International Grain Agreement?

Mr. KLEPPE. Yes.

Mr. HEINKEL. Well, it is a little hard for us way out there in the middle of the United States to keep up with what is going on, what

has happened at the International Grain Agreement. We supported it and we thought for good reasons. We are not so sure but what there has been some activities in the grain trade that have tended to undermine the Grain Agreement. Certainly, it hasn't worked out as we had hoped it would.

Mr. KLEPPE. Mr. Heinkel, you and your associates, I just want to commend you for this idea of getting unanimity of opinion. I, for one, feel that this is very vital. I am also one who believes that we must have some sort of a farm program because of the many problems that you have presented.

I only want to urge that the continuity of your efforts along this line continue, because if we don't all work together we are going to have a great deal of disunity of opinion, and the more of that we have, the more difficult our task becomes.

So, as this meeting adjourns today, I hope you won't discontinue your efforts, because it is too vital for many of us in this big part of this land that is agriculture.

The CHAIRMAN. Mr. Kleppe, would you yield a moment?

Mr. HEINKEL. We pledge our continued support to this effort of unanimity.

Mr. KLEPPE. Yes, Mr. Chairman.

The CHAIRMAN. I just wondered if you would yield to try to reconcile my understanding of the position that Mr. Heinkel takes in regard to doing nothing about this limitation of payments, and what Mr. Bracey said about export subsidy on the cotton.

Who are you going to pay it to?

Mr. BRACEY. Well, we are thinking in terms of competitive bid-type programs which would not involve a subsidy as such.

The CHAIRMAN. I don't understand that.

Mr. BRACEY. It wouldn't be paid, but on a competitive basis.

The CHAIRMAN. You mean the Government would buy it?

Mr. BRACEY. It would be sold out of CCC stocks.

The CHAIRMAN. Yes.

Mr. BRACEY. Very similar to the program that you all originated years ago.

The CHAIRMAN. I think I understand.

I think that answers it.

Mr. KLEPPE. Mr. Chairman, I yield.

Thank you.

Mr. PURCELL. Mr. Chairman.

The CHAIRMAN. Mr. Purcell.

Mr. PURCELL. Mr. Heinkel, I am a little late coming to your rescue, but I just want to vouch for your thought as far as my thinking is concerned about need for a reserve. Your name is better than I think anyone can come up with; at least you have put the word "consumer" in it. That seems to have some sex appeal. I really could not have a question of you about that.

I would just like to point out while you are here, that while Mr. Poage and Mr. Belcher have been here these many years we have tried everything with this and I would hope that we can try this before we get through. I have some faith in the Congress that we can get a really meaningful method of obtaining and retaining these com-

modities. That, to me, would be very helpful to the producer, but an insurance to the consumer that is not yet provided for him. I hope that our distinguished and senior colleagues might try that some time.

Mr. HEINKEL. I think it would be really worthwhile and in the best interest of not only farmers, but the consumers of the Nation as a whole. I think it has enough merit to be worthy of being tried.

Mr. PURCELL. That is all.

The CHAIRMAN. Mr. Teague.

Mr. TEAGUE. Mr. Heinkel, or Mr. Bracey, when the cotton checkoff program was authorized by Congress I was quite active in trying to round up the necessary votes to get it passed. I believe I was able to convert or change the minds of several city Republican Congressmen who subsequently voted for the program. Apparently the cotton producers are in pretty sorry plight.

Has this checkoff program helped at all, or did I make a big mistake in advocating it?

Mr. BRACEY. Mr. Teague, in my opinion, it is too early to answer your question. Of course, you know the program has only been in effect 2 years more or less, and really I don't think the time has been sufficient to answer the question such as you raised.

Frankly, it hasn't solved the problem as of now, and also very frankly, if it is going to be 10 years from now we can't wait that long. In other words, we have got to have something done for cotton now, not 10 years from now even though research might rescue us somewhere down the road, we won't be around to be rescued.

Mr. TEAGUE. Thank you very much.

The CHAIRMAN. Mr. Montgomery?

Mr. MONTGOMERY. Mr. Chairman, Mr. Heinkel, I have several questions, but first, I would like to thank you for testifying before our committee today.

Generally, the way I interpret what you said today, you are in support of the bill that Mr. Poage has introduced?

Mr. HEINKEL. That is right.

Mr. MONTGOMERY. Which extends all of the farm programs. In regard to Mr. Kleppe's questions, if you agree with what Mr. Poage has done you would have to, I believe, be able to go along with no limitation of payments.

Mr. HEINKEL. Yes, sir.

Mr. MONTGOMERY. You are in general agreement we don't need limitation of payments, especially on cotton?

Mr. HEINKEL. That is right. I just threw in the additional commente. It seems you decide things on numbers up here, you know, a democracy, and it looks like we may lose that fight. I am saying I think we can still have a successful program even if limitations are placed in effect. But we are not advocating it or supporting it.

Mr. MONTGOMERY. You are not supporting limitations of payments?

Mr. HEINKEL. No.

Mr. MONTGOMERY. Do you have a minimum dollar amount on a payment limitation that might be workable?

Mr. HEINKEL. Well, I don't know. That opens up a whole package of things. It is a kind of a backhanded type of land reform, it seems to me. Here is a man or a family——

Mr. MONTGOMERY. I might say I do not favor limitation of payment.

Mr. HEINKEL. That accumulated so much land and his payments are geared to the land and the production of the land, so it is quite involved. I wouldn't know what the figure ought to be if we had one. I think that $15,000 or $20,000 is a little low for——

Mr. MONTGOMERY. I have heard the possibility that the Secretary of Agriculture could come up with a recommendation of a $20,000 limitation of payment in the farm bill that would be recommended to the Congress. Would you care to comment on this rumor?

Mr. HEINKEL. Well, since it is a rumor I would rather we waited and saw what it does recommend and then take a position on it. Maybe he won't have it in his recommendations.

Mr. MONTGOMERY. Thank you.

One other comment. I am planning in the next few days to introduce a food stamp bill of my own, or an amendment to Mr. Poage's bill. I have asked the members to review my proposal before I introduce it, hoping I can get some support for it.

I believe it generally goes along what you have said here. On page 12 in the second paragraph you comment:

Although there are those who don't agree, we feel it highly desirable to encourage a close working relationship between the Federal Government and the political subdivision which administers the stamp plan.

Now, my bill will require that each State that participates in the food stamp program will be required to participate 2½ percent for the first year—this is for payment on the food stamps—up to 10 percent over the next 5 years. In other words, making the State participate, they administer the program and certainly as one member said here recently, they will do a better job if they are footing part of the bill. What is the position of your organization regarding State participation in the food stamp program?

Mr. HEINKEL. Well, that is not unlike some of our other programs where we have cooperation and sharing between the Federal Government and the States. If that would be the aim of this Congress, if it is inclined to go that way, we would be inclined to support it.

Mr. MONTGOMERY. In other words, you would support it. I might say that my food stamp bill—it seems reasonable to me—authorizes $450 million for fiscal 1970, $550 million for fiscal 1971, $650 million for fiscal 1972, and $750 million for fiscal 1973. It would be a 3-year program. Most bills that have been introduced either are unlimited or authorize $650 million for fiscal 1970. Do you think that the figure I have here is reasonable compared to what the food stamp program authorizations have been?

Mr. HEINKEL. Well, I am certainly no authority on the administration of the food stamp program and the operation of it. As I said, we have always been in favor of the food stamp program but when you get into the amounts, I think it gets involved, the question of are we set up to properly administer it and can we wisely use it. I think you people that have been closer to those facets of it than we are would have better judgment than we would.

Certainly it is an increase. We would be in favor of that.

Mr. MONTGOMERY. Do you mean increase over the $340 million authorization for fiscal 1970?

Mr. HEINKEL. That is what I meant.

Mr. MONTGOMERY. Thank you, Mr. Chairman.

The CHAIRMAN. Mrs. May.

Mrs. MAY. Mr. Heinkel, I, too, would like to thank you for a very comprehensive statement spelling out goals and the mechanisms for what you think and your organizations think the committee should present in the way of a bill on farm programs. However, it does occur to me that there is a major omission in your statement. You have left out any projected costs of your proposal. Have you at any time developed any figures on what the overall cost of your proposal would be, especially as compared to the present cost of the farm programs?

Mr. HEINKEL. Well, I would think that just to make a general statement the improvements or amendments, changes that we have recommended would have little effect on the cost. There are some in there that would increase costs or others that would lower the cost.

Mrs. MAY. Could you be specific on that?

Mr. HEINKEL. Well, I would like to have Mr. Bracey comment on the suggestions we made on cotton. I think——

Mrs. MAY. Yes, I believe that is the only place you did make one reference to costs. You said one of the goals of it would reach—objectives rather—would be to keep program costs within acceptable limits.

Now, Mr. Bracey, what figure would that be? I believe the present cost is a little over a billion if you add Public Law 480 payments. Has your cotton organization done any projection of what the cost of this would be?

Mr. BRACEY. Well, Mrs. May, No. 1, we know it would not be any more than the cost of the present program. We think over a period of time it could be substantially less. For example, we are making suggestions or recommendations here for both short-term and long-term allotment requirements. These objectives could be obtained at approximately one-half the cost of production payment.

In other words, it cost about half as much not to produce as it would to produce it. These would be substantial. In fact, in your cotton program that we have here—we have checked this out with some technical people—we are suggesting a program here that would cost probably $150 to $200 million less than the present program.

Mrs. MAY. Can you substantiate these figures on your projection? I am asking this not in a hostile way. It is desperately important that any program——

Mr. BRACEY. We don't suggest we are going to eliminate the costs, but we can hold it down and reduce it somewhat.

Mrs. MAY. To get back to the overall program—when you include your suggestion for a reserve for various commodities and add that cost, your program overall still is less than the sum of $3½ billion that the Congress looks at as the price tag for all farm programs; is that correct?

Mr. HEINKEL. I think the reserve or by whatever name you may speak of it would be an added cost. However, we tend to carry some reserve now. We don't call them a reserve. It is just storage commodities that we take over and carry on inventory. Of course, they have been reduced under these programs the past several years to a rather

low point. But whatever that cost is at the present time would offset against the cost of the consumer reserves.

Mrs. MAY. I make a great point of this, and I intend to in all these hearings. I think any member of this committee, and any member of a farm organization in America, would be very unrealistic if we did not recognize that the reason we are holding these hearings, the reason that the administration right now is working behind closed doors and burning midnight oil trying to come up with their farm program recommendations by September is because Congress has shown itself to be unhappy with the present program. The recent vote on the $20,000 limitation, is an example. So whatever the farmers of the country might agree on, whatever the agriculture committees of the House and Senate might agree on, unless that program costs less, unless it shows real promise of creating programs that will give the farmer better income for his input of labor and capital, we are just spinning our wheels in trying to get support from Congress. I don't know whether you agree with my evaluation, but I think we all have to face the harsh reality of the situation.

So in addition to all the farm organizations being unified, if possible, as Mr. Kleppe and you've discussed, I think it is very, very important that you help us develop a program that will meet those two criteria. We can sit here for months and discuss what we want, but if we are going to have a new farm program, before the present one expires, I feel we have to meet those two criteria.

I would hope that on your cost figures and cost projection—you would use as sharp a pencil as you can and make your facts sound and provable as believable for us to use when we take our selling the story to the Congress.

Mr. HEINKEL. Mrs. May, we certainly appreciate the truth and seriousness of what you say, and are in accord with what you say on the matter of costs. Of course, I would say in passing that we are also now in an area where we are starting—and maybe that there is more important that we cut our farm program costs down, because we are starting to spend sizable sums of money in the cities, food stamps and for other purposes, and we, of course, supported this food stamp program. I think that what we have spent on our farm program has begun to slow down. It certainly hasn't stopped the migration of country people to the cities. I think we have a lot of evidence that rural migration hasn't solved any problems either in the country or in the cities. It has not solved the ones in the country and it has aggravated the ones in the city.

Further, on the matter of costs, I happen to know that a group out in the great wheat State of Kansas have developed a new wheat program that would cost the Federal Government very, very little, but they haven't had time to perfect it and submit it at this hearing. I am not professing to speak for them. They may come in and submit it. But I met with them a week ago, Mr. Carpenter and I did, and it sounds to me like a practical plan. Whether the Congress would buy it or not I don't know, but it has appealed to those of us out there in the country that are somewhat familiar by exposure and experience to the problems of the wheat farmer and have in mind problems with which you people are confronted on the matter of costs.

Mrs. MAY. Mr. Heinkel, I am glad to have a hopeful sign. I have heard rumors of that program, and I think it is very hopeful. However, we are faced with the immediate problem. I understand from your statement that you feel that the present farm programs have reached national farm objectives, except in one area, adequate income for the farmer. But we can't very well sell Congress a program to extend these present plans by saying, we know they are costly and we knew they are not helping farmer income enough, but we want you to support us anyway. I think that is going to make a very poor selling argument, Mr. Heinkel.

Mr. HEINKEL. Of course, I didn't say that they hadn't helped the farmer.

Mrs. MAY. You said they reached a number of objectives, but I don't think you or any other organization—I certainly haven't heard from your organization that you think the American farmer today is getting fair return for his input of labor and capital. Instead, didn't the farmers take a 10-percent wage cut?

Mr. HEINKEL. Did we as farmers?

Mrs. MAY. Didn't the farmer?

Mr. HEINKEL. Farmers may have, but that isn't the picture nationally that the figures that I have indicate.

Mrs. MAY. Well, I would like to see your figures, because I am looking for more hopeful figures. I haven't heard from either cotton farmers or grain farmers or any of the other commodity farmers that they don't feel that way. The farmers I hear from feel they have shared less in the prosperity of this country than other segments. They feel they have been hit harder than other wage earners by inflation and high interest rates.

Mr. HEINKEL. Well, the cash receipts from farm marketings have continued to go up from 1958—from $33½ billion in 1958 to $44.1 billion in 1968, and then with the Government payments and nonmoney income for rent, food, and fuel, they have realized as they call it in the Department of Agriculture, gross farm income of $50.8 billion. Of course, farm production expenses since 1958 has gone up from $25.2 billion to $35.9 billion, but it left agriculture with a net realized income of $14.9 billion. That is higher than it was in 1967. It is lower than it was in 1966. It is higher than it was in 1965. And in 1958 it was only $12.7 billion. So we have made a little progress in the right direction.

Mrs. MAY. Has it slowed up the migration of the farmer to the urban areas?

Mr. HEINKEL. I don't have the figures on that.

That was realized net income in the United States. Farmers total net income for 1968 is $15.4 billion against $13.5 billion in 1958. So we have made some progress in the right direction. I think our per capita percent of income as compared to nonfarm people has gone up. The figures would indicate they have.

So, again, while we are not realizing our fair share of the national income compared to other people, we have made some progress in the right direction. In 1958—and again this is just the first year that is on this page—farm per capita income was 55.5 of the nonfarm per capita income and last year it was 75 percent of the nonfarm per capita income.

So those, I think, confirm what I am saying that we have made some progress with these programs, and that is why we want to keep them.

We hope that we won't get into so much discussion over the limitation of payments and over the matter of a reserve that we will sacrifice the total program.

Mrs. MAY. I, like my colleagues that have spoken to you before, sincerely wish that would be the case. But I am afraid I have to anticipate that we will not pass on legislation this year in an atmosphere of peace and quiet. We never have. There will be controversy, and of course all we ever hope for are the winning votes, be they two or three. Many times we do pass our farm programs on that basis. I have taken more than my share of time. I will save any other questions to put to Mr. Heinkel later.

The CHAIRMAN. Before I recognize Mr. Alexander, since I am author of the bill that is coming under attack, I would like to point out that I really think Mrs. May gave a wrong impression of what she believed there in saying the bread and farm program have done no good.

Mrs. MAY. I didn't say that. I said Mr. Heinkel's statement said it reached almost all national farm objectives except that of fair share of return for labor and capital.

The CHAIRMAN. In any event, I know of no one who would claim the present farm program is anywhere near perfect, but I think it is far better than no program at all, and I think that we would be in much worse shape if we didn't have any kind of program at all.

Certainly, it has not raised farmer income to the level we would like it to have, and its reenactment will not bring farmer income up to where we would like to have it, but it will certainly prevent a disaster that I think would befall us if we didn't have any farm program at all.

Mrs. MAY. I agree.

Mr. ALEXANDER. Mr. Chairman, Mr. Heinkel, one or two short questions.

I notice on page 9 you referred to the commodity of soybeans. Would you explain in a little more detail your plan for the voluntary diversion program which you have in mind for soybeans?

Mr. HEINKEL. Well, it is our thought that soybeans might be included along with feed grains and wheat in an allotment that would cover wheat, feed grains, and soybeans, with some flexibility on the part of the individual within that total base.

Mr. ALEXANDER. Do you mean with that statement that you pose a full allotment of control of the soybean program as it is now known in some of the other commodities?

Mr. HEINKEL. Well, the soybean industry has been rather fortunate. When we submitted the so-called emergency feed grain program early in 1961, as I appeared before the Senate Committee on Agriculture, that was at a time when the price support on soybeans had just been raised, which the Feed Grain Committee had nothing to do with. I was asked a question "Aren't you inviting trouble for soybeans, will you not have overproduction real soon?"

Well, that was in 1961, and we haven't had it until now. But we are approaching an oversupply of soybeans. We may as well face it. This was discussed in various committees I have served on, some of them created by the Department of Agriculture, and others.

We feel it would be better to face it now and incorporate beans in the act that is to be considered here rather than to not recognize the problem and then suffer the consequences later and have to deal with it then.

Mr. ALEXANDER. By that statement, sir, would it be fair for me to conclude that you do favor acreage control for soybeans?

Mr. HEINKEL. Unless we can come up with something better, yes.

Mr. ALEXANDER. Now, one further question. Have you considered——

Mr. HEINKEL. Let me interrupt you. This wheat plan that I referred to being discussed in Kansas and also outside of Kansas, and I don't want to get into that today because I am not familiar enough to discuss it—I think it has a possibility of working with soybeans the same as it would with wheat.

That is why I say until we can come up with something better than an allotment program—yes, I would include soybeans.

Mr. ALEXANDER. Thank you, sir.

One further question. In your soybean program and your proposal, have you in your analysis considered the effect of new ground in production with reference to acreage control?

Mr. HEINKEL. You mean in, coming in the last several years?

Mr. ALEXANDER. Well, consider that question with reference to ground that is not now cleared and in production.

Mr. HEINKEL. Well, we have been considering it from the fact that a good deal has already been brought in in the last several years, some of it by nonfarm-oriented corporations that are clearing land and producing soybeans in competition with the farmers.

So I wouldn't lose any sleep about the increased acreage in the future.

There is provision in our commodity programs whereby it should be possible—I have always been told that it is—to give the farmer a base, to a new farmer. I think they are pretty hard to get. But provision is in the law, and I would assume it would be in there with respect to soybeans. But we seem to have more acreage for growing beans now than is good for the bean producers or the country, either one.

Mr. ALEXANDER. Shall I conclude, then, from that statement that you would recommend a control of ground that is not now in production for the future production of soybeans?

Mr. HEINKEL. Yes, I would.

Mr. ALEXANDER. Thank you very much.

I yield back the balance of my time, Mr. Chairman.

The CHAIRMAN. Mr. Mayne.

Mr. MAYNE. Mr. Heinkel, you assured the chairman that this reserve that you advocate could be effectively insulated from the market, but I don't believe at any point in your testimony you have indicated how that admirable result could be accomplished. Do you have any specific mechanism that you are recommending to accomplish insulating the reserve?

Mr. HEINKEL. Well, I think it could be done, of course, by stipulating a percentage above parity, below which it couldn't come out. What that percentage ought to be, I don't know.

But there are people that are knowledgeable in that area and a lot of thought was given to it last year in the Congress when there was

a bill to create a strategic reserve, a lot of thought was given to that subject and some figures were discussed, such as 115 percent of price support, and I think the figure could be arrived at and written in the law that would——

Mr. MAYNE. Did I understand you to say that you were considering some prohibition against release of Government stocks unless this were at a percentage above parity?

Mr. HEINKEL. Yes, sir.

Mr. MAYNE. Then you would support such a provision at this time?

Mr. HEINKEL. Yes, sir; that is the purpose of making it a strategic reserve, is to keep it out of the normal market channels, and keep it in a reserve to be used only for emergencies, domestically or internationally.

Mr. MAYNE. Well, as I recall, Mr. Heinkel, I offered an amendment in the committee to prohibit release of reserve stocks at less than 110 percent of parity, and that failed at that time, but I would be hopeful, with support from organizations like yours, we might be more successful this year.

Thank you.

Mr. HEINKEL. I hope we can be, too.

Mr. FOLEY. Mr. Chairman.

The CHAIRMAN. Mr. Foley.

Mr. FOLEY. While I understand your organization hasn't taken a specific position on payment limitations, I am sure you recognize that they represent an important part of any farm program, and will be considered before this committee of the Congress.

I would like to ask a couple of questions in relation to payment limitation.

Perhaps Mr. Bracey would like to comment on this. Mr. Bracey, do you believe that the present mandatory cotton program can be effectively operated with the $20,000 payment limitation?

Mr. BRACEY. No, sir, it certainly could not be. This is why we are making some suggestions here as to an escape clause, so to speak, in the event of limitation.

Mr. FOLEY. Are you aware that one of the principal sponsors of the $20,000 payment limitation in the House recently suggested an even better approach might be a $15,000 payment limitation?

Mr. BRACEY. We are aware of such recommendations, and I might add to the question that Mr. Montgomery raised awhile ago, MFA has vigorously opposed limitation at any level on the farm programs, at the same time we have gotten the message, so to speak.

This is the reason why in your cotton recommendations we are trying to provide a way producers could continue to operate if it were enacted.

Mr. FOLEY. Thank you.

In regard to the food stamp program, in your statement on page 12, you indicate that you feel there should be a close working relationship between the political subdivisions and the Federal Government. You also note that 421 counties of the 3,129 governmental units do not now participate in the food stamp program. Do you feel that an individual county should have the right to veto the operation of the food stamp program within its own county.

Mr. HEINKEL. Well, I don't believe I would. I think I would try some stamps in there and see it it wouldn't make some——

Mr. FOLEY. In other words, you favor cooperation, if the counties are willing to cooperate, but you do not favor barring the food stamp program operation if the county refuses to participate?

Mr. HEINKEL. I think people are entitled to something to eat, and I certainly wouldn't withhold it.

Mr. FOLEY. Yes. Thank you very much.

You have indicated some doubt about the proposal to issue free food stamps. Although I note that your statement is qualified, have you a firm decision on it?

Mr. HEINKEL. Yes, sir.

Mr. FOLEY. I am sure you recall that the former major food program in the United States, the commodity distribution program, was entirely free to all recipients regardless of their level of income as long as they fell within the broad guidelines of qualification.

So, would it be fair to say that this is not really so radical a proposal to provide free food stamps to only a partial segment of the reciprocal group?

Mr. HEINKEL. Well, I hope I didn't leave the impression that it is a radical suggestion or move, but I just indicated that I felt it would be good for people who can to participate to some extent in the program. But I certainly wouldn't withhold it from people that have as little as $30 a month income.

Mr. FOLEY. We are requiring a good deal more participation now in the food stamp program by individual recipients than required in the commodity distribution program; isn't that fair to say?

Mr. HEINKEL. Yes.

Mr. FOLEY. Thank you, Mr. Chairman.

Mr. GOODLING. Mr. Chairman.

The CHAIRMAN. Mr. Goodling.

Mr. GOODLING. Mr. Chairman, just very briefly—Mr. Heinkel, in speaking of the food stamp program you have brought up a completely new concept of the food stamp program that I personally have never heard of.

On page 10, you say:

> We recommend the inclusion of cotton and wool products, with the continuation of the program for an indefinite date.

Now, you realize that tobacco is an important farm commodity. You see the possibility of including wool and cotton products. Would we also have to include tobacco products?

Mr. HEINKEL. Well, you can wear wool and cotton, but of course, you can chew tobacco and smoke it—and I have done both, and I am getting along very well now without either one of them—I don't intend to discriminate against tobacco, but I think there is a decided difference.

These two are necessities of life, and therefore I think it is logical that they might be given consideration.

Mr. GOODLING. I am not thinking of tobacco smokers, I am thinking of the tobacco producer.

Mr. HEINKEL. Yes, I have that in mind, too.

Mr. GOODLING. I am not being facetious when I ask the next question. If we continue to expand this program it will not be beyond the realm

of possibility that sometime the liquor people may ask for similar treatment. A lot of grain goes into the manufacture of beer and liquor. If we are going to include every farm product we are getting on dangerous ground.

Originally this was set up for food and food alone.

Mr. HEINKEL. Well, I will support it if that is all this committee is agreeable to putting in the bill. We will certainly support that.

Mr. MYERS. With the liquor stamps.

Mr. HEINKEL. No, the food and food alone.

Mr. GOODLING. Does your organization give any thought to the amount of money that is involved? That concerns me. Somebody has got to pay the bill.

Mr. HEINKEL. Right. And there is a lot of people involved, also, on the receipient end and in the Nation as a whole, and I think these programs are worthy of what they cost.

Mr. GOODLING. That is all.

The CHAIRMAN. Thank you, Mr. Goodling.

Are there any other questions?

Mr. BURLISON. Mr. Chairman, I would like to commend my friends for what I feel has been a very enlightening and helpful presentation, I would like to very briefly touch on some points that have already been discussed.

First, the matter that my colleague from Arkansas discussed with Mr. Heinkel about soybeans. Would it be a fair summary of your discussion with Mr. Alexander that you would prefer acreage controls on soybean production rather than a further decrease in the support price on soybeans?

You know, we just had a 31-cent reduction in the loan support on soybeans. Is that a fair conclusion from your discussion?

Mr. HEINKEL. Yes, sir.

Mr. BURLISON. On the matter of participation in the food distribution programs among the political subdivisions that you discussed with my colleague from Washington, Mr. Foley, you mentioned that there are over 400 subdivisions, counties, that do not participate in either program.

Would it be a fair summary of the position of your organization that if the State and if the county has not agreed to go along with the distribution program that the particular county should be able to avail itself of the program, even though the State may have refused to go along?

Mr. HEINKEL. Yes; that is what I indicated to Mr. Foley. I do think that all of the political subdivisions should participate, but if it decides not to, that is rather unfortunate, for the individuals are involved.

Since we have a national program, I would be reluctant to be responsible for withholding it from the people who are qualified and deserving of it.

Mr. BURLISON. One further point, Mr. Heinkel, and a further elaboration of your discussion with Congressman Goodling on the inclusion of fiber in the food stamp program. I don't find a detailed program dealing with fiber products in the program.

Do you have any details worked out as to how broad this coverage should be, or who should be included in the fiber aspects of the pro-

gram, or what particular fiber product or items of clothing should be acceptable in the program? Do you have any details that you would like to discuss along that line?

Mr. HEINKEL. Let's have your fellow southeast Missourian, Hilton, answer that question.

Mr. BRACEY. We don't have details spelled out as such, Mr. Burlison, but let me first of all, if you will, in response to Mr. Goodling's question about including fiber in the welfare programs, of course, we are thinking here of the basic necessities of life.

I think we all know there are three: food, clothing, and shelter. We think it is just as essential for man to have something to wear as it is to have something to eat, particularly children going to school and this sort of thing, and underprivileged areas and, of course, we felt that when we were talking about fiber we were talking about a basic necessity, and it certainly does not fit into a category of liquor or tobacco or things of that nature.

But, anyway, back to your question. We see no reason why the same general outline for food distribution could not apply to the cotton textile product distribution. After all, the people who qualify for one would probably qualify for the other. I suspect you know in the schools—I am sure you do—that each year local effort has to be made in many, many cases to get children adequately clothed just to get them into school.

They may get commodity distribution to get them some food, and of course they participate in the school lunch program, but there is no provision for clothing for these youngsters.

Mr. BURLISON. Do you think that it is a fair general statement or general assumption that if a person does not have an adequate diet, if he doesn't have the resources to have enough to eat, that it is fairly likely that he probably doesn't have adequate clothing as well?

Mr. BRACEY. I think that is an accurate statement, because the three go together. If he doesn't have one, he probably doesn't have an adequate house to live in or adequate clothes, if he doesn't have adequate food.

Mr. BURLISON. Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Burlison.

Mr. Melcher.

I recognize Mr. Melcher.

Mr. MELCHER. Mr. Heinkel, I think your testimony has been refreshing, and I am glad you are addressing your testimony as to a farm program. I am also gratified that you are endorsing an enlargement of the food stamp program.

As you probably know, the Department of Agriculture has been here advocating the food stamp program, too. We have had indications that after September the Secretary of Agriculture will recommend a plan for land retirement. The cost of it and the details of it are still quite vague, but as much as has sifted out from behind the closed doors sounds like a new soil bank. One proposal is to make half of the retired land available for raising cattle to provide more beef.

I wonder if you would care to comment on the question of whether or not there won't be more beef raised under ordinary circumstances

without a new land retirement program simply because beef is worth more? In other words, whether the farmers and ranchers of the Nation won't provide more beef if prices are right without a costly land retirement program.

Mr. HEINKEL. Well, I think they would. The figures I have here indicate that the cattle and calves, on farms for 1958 was 91 million head; in 1965, 108 million head; in 1969, 109 million head. So there is that tendency that you talk about.

Even though the price of cattle has gone up some—but I understand recently that in the Omaha market they declined $4 a hundred in a period of a few weeks, and are not as high as they were, but in 1958 the per capita consumption of red meat was 151 pounds; in 1965, it was 167 pounds; and in 1968, it was 182. So the cattle and hog producers, the red meat producers, have been supplying a greater quantity as the years go along, and it has increased at a little greater rate than has the population increased.

So I think that we can expect that this kind of an increase will continue on the part of the cattle and hog producers and other red meat producers of the country.

I think in addition to what I said, on a massive land retirement program—and it is not that the Secretary might submit one—isn't new, as you know, it has been talked about before. It has been offered before. We have been opposed to it and still are, for very good reasons. I think, as stated in this prepared statment, it would take a tremendous acreage to affect any reduction in agricultural output, as some studies show, 70 million acres, and that kind of land retirement program would not reduce production, except possibly in wheat.

So we don't think it is a sound program and we are not in favor of putting half of that kind of acreage into additional grassland to produce additional livestock at this time. I think if you were to, it would have a disastrous effect on the livestock industry.

Mr. MELCHER. Would it be your opinion, then, Mr. Heinkel, that the price of livestock at this time is high enough to attract the farm operators and the ranch operators into expanding their production normally without any further Government incentives?

Mr. HEINKEL. Yes, I think it is.

Mr. MELCHER. Would it also be your opinion—I gather it would—but I would like to have you verify it for the record—but as this is done, as livestock numbers are increased, there will be greater consumption of some of the surplus grains and possibly even wheat, which has not been regarded as a feed grain, that this would come into effect?

Mr. HEINKEL. That is right, and under the present programs wheat is being exported at world price levels. It enables some wheat to move in—well, it enables wheat to move into export trade and it also makes it possible for some of it to be consumed as feed.

Mr. MELCHER. Can I conclude from your remarks, then, that without any new incentives to a land retirement program or any other type of Government program, we can expect an increase in livestock numbers which will also in turn reduce some of the surplus of grains, which will in turn reduce the cost to the Federal Government?

Mr. HEINKEL. I think that is right, and I think, looking at it the other way around, that it is important and has been for the livestock

producers that we have had the feed grain program, because it has stabilized to a great extent the production and supplies and prices.

It has been in the best interests of the livestock producers to have those stable prices and supplies for the grains that he needed to buy. I don't think that it is in the livestock producers' best interests to have wide fluctuations in prices, valleys and peaks, so to speak. Sometimes when the price of grain gets too low and the supply too great, people get the idea that maybe they can do better by feeding it to livestock, and that is what in the past has caused us to have an over supply of cheap livestock following an oversupply of cheap grain.

Mr. MELCHER. One more question: If livestock prices remain on the present level, we can definitely anticipate a lower cost for the existing farm programs; would that be true?

Mr. HEINKEL. Yes, sir.

Mr. MELCHER. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Melcher.

Mr. Myers.

Mr. MYERS. Thank you, Mr. Chairman.

Mr. Heinkel, I am interested in your statement relative to which name you gave the reserve. I remember last year Mr. Purcell's bill provided for a strategic reserve. I notice today you give protection.

Mr. HEINKEL. May I interrupt? I didn't coin that name. I didn't invent it. Some other people did.

Mr. MYERS. What is the significance of that name, or title?

Mr. HEINKEL. Well, the significance, as I understand this—and I am heartily in accord with the name and I think it is very appropriate. The first time I saw it used was in this meeting of the 17 organizations to which I referred, which was held here in Washington about a month ago, and someone came up with that name. I think it is very appropriate, because in a nation with 200 million people—if I were living in the city I would sure be in favor of this.

I am, anyway. But I would sure be in favor of it, because I think we ought to have it for our protection, looking at it selfishly from the standpoint of the city people, a strategic or consumer reserve.

Mr. MYERS. Could you explain that? We have never had a famine in this country, fortunately. What do you mean? You said we would sell it because it was really a protection to the consumer.

Could you explain your reasoning here?

Mr. HEINKEL. I indicated, or thought, or intended that we haven't storage for the protection of the consumer.

Mr. MYERS. How will it protect the consumer?

Mr. SISK. Would the gentleman yield?

One example that comes to my mind is the situation that we found ourselves with in the cotton market just a year or so ago. For 2 or 3 consecutive years we had far below normal cotton production, and we found our textile mills couldn't get cotton.

So they started going into manmade fibers, and these are industries that——

Mr. MYERS. Commodity credit reserves all the time. Now, why didn't they do that?

Mr. SISK. These reserves, if you choose to call them reserves, were depleted. There was not cotton of the necessary quality available to

the textile mills. I think this is substantiated by the fact that we had cotton acreage limitations lowered, or the coton acreage increased primarily to meet this situation.

This is just one item that comes to my mind as a situation in which a strategic security reserve would be helpful.

Mr. HEINKEL. I think it would be a protection to the consumer from the standpoint of supply and price.

Mr. MYERS. And price?

Mr. HEINKEL. Yes, sir.

Mr. MYERS. In other words, that reserve would be there to hold the price down in case of shortage, as you are speaking about it, the processor wouldn't have to bid the price up?

Mr. HEINKEL. It would be there to protect the country and its citizens.

Mr. MYERS. How is it protected? I want you to tell me how it protects.

Mr. HEINKEL. In time of disaster, a shortage of supply, we would draw upon this reserve. Certainly, if we had it to draw on, it would keep the price stable.

Mr. MYERS. The price stabilized. Other than that cotton situation, what other kinds have we had, which I wasn't completely familiar with, and I am not sure about the facts—maybe a specific grade of cotton was in somewhat short supply, but I thought we carried reserves through today.

Where can grains be interpreted as foodstuffs?

Mr. HEINKEL. Well, we have been operating these programs, and even before we had these programs we had what we call surpluses, and we have been calling them surpluses. In fact we had reserves, but we have been calling them surpluses, and in many cases treated as surpluses and they have had a depressing price effect on the market so far as farmers are concerned and they haven't always been in the best interests of the city people because that reduced the farmers' purchasing power.

Mr. MYERS. You have said that twice before in your statement and the chairman, I think, is right. How would the reserve protect the consumer? In what fashion are foodstuffs?

Mr. HEINKEL. Against a shortage.

Mr. MYERS. When have you ever had a shortage?

Mr. HEINKEL. Is that any assurance that we will not?

Mr. MYERS. Every insurance company I know of operates completely on history and on experience.

Mr. HEINKEL. But we are a nation now of 200 million people, and I think it is risky business to assume that we can never have a shortage of some of these supplies.

Mr. MYERS. Then, you think that people might go hungry and starve to death if we didn't have it?

Mr. HEINKEL. We might go without adequate supply.

Mr. MYERS. But there is a danger of starvation in this country; is that the extreme you are thinking about?

Mr. HEINKEL. Well, I am not necessarily saying it would be starvation. There might be some people starve, yes; that wouldn't have—they don't have enough money to buy food now, and certainly if it goes a lot higher they wouldn't be able to buy it.

Mr. MYERS. Really, you are holding to keep prices down. You keep coming back to price.

Mr. HEINKEL. No; it would stabilize.

Mr. MYERS. Stabilize down, instead of up. It would stabilize a lower price.

Mr. HEINKEL. Stabilize, also stabilize prices up, because you would be able to operate these commodity programs on a tighter allotment basis.

Mr. MYERS. But controls, then, tighter controls?

Mr. HEINKEL. We have them now.

Mr. MYERS. You are suggesting—we are writing a new bill and you are going to have it starting next year—we are talking about a new bill—you are using tighter controls with this reserve to guarantee controls will work?

Mr. HEINKEL. We are suggesting a bill that will have the mechanics in it that can be operated so that it will get to these people that Mrs. May and othere are talking about, that don't have their fair share of the national income, a little more of what they are entitled to.

Mr. MYERS. I don't agree with it, but that is a matter of opinion. I think this is going to work the opposite.

Of course, you don't think history means enough. Every time we have had a surplus it is price suppressant.

I agree with the chairman, I don't care how many controls, the processor knows it is there. When you know the price is up you are going to get to it. So, you are not going to let that price get up there. I just don't think you are going to protect the farmer. I don't see any benefit to the farmer from this reserve.

Mr. HEINKEL. It just happens I do think there will be protection, and I know thousands and hundreds of thousands of other people that think there will, too.

Mr. MYERS. I can give you hundreds of thousands that think we don't need any bill at all, but I don't agree with them, either.

Mr. HEINKEL. I don't agree with them, either.

Mr. MYERS. I would like to find out the source of your information, percentage and total figures of income, what was that source?

Mr. HEINKEL. USDA statistics.

Mr. MYERS. Now, you spoke about livestock production and the land retirement, and you said you thought this would be costing more. Now, what happens to the feed grains today after they are produced at the farm? Where does it go?

Mr. HEINKEL. I would guess that the bigger percentage of it goes into livestock and poultry products.

Mr. MYERS. And feed them?

Mr. HEINKEL. Right.

Mr. MYERS. Now, an acre of, say, corn or milo, would that produce about equivalent to an acre of grass as far as total number of production of pounds of meat would be concerned? Which would produce the most, an acre of corn and milo or an acre of corn?

Mr. HEINKEL. I would think corn.

Mr. MYERS. How can you say this would cause a great influx of production of livestock pounds if you take it out of corn and milo and put it into corn?

Mr. HEINKEL. It wouldn't be taking it out of corn.

Mr. MYERS. How can you say that they wouldn't——

Mr. HEINKEL. With the massive land retirement program, it is obvious, based on all I have heard about what might be in such a program, that one of the objectives is to cut the cost down, and you offer it on a bid basis and you get the less productive land. So you will not reduce the supply of cotton, you will not reduce the feed grain production, or you will not reduce soybean production, because they are the crops where you get the highest yields and the highest returns.

Obviously, your massive approach will not get production out in those areas and those commodities.

Mr. MYERS. Well, we haven't written a bill yet, and maybe your assumptions are right. I don't know what we are going to come up with but my assumption in this, that it is more economical for the Department of Agriculture and for us interested in improving the lot of the farmer to take out of production the best land, not the cheapest. That has been one of the failures of the existing program, that we have taken the poorest land, and I am a farmer also and I am, like some of my colleagues here, I am not in the program today, but I know my friends out there in the river bottom areas, they give the land to floods every year and put that into land retirement, into land reserve, and that is the reason it hasn't worked.

I think we can rotate acreage or buy the best acreage, the most productive. I think we have decided here, a number of us have, that we must take the best land out of production.

Now, one last question.

Mr. HEINKEL. Pardon me. I don't admit the program hasn't worked. When we started this feed grain we had a surplus of 85 million tons. We cut that half in two. We had a staggering wheat surplus, and while we are still in bad shape in wheat, we reduced that surplus too.

Mr. MYERS. It has worked to a degree, I would agree with you there.

Mr. HEINKEL. Under this commodity program, we do get corn acres and grain sorgum acres and wheat acres out of production. Massive land retirement is a massive approach. You just get a mass of less productive acres obviously in one part of the country.

Mr. MYERS. I supported last year a 1-year continuation of this program because even though I think we can come up with something better, it was something better than nothing at all.

I would like to make one last comment.

Mr. HEINKEL. Pardon me. That is why we have made our suggestion, we are hoping that we can improve what we have, keep what we have and improve it.

Mr. MYERS. I certainly agree.

In your land retirement program discussion, you commented about studies—the statement that studies indicate 70 million acres taken out of production would cause a greater production. What was that study, or what are they, specifically?

Mr. HEINKEL. That was, as I recall, made by the Department of Agriculture.

Mr. MYERS. Give us the date of it, or something.

Mr. HEINKEL. About a year ago.

The CHAIRMAN. I have that.

Mr. MYERS. You have it.

Well, thank you.

Mr. HEINKEL. Thank you.

The CHAIRMAN. Thank you.

Any further questions?

(No response.)

The CHAIRMAN. If not, we are very much obliged to you, Mr. Heinkel, and to your associates.

I believe we have had a good discussion, which I think it is really the thing we need, all of us. We are very much obliged.

The committee will meet in the morning, to hear the tractor drivers from Illinois.

Mr. HEINKEL. Mr. Chairman, it is always an honor to appear here, and again let me say that we are supporting the existing programs as incorporated in your bill, but we offer these suggestions with the hope that you might improve them.

The CHAIRMAN. Glad to have you offer them.

The committee will meet at 10 o'clock tomorrow morning.

(Whereupon, at 12 noon, the committee adjourned, to reconvene at 10 a.m., Wednesday, July 30, 1969.)

GENERAL FARM PROGRAM AND FOOD STAMP PROGRAM

WEDNESDAY, JULY 30, 1969

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to recess, at 10 a.m., in room 1301, Longworth House Office Building, the Honorable W. R. Poage (chairman), presiding.

Present: Representatives Poage, Abernethy, Stubblefield, Purcell, O'Neal, Foley, de la Garza, Vigorito, Jones of North Carolina, Montgomery, Alexander, Burlison, Melcher, Belcher, Teague, May, Wampler, Goodling, Miller, Mathias, Mayne, Zwach, Kleppe, Myers, Sebelius, McKneally, and Mizell.

Also present: William C. Black, general counsel; Hyde H. Murray, associate counsel; L. T. Easley, staff consultant; John A. Knebel, assistant counsel, Martha S. Hannah, subcommittee clerk; and Fred T. Ward, assistant staff consultant.

The CHAIRMAN. The committee will please be in order.

As all of you see, we have a large number of guests this morning. Frankly we have more than we expected. We are glad to have you and welcome you all here. We are pleased that more of you came than we originally thought, because when Mr. Springer first mentioned this to me he said there were going to be some folks driving some tractors down here and would we meet with them—certainly we will meet with you.

Your group became larger and larger and now we do not have enough room for all of you.

I know some of you want to know why we did not move downtown or rent a tent or something, but this commiteee is not going to move out of its quarters when it has crowds. We have had crowds before and we will have them in the future. I know it is inconvenient. We are going to do the best we can.

We have Congressman Springer from Illinois, who we all look upon as a good friend of agriculture. Sometimes I think he is terribly mistaken—he wears that Republican emblem and I have got a jackass emblem. He is a good friend of agriculture and we are glad to have him here to introduce the group.

STATEMENT OF HON. WILLIAM L. SPRINGER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. SPRINGER. Mr. Chairman, members of the committee, my colleagues in the House, witnesses and ladies and gentlemen of the press, I know that people in our area have been deeply concerned about the problems of agriculture. We had a group who had been working on this matter for the past several months trying to get some thinking together on what they thought could be done for the grain farmer. This resulted in this tractor drive. So many people wanted to get into the act and be a part of this drive for agriculture that you now see the culmination day, and may I say, Mr. Chairman, there is a local group of about 85 to 100 who came today by airplane and arrived only about an hour ago. This is the reason for the overflow in the hall.

I would like to introduce those who are the witnesses today. The principal witness who will speak for this group is Max Miller, who is, may I say, a farmer, a grain farmer, a dirt farmer. He and all of his family—I knew his father well during a good part of his lifetime. He only died this last winter. Max Miller, the principal witness, those supporting him and who will be able to answer technical questions if necessary are: Mr. Lloyd Reeser, Mr. Edward Freese, Mr. Raymond Cottle, and they are all from Illinois, and Mr. Dean Nichols, who comes from Indiana and is a constituent of a member of this committee, our good friend John Myers.

Mr. Chairman, these are the ones who are going to present the testimony for the United Grain Farmers of America.

We thank you for this opportunity and want you to know, on my own part, how gracious and kind you were to arrange this meeting so this group could have all this morning.

May I say to my friends who are here from my district, the Chairman, and the ranking Republican are great friends of agriculture and I am sure they are going to try to come through with a bill as soon as they can.

The CHAIRMAN. Thank you, Mr. Springer.

The secretary was just asking—she said the press wanted to take some pictures and we have a rule here against taking pictures while the committee is in session; but in a moment the committee will stand in recess just long enough to allow that to take place.

I also would like to explain to our visitors that we have 2 hours here this morning. Frankly, I know that you feel that a short time, but it is a longer time than we are giving to any other organization of the same size. The American Farm Bureau Federation is going to get 2 hours, the Midcontinent Farm Association got 2 hours yesterday, the Farmers Union will get 2 hours, the National Farmers Organization 2 hours, and the Grange 2 hours. You are getting 2 hours. We are not going to be available this afternoon. I regret that, but the House is in session on important legislation. It is the education appropriation bill. I think that all of you recognize the necessity that we be on the floor, and I am sure that you would want us on the floor. The result is that we will proceed until noon.

Now, before we start with the witnesses, the committee does stand in recess momentarily.

(Short recess.)

The CHAIRMAN. The committee will be in order.

We will be delighted to hear from Mr. Miller, spokesman of the group visiting us this morning.

Mr. Miller, we will be glad to hear from you.

STATEMENT OF MAX MILLER, SPOKESMAN FOR THE UNITED GRAIN FARMERS OF AMERICA

Mr. MILLER. Thank you, Mr. Chairman.

The CHAIRMAN. We are sorry that our public address system did not work, but if you are grain farmers you know what it is like for machinery to break down. That happens to the committee just the same as it does to you folks.

Mr. MILLER. Thank you, Mr. Chairman.

Chairman Poage, and members of this committee, we are the group of dedicated farmers that have driven tractors to Washington.

After considerable years of low-farm prices and continual decay of rural America, a group of farmers in the Midwest thought it was necessary to try a new approach to the farm problem.

This group had to have a name so it decided to be called the United Grain Farmers of America. We want you to know this is not to be a new farm organization; we have no dues nor do we have member solicitation. After the economic plight of the American farmer is solved by full parity—this group will disband and will not return to Washington again by farm tractors.

We have stressed at every opportunity that this was not a protest drive, our primary objective was to impress upon rural and city people as well as the Congress our sincere dedication to the farm program that we will present today. We would have to wonder if any other farm group would have enough dedication for their farm program to spend 11 hard days on a tractor riding to Washington? I can assure you as a tractor driver, those days were hard, but the experiences and observations were very gratifying.

The tractor drive accomplished much more than most of us expected. I would like to give you a few examples we found along the way.

1. When farmers all along the way heard of our program, they told us to keep going. "It sounds good to me—" several farmers got their tractors on very short notice and joined us.

2. Farmers have been told that city people were angry and disgusted with them. We found just the opposite as we traveled through several large cities such as Indianapolis, Wheeling, W. Va., even here in the District of Columbia—city people were very friendly, and helpful. They gave us much encouragement, and they did know in a small way of some of our problems.

3. Travelers on the highways were willing to put up with traffic congestion with very few complaints.

4. None of us realized the great number of people that have been forced off the land. Up until this trip, the millions that had left the farm was a mere number to us, but as we traveled and talked, it seemed as though everyone was a displaced farmer.

5. The general decay and ruin of rural America is much more evident from the seat of a tractor than the seat of an auto or airplane.

Farmers, as a rule, are a proud people and they would not live in such ruin if they were making a fair living.

6. The general public is grossly uninformed as to agriculture and its problems.

7. The American people do not know that 95 percent of the man-hours spent in the USDA is used for business and the general public.

8. The city people do not know that over half of the total agricultural budget is used for nonfarm uses. Farmers don't know it either, but they do know they are not getting their share of what they are being blamed for.

In short, we have found city people very favorable to our cause and we have found farmers from the plains of Illinois to the hill country of Maryland willing to control their production in order to have a fair price: What group do we have left to convince?

I am here today as a farmer. My brother and I are trying to pay for 700 acres of productive Illinois land. Some of it we inherited and most of it we purchased. I am here as a partner in a country elevator and I am here as a member of the Chicago Board of Trade. All the business that I have a part in makes a fair return with the exception of the farm. We have more invested in farming than all the others put together; why can't we make the farm pay? Simply because farming to date has not used business principles. Let me give examples. In selling grain dryers and other equipment, the manufacturer does not aim to over produce—if he does, he does not sell all of his production at a loss in order to move the product. In the country elevator we handle the grain on a working margin that leaves us a profit in order to maintain the services that the farmers need in our area. Elevators work basically on volume, but they do maintain a margin that will incur a profit. As far as the board of trade is concerned, we have this membership because of a need in the elevator business, but there is a sound business practice that is followed in Chicago; only a limited number of memberships are available and no matter what the volume may be, 5,000 or 500 million bushels, the commission charge is the same. They do not do more and take less. The American farmer has been sold this bill of goods—raise more and take less, and that is one of the reasons why he is in the situation that we find him in today.

I will not attempt to tell you of the inequities in agriculture because of the members of this committee are responsible for the booklet entitled "Food Costs and Farm Prices." This booklet spells out the problems—the question is what can we do about it?

The business practice that farmers have been missing is controlling their production and selling at a profit. Countless farmers have been robbed of their home and way of life because they could not control their production.

Misinformation is the capping climax to the farm problem. Much of this information has originated in the USDA. I could not hope to tell all of these, but I would like just one recent example. A Mr. Stephen Hiemster, one of the USDA economists, was quoted in a front page story of the Chicago Daily News as saying the reason that the cost of living went up in June was due to the high price of cattle. Now something cannot be high when it is selling below a fair price.

I don't know why the gentlemen made this statement and I don't know why other statements such as this are made, but we can see them almost daily in our papers.

Farmers have been told by just about everyone that they are pricing themselves out of the world markets. I have written the USDA and most farm publications asking for world prices and asking that the prices be published. I have had no answers, but I did manage to find out that corn prices in the EEC countries were around $2.69 per bushel and soybeans were over $4 per bushel in Japan. Because of tariff laws, I have been told that if we gave the corn to the EEC countries, it would still cost the consumer $2.69 per bushel. We can never meet that kind of competition. Japan is on a percentage basis on tariffs so obviously if our prices are lower this does make a little difference, and I am sure it has. Do these prices sound like we are priced out of the world markets? Again, I feel we have been fed misinformation. Many economists say we would lose all our exports if farmers in America got parity prices. Speaking as a farmer in America, I can truthfully say that I do not care about producing for an export market if it means I am to go broke. We cannot maintain the high family and farm operating cost in a high cost economy and sell our commodities into a so-called, low-cost world economy. As farmers, we cannot see reductions in anything that we are going to purchase, therefore, the only other thing left is to improve our sales prices except here in the United States. If it is necessary that we export agricultural products, then let every citizen participate in the burden and not just the farmer. On page 42 in the booklet prepared by this committee, dated May 3, 1969, it is impossible for me to find an importing country that is not paying American parity and more for feed grains; therefore, I question the validity of a statement that we are priced out of the world markets at American parity.

We feel that at American parity only a small portion of our exports will be lost. Where else can importing countries obtain abundant feed grain supplies? Quite honestly it seems worse in this administration than in the past. If necessary, subsidize our agricultural exports, it is still far cheaper than our present policy.

I can cite you many examples of Government sales of grains that have caused the low farm prices and quite honestly, it seems worse in this administration than in the past. Maybe this is because corn production is going into its second year where demand has exceeded the supply and it therefore requires Government action to keep the price from going to parity. It seems that someone in the USDA is determined not to let supply and demand work to help farm prices; otherwise they would not have called the 1967 resealed corn in elevators and they would not have announced the dumping of soybeans on the takeover date to September 1. These injustices to the American farmer should terminate.

In the booklet put out by this committee May 3, 1969, it is clearly spelled out in great detail the problems of farming. These problems are clearly a lack of a fair price of most farm raw products. Most economists tell us that overproduction is the one cause for a lack of a fair price; therefore, it is simply a matter of controlling production in order to get a fair price. In the program that we have proposed,

we are asking the Government to tell us how many acres of production that we need and we will let any extra ground lay idle with no payment. We only ask that the Government support the price at full parity. The only reason that we ask for the support price is to see that the planners do not have us plant too much and cause excessive strategic reserves.

City people have been offended by the methods used to raise farm income because of poor public information. This program of cutting subsidies out and no longer paying farmers not to produce has wide city support and paying farmers a fair price for what they do has wide farmer support.

We produce here in support of farm legislation that will let the farmer decide what he wants and needs. There is all this talk about 35 years of failure in farm program and talk of failure in the present feed grains program. To the whole of America, they have not been a failure because the percentage of spendable income for food has had a consistent drop; to the farmer it has been a failure because his prices have not improved. Who really has been subsidized when food prices in relationship to spendable income are at record lows and farm prices are down 9 percent since 1952?

We are here to ask that farmers be given the right to vote on a program that would cause them to reduce their acreage of parity for cutting their production. No more of this buying land and paying people not to produce—just a fair price for what we do produce. We are asking farmers making 51 percent of their income from farming should be the only ones to vote and a simple majority should determine the outcome. This program would cut at least 3.5 billion from the Agricultural budget. If farmers do not choose to control their production, they should suffer the same fate that awaits any other manufacturer who refuses to cope with overproduction properly. We feel the American farmer should make this decision by voting.

We feel that the family type farm should be allowed to prosper. In recent years, we have witnessed the failure of collective, State, and corporate farms in other countries. These countries are now attempting to return to family type operations in order to produce an adequate supply of food for their people.

Our proposal will maintain the family farm in America and assure an adequate food supply of food, at a reasonable cost to all consumers.

Gentlemen, we have driven our tractors here to ask for no charity—we only want full parity.

Now, I would like to read three points in our proposal that we are proposing and then I will be finished.

The CHAIRMAN. I wonder if at that point it might not be well to ask those of you in the audience who would, if you would give up your places to let some of those on the outside in the corridor come in.

Any of you who will retire now—we do not like to ask you to go, but we have a lot more outside who would like to come in.

(Brief recess.)

We have about all in here we can put in. We will make another shift in about 20 minutes.

I do want to express the appreciation of the committee for the effort that our visitors are making to maintain order, and I know you are

doing a good job of it and we appreciate it. You are doing a whole lot better than I have seen many small groups do.

Mr. Miller we will be glad to have you proceed further.

Mr. MILLER. OK.

I just have the three points of our program which I would like to present at this time.

No. 1, we are asking that the Congress amend the Agriculture Act of 1965 to include enabling legislation that would permit grain farmers to bind themselves to a mandatory program whereby a certain percentage of their total acres diverted shall be based on the decision of a National Advisory Committee of Grain Farmers appointed by the Secretary of Agriculture.

Feed grains would then be supported at 100 percent of parity. Feed grains include all those grains used in whole or in part for feed purposes, such as corn, grain sorghum, wheat, rye, barley, oats and soybeans, and others.

No. 2, no payment will be made on land taken out of production and acreage taken from production must be placed in a 2-year rotation until all acreage on a given farm has had its turn. The farmer would retain complete control of the tillable land not taken from production and be permitted to plant and harvest any crop on it that he should chose.

No. 3, a national referendum of grain farmers be called and farmers be given the opportunity to vote for the acceptance of the above recommendations. All grain farmers who receive a majority of their income from farming shall be entitled to vote or as previously mentioned 51 percent and the election shall be held in each county ASCS office.

I might make a comment here that we feel that any type of election would not be any different than a Presidential election or when you gentlemen are elected. We feel it should be by a simple majority. Why should we be bound to 66⅔ percent?

That is the conclusion of my statement. I thank you.

(The following proposal for a fair program for grain farmers, and the mechanics of the United Grain Farmers of America program was also submitted to the committee:)

A PROPOSAL FOR A FAIR PROGRAM FOR GRAIN FARMERS

We the committee representing farmers who are members of the National Farmers Organization, Farm Bureau, Grange, Farmers Union and farmers who are not members of any general farm organization respectfully submit the following recommendations to the President, the Congress, its House and Senate Agriculture Committees and the Secretary of Agriculture.

These recommendations are believed to be a practical solution to the economic problem that farm people generally could agree on since most farmers recognize that the basic problem is an excess of resources in agricultural production. Feed grain prices are based on supply and demand. If there is an excess of grain produced, the price that the farmers receives per bushel is low. In order for a program for feed grain farmers to work satisfactorily, it must result in:

(1) The necessary food and fiber to adequately feed and clothe every man, woman and child in America, to meet our export demand for dollars and be sufficient to meet the requirements of our federal and foreign aid programs.

(2) A proper reward to our grain farmers for reducing the supply to assure a satisfactory price, even though it may require some severe restrictions in production. Farmers, for the most part, are willing to accept their responsibility in bringing this about provided that all farmers share alike in the restrictions on an equal percentage of tillable acres.

THEREFORE, BE IT RESOLVED THAT:

(1) The Congress amend the Agricultural Act of 1965 to include enabling legislation that would permit grain farmers to bind themselves to a mandatory program whereby a certain per cent of their tillable acres would be removed from production. The percentage of acres diverted shall be based on the decision of a National Advisory Committee of grain farmers appointed by the Secretary of Agriculture. Feed grains would then be supported at 100 percent of parity. Grain feeds include all those grains used in whole or in part for feed purposes—such as: corn, grain sorghum, wheat, rye, barley, oats, soybeans and others.

(2) No payment will be made on land taken out of production and acreage taken from production must be placed on a two-year rotation, until all acreage on a given farm has had its turn. The farmer would retain complete control of the tillable land not taken from production and be permitted to plant and harvest any crop on it that he should choose.

(3) A national referendum of grain farmers be called and farmers be given the opportunity to vote for the acceptance of the above recommendations. All grain farmers who receive a majority of their income from farming shall be entitled to vote. Elections shall be held in each county at the ASCS office.

The above resolution would provide for the following:

(1) It would reduce surpluses to a point where our domestic and export needs would be met, and where farmers would receive an adequate price for their grain.

(2) It would return to the farmers a fair price for their production and bring farmer's income up to a par with other segments of our society.

(3) It would be less costly to the taxpayer and the consumer since only a small amount of storage would be involved and needed for government take-over.

In conclusion, we commend the Secretary of Agriculture who has made known to the public and unfair and poor financial status of the American farmer. The impact of loss of income and lack of purchasing power has just now reached the suppliers of farm goods and services and will have a further depressing impact upon the American economy.

We trust the meetings with farmers across the country will convince the Secretary of Agriculture that the above recommendations deserve consideration. Farmers are willing to accept their responsibility to bring forth a better agriculture.

We the farmers of America pledge to you, Mr. President, and to our urban friends, our continued cooperation in seeking steadily improved soil conservation projects, outdoor recreation, wildlife production, hunting and fishing privileges and a continuance of the rights of all to share in the resources of this great country's agriculture, labor and industry. Keep America strong—Be Fair! Give the farmer a fair share. Let the man—the farmer who tills the soil—make the decision for his profession.

THE MECHANICS OF THE UNITED GRAIN FARMERS OF AMERICA'S PROGRAM

The USDA projections of usage and the USDA projections of yield are presented to the National Advisory Committee, consisting of farmers, USDA representatives, consumer representatives and processor representatives. The National Advisory Committee then decides the acreage required to produce the projections of usage and also the percent of tillable acreage to be taken out of production to keep the supply and demand in balance.

This percent of tillable acreage is relayed to the individual farmer through the ASCS county office. The county office is the enforcing agency in this program and will enforce any penalty decided upon, by the USDA, for violation of the acreage reduction rule.

The farmer in turn will produce to the best of his ability and dispose of his grain in any manner he sees fit. However, if the National Advisory Committee has not reduced the tillable acreage enough and the price is below parity, he can store his grain and will be eligible for a CCC loan on a percent of parity basis. Perhaps this percent of parity could be the present price support level. If by the next harvest parity has not been reached, he is eligible for a price support payment of the difference between the CCC loan and the local market parity price. The CCC will then take his grain through existing channels and deposit it in the national reserve. This grain will be considered overproduction.

At anytime the price of grain reaches 110% of parity the CCC will be free to ship into the free market until such time as the price falls back to 100% of parity. At this time shipment must cease.

If the CCC should have damaged grain or out of condition grain, it could be put in the marketing channels at the time the damage is discovered, however the CCC would be required to replace this damaged grain with good, storable grain from the free market.

The CCC must maintain a national reserve of not less than approximately 4 months usage, not to be released except in national emergency. This grain can be rotated however.

The Secretary of Agriculture has the authority to maintain this national reserve through the existing feed grain program. Title 7 Agriculture, Chapter VII Subchapter C, Part 775 Feed Grains, Sec. 775.401 General, part D.

The CHAIRMAN. Thank you very much, Mr. Miller.

Now, if any of the other gentlemen present want to make a statement at this time, or if you simply want to join in the discussion as we pursue this matter——

Mr. MILLER. No; I believe that is all.

The CHAIRMAN. I think, then, that it would be well for us to review Mr. Miller's statement and let members raise such questions as they see fit. For instance, I would like to merely comment first that certainly all of us on this committee recognize that farmers are not getting an adequate or a fair share of the national income for their labor and their investment. It is certain that they were getting no more than two-thirds as much as nonfarmers for the same kind of work and/or investment. The question comes, I think, to be exactly what Mr. Miller is suggesting: Have we arrived at getting a fair share for our farm people? I think that we can pretty well simplify that and say there are only two places you can get it. We would all prefer to get it in the marketplace. You haven't been able to get it in the marketplace. Throughout the history of the world farmers have not been able to get a fair share of the national income in the marketplace, except during periods of emergency and national crisis when they always get probably more than their fair share in the marketplace in the way of price.

You gave the impression—and the only way of getting it, of course, is from the Government through the use of governmental power, either through payments directly made or through the use of governmental power to control the amount of production, and guarantee prices. I take it that it is the second one that you are suggesting we should use rather than the first, which we have been using with rather limited success.

I think that you intimated that you feel rather strongly that city people do understand your problem and that they will support you. I wish that I could indulge in that belief, because the great majority of the people of the United States do live in the cities, in the large cities. The great majority of their representatives are from those urban areas and must reflect the viewpoint of those areas. I am just not of the belief that we have the story of the farmer before the urban public as you seem to think that we have. Our experience here on the floor of the House is that we don't have the support of a large part of the representatives from those areas, and until we get that support it doesn't make any difference what you have got in the way of reception along the road, you have got to have the votes on the floor here and we have not got them. We did not have them the last time we voted.

Mr. MILLER. I would just like to comment on that that I might have left the wrong impression. I meant to say that we had support for the program in these cities that we traveled through in what we were trying to get done. In fact, this morning I talked to a taxicab driver coming over here and he wanted to know what we were trying to do, and I told him and he said I can understand that, what you would rather have than not raise 10 acres and lose money, you would rather raise seven or eight and get a fair price. I said that is right, and he said "even I can understand that."

I think these city people we talked to as we traveled through understand. We say we don't want to get paid for not producing, just paid for what we do produce and control our production like you people do. You get a fair price for that. This is what I meant.

The CHAIRMAN. I understand that. That is correct, that if we could get the story over to the people I think the American people will fight for it. But my colleague, Mr. Belcher, has been on the committee a long time and he can remember back, as I can, when we used mules instead of tractors and he has a saying that I think is very apropos to what you are faced with: That he hasn't got time enough to sit on the wagon tongue to talk to every farmer in his district and explain these things. The city Congressman hasn't got time enough to stand on the street corner and talk to every constituent in Baltimore or Philadelphia, and he is not going to try to do it in your behalf. The result is, it is not done and until we get that done I don't think we are going to have those votes. We have been passing farm bills by the slimmest kind of majorities and by making compromises. You wonder why we have such poor legislation, you have wondered it in Republican and Democratic administrations alike. The answer is the same in both cases, there wasn't enough unanimity of support and we had to make compromises—we had to make so many compromises to get anything. Even between the farm organizations we had to make so many compromises to make complete ineffectual programs that would have worked.

I will say it for Mr. Benson, who was not a great administrator, although I liked him as a man, maybe if he had had his program like he wanted, he could have made it work. Mr. Freeman couldn't get his working like he wanted. Mr. Hardin isn't going to get his like he wants it.

This Congress represents all the people of the United States, and I think the greatest thing you can do is to talk to some of these other Congressmen. If you could get the Illinois group united for a farm bill we could pass it. I will just make you that proposition.

Now, Bill Springer is a good supporter of the farm bill, I am sure of that. But if you can get the Illinois delegation to support a farm bill I will guarantee you it will pass.

We don't have to have all the Illinois farmers, but if they will get all the Illinois Congressmen to support a farm bill I will guarantee you it will pass. Of course, you can't get them all and I know it.

Now, gentleman, let me tell you, you have got just as much trouble at home as you have got in New York. We will get more votes out of New York than we will out of Chicago and we will get nearly as many out of Chicago as we will from the farming areas of Illinos, and you know it and I know it. Now, there is where our trouble is.

Mr. MILLER. Well, I think that farmers, as we have stated in our proposals, farmers are ready to accept their responsibility. Now, I don't know how we can ever get a fair price unless we control production. That is how every other industry has been able to operate.

The CHAIRMAN. I have got no criticism of that. I agree with you fully.

Mr. MILLER. When we eliminate these payments to farmers for not producing, I do not find any city people that object to eliminating this payemnt because it knocks billions of dollars out of your budget.

I do not follow what we are talking about that we can't get the city Congressman on——

The CHAIRMAN. If you do not follow it, go out and get 10 Illinois Congressmen that will support this and I think it will go along.

Mr. MILLER. Why are you saying they wouldn't support it? That is up to them. I don't know why they wouldn't support. it.

The CHAIRMAN. I am just asking you to get your own delegation and I am not talking with Bill Springer and some of the others. You have got some of the strongest opposition in the United States right in your State.

Mr. MILLER. Well, I think it is a terrible way to have to do it, to bring the country to a brink of shortage and starvation in order to get a fair price.

The CHAIRMAN. I agree with you. But I am asking you how do we get the votes? It is not going to do any good unless you can get it passed on the floor of the House.

Mr. MILLER. I have failed to find anybody to say that they are not in favor of the farmer getting a fair price.

The CHAIRMAN. You have not found anybody who says he is opposed to God, home, or motherhood, either.

Mr. MILLER. But when you go up and you ask a Senator or Congressman, do you favor a fair price for farmers, what are they going to tell you?

The CHAIRMAN. What does he tell you when you ask him if he is going to stop whipping his wife?

Mr. MILLER. We have got to say—and I think we will say—and I think we will mean that they can recognize these inequities, and when you present this they cannot say anything except yes, we know the farmers are in trouble and we want them to have a fair price.

The CHAIRMAN. Mr. Miller, the wheat farmers of America were polled almost exactly on your proposal—what, 6 years ago? The wheat farmers voted on almost exactly the proposal that you have here and they turned it down. That wasn't city people. That was the wheat farmers of America. They turned it down.

Mr. MILLER. Mr. Cottle would like to have a comment on that.

Mr. COTTLE. Mr. Chairman, I would like to comment. They did not turn it down as a simple majority vote. It had to carry by two-thirds majority. It carried by 57 percent. So this is a majority vote for this wheat referendum. But this was 6 years ago and we have a President of the United States today who was defeated as President one time, he was defeated as the Governor of California, also, but today he is the President of this great United States. Should this man have given up because he was defeated once he would never have become the President of the United States.

So I really feel like this is a poor alibi for not giving the farmer the right to vote. This is all we are asking, give the farmer the right to vote for this program and if he don't see fit to vote, then he will have to suffer the consequences.

But through the Midwest I have been fortunate enough to come in contact with several farmers and this is why I am interested, because I am a farmer, this is all I have ever done, I have no other business and I am interested in farmers. Before we put this proposal together, through my own individual poll—and I did not necessarily pick farmers that I thought might say yes—but some 80 percent said they felt like they could vote for this proposal. This is why we went to battle for it. This is why we drove tractors here to get public attention and this is why we are sitting in this room here today, Mr. Chairman.

The CHAIRMAN. Mr. Cottle, I am not finding fault with your proposal. I think there is a great deal to be said for it. But I don't believe we are going to pass anything, if instead of discussing them, each time we point out the problems. We are not finding fault with anything you are doing. I am congratulating you on doing it, but I do recognize some of the practicalities of life, and I don't think it is smart for us to spend our time and money working on something without recognizing what we are up against. I am trying to point out some of those things that I know you are up against, because I have been sitting here for 33 years and you haven't. I hope I have been able to see something here that maybe you haven't seen. I would certainly believe you know a whole lot more about planting a crop of corn in Illinois than I would know, and I certainly think I would know something about the reaction here in Congress. I regret that you take offense when I try to tell you what I think it will be, because I think you have got to face these facts and unless you face them you cannot win.

I would like to see you get paid for everything, not simply for corn—and I would want to point out that this committee is not going to pass a bill here—not with my vote at least—that simply solves only the corn problem. Even if we could—I don't know how we could, because it is interrelated with everything else—we are going to try to take care of the wheat farmer, the tobacco farmer, the soybean farmer. We are here to look after agriculture. You are an important part of agriculture. I grant you that feed grains are the most basic part of our agriculture, but we are not going to come out here with simply a bill relating to one commodity even though it is perfectly proper for you to come and present the one commodity. We have to pass legislation that is going to take care of all segments of agriculture, and that requires a lot of compromise.

What I am trying to tell you is what I have tried to tell this committee, we have got to make a great many compromises to get anything, and when you find fault with the program because it isn't perfectly exact, you generally have a choice of taking a part of something or getting all of nothing.

Too many of us have said "Well, if I can't get everything just as I want it, I will take all of nothing," and that is what we generally get when we take that attitude.

Mr. BELCHER. The Chairman and I agree on most things, but I don't entirely agree that it is the city people that are going to defeat your

plan, because if I represented a consumer district and a group of farmers presented your plan to me I would a whole lot rather take it than the present plan for the reason that some of the objections that consumers and taxpayers have to farm programs is that you pay them for doing nothing.

Mr. MILLER. Right.

Mr. BELCHER. And the hardest thing you have got to explain is why you pay a farmer for just laying out acres and not doing a thing with them, but you pay him. That is the reason that city people are against farm bills, because they are taking their taxpayers' money from their district to pay farmers for not doing anything.

Now, as I understand your problem, you are going to reduce the acreage enough to balance production with consumption. When you do that the consuming public is going to have to pay parity in order to buy that in the marketplace, and when you do that it is not going to cost taxpayers' any money, because if you have a support price at the same price of your grains in the marketplace, the Federal Government is not going to be involved at all except in case you have an excess crop on your allotted acres. You just don't know how many acres it takes to produce how much grain. You are going to have times when the allotted acres, figured out just as accurately as you can figure, you are going to have a bumper crop for that particular year and you are going to have a surplus and your support price will have to come into operation. However, if you are honestly administering your program you will take care of that surplus in the next year and it still won't cost taxpayers scarcely any money.

Now, here is the one thing that I don't think you have taken into consideration entirely: it is going to mean a tremendous reduction in the number of acres for your allotments, and when you try to do that—I admire your theory, I admire a group of people that will come down there and say all we want to do is—we are willing to cut back our production in order to get a fair price. I don't think there is any proposition you can make to any government that is any fairer than that. But what I am wondering is can you get enough farmers to do that when you figure out to them how much they are going to have to cut back and how many acres that are going to have to lay idle. I think you are going to have trouble with the farmers and not the city people, because I think the city people would rather have that kind of program in which they pay people for doing nothing.

However, there is one statement in here that I think might foul up your whole program, and that is the statement that you say the farmer wants to retain complete control of the idle land, not taken from production, to be permitted to harvest any crop that he should choose. These laid-out acres are not to produce anything; is that correct?

Mr. COTTLE. That is right, cover crop.

Mr. BELCHER. You are going to keep them from growing up to weeds and being infested?

Mr. Chairman, I think if you can sell every farmer in America on that kind of program it could be passed with city votes in the Congress. I think the problem is selling the farmers.

(Applause.)

The CHAIRMAN. I just wonder if we should ask some of the folks here in the audience at this time—we have been in here about 30 min-

utes—to make a little rotation. There are still a number of people outside, and I think we should try to give them an opportunity to come in.

(Short recess.)

The CHAIRMAN. The committee will be in order, and we will recognize Mr. Abernethy.

Mr. ABERNETHY. Mr. Miller, do you base your program on domestic consumption or domestic consumption and foreign export?

Mr. MILLER. Well, naturally I think it would have to be based on domestic and foreign.

Mr. ABERNETHY. Domestic consumption?

Mr. MILLER. And foreign.

Mr. ABERNETHY. How are we going to determine how much will be consumed and exported in advance of the production of a crop?

Mr. MILLER. I think that there would have to be some survey made of these other countries. Surely they know what kind of food supplies they are going to have to have and where they are going to have to get them from.

Mr. ABERNETHY. That is true, but how do they know where they are going to buy them? They are going to buy where they can get the best price.

Mr. MILLER. Mr. Nichols.

Mr. NICHOLS. Mr. Abernethy, the imports and exports in this country are controlled by the State Department, if I am not mistaken.

Mr. ABERNETHY. No, sir; not entirely.

Mr. NICHOLS. For diplomatic reasons most of them are, and they use our production for diplomatic reasons. If this is true it is a taxpayers problem and not the farmers.

Mr. ABERNETHY. You say you have 360 acres of land, and you have—I don't know what your proportions are in Illinois—but let's say you normally would plant 120 acres of that in corn. How much of that would go to export and how much would be consumed domestically?

Mr. NICHOLS. I would assume that you would have to use a past history by percentage points. There is no other way of doing this. We know that most years we produced no more than 3 to 4 percent more than we have consumed, which has been put in storage or other places. As it adds to itself it becomes the burden that we are faced with today.

But really it is not any burden for this reason, and we have less than a 2 month supply of soybeans or we will have when this season is over. We have less than a 4 months supply of corn. And wheat, the one in the most trouble, we have less than a 6-months supply.

I think the people of this country, if they are interested in eating, would certainly want us to have an adequate supply of food in reserve.

Mr. ABERNETHY. I don't want you to misunderstand me. I am trying to determine how we would arrive at this.

Mr. NICHOLS. It would have to be done by percentage, past history and so forth.

Mr. ABERNETHY. Yes.

Well, I will just ask the question, because I don't know of anyone in this Government who can determine how much cotton or corn is going

to be exported during the next crop year. They might make a guess at it.

Mr. NICHOLS. They have been doing that for years, sir.

Mr. ABERNETHY. But your program is based on the crop production coming out almost exactly even—that is, a balance between supply and demand—thereby getting in the market your price instead of getting any of it out of the Government; that is right, isn't it?

Mr. NICHOLS. We would have to assume that, but it looks to me like sometime this governing body of our country is going to have to say we have to have some reserve of food, you will have to name it.

Mr. ABERNETHY. I think we have adequate reserves.

Mr. NICHOLS. But it is surplus and it controls our prices.

Mr. ABERNETHY. I know it is surplus. You call it reserve and I would like to say, too, that it is only a reserve, but when we get on the floor of that House they don't refer to it as a reserve.

Mr. NICHOLS. Might I suggest some of the things that you might say to your city Congressmen that could give them a different light on this thing?

Mr. ABERNETHY. Yes, sir.

Mr. NICHOLS. You know, each year we are losing millions of farmers. They are going to town and taking jobs because they are people that are not afraid of work and they will work and do good work.

Mr. ABERNETHY. Yes, sir.

Mr. NICHOLS. So what we are doing is taking those people's jobs.

Mr. ABERNETHY. Yes, sir.

Mr. NICHOLS. We are making the purchasing power of the farmers that are there less and less every year, so we need less of the stuff these boys in town do produce. They are not able to buy it. So that puts them out of jobs.

Mr. ABERNETHY. Right.

We have been telling them that. There is nothing new about that idea. We have been telling them that, and the facts about it are that the number of farmers are being reduced every year for another reason, that is each farmer is learning to produce more and more as the years go by, thereby making a problem of a surplus of farmers.

Mr. NICHOLS. Might I say this? That history has taught us that times of high price means less production, low prices mean more production.

Mr. ABERNETHY. You know, there was a time when everyone in the Nation was a farmer.

Mr. NICHOLS. That is right.

Mr. ABERNETHY. It would not have been wise to maintain that sort of a program throughout our economy and history would it?

Mr. NICHOLS. No, I assume not. There is one thing Mr. Belcher brought up, and I think we haven't clarified it. I think I might assume that is a voluntary program. It is mandatory?

Mr. ABERNETHY. I think we all understand this is a mandatory program based on a majority vote.

Mr. NICHOLS. The reasons that our programs have been unable to do the job they should have is because of the inequalities in it. In other words, if you planted corn during the years your base was set then you have got a dandy surplus.

Mr. ABERNETHY. What would you regard as the normal base for determining a particular farmer's allotment in a fixed year, the year ahead, we will say?

Mr. NICHOLS. Going from the figures that I have seen, we have been producing something like 5 percent more than we are consuming.

Mr. ABERNETHY. No, that is not my question. I think you misunderstood it.

Mr. NICHOLS. Maybe I did.

Mr. ABERNETHY. Would you allot acreage for 1970—assuming this program goes into effect this year—would the allotment be based on a percentage of what a farmer planted in 1969 or 1968 or what? What would you base it on?

Mr. NICHOLS. No.

This changes this completely. We asked the Agriculture Department to say that they want 20 percent, 10 percent or whatever it is that we can produce on it to keep production down where it belongs. Farmers can take care of their own production, sir.

Mr. ABERNETHY. No. You do not understand me.

What would be the base, what would you base the acreage on?

Mr. NICHOLS. Tillable acres.

Mr. ABERNETHY. Sir?

Mr. NICHOLS. Tillable——

Mr. ABERNETHY. How many acres on your farm?

Mr. NICHOLS. About 1,000 acres tillable land.

Mr. ABERNETHY. How much of that did you put in corn this year?

Mr. NICHOLS. I have 185 acres in the feed grain and 140 acres of corn planted.

Mr. ABERNETHY. What would be your planted acreage next year under your program?

Mr. NICHOLS. I would not have any. I would have to lay out 10 or 20 or whatever this committee decides, then I could plant whatever I wanted to and I would plant as many soybeans as I am now, because I like soybeans. People in corn will plant corn.

Mr. ABERNETHY. What are you going to do if you plant more next year?

Mr. NICHOLS. Then I will cut out a little more. If you cut 10 and that doesn't do it, we will cut 15, and if that don't 20.

Mr. ABERNETHY. What would your alloted acreage be next year?

Mr. NICHOLS. I would have none, sir, I would have to cut the percentage out. I would have to lay out the percentage decided that did not need production. We will have no allotment.

The CHAIRMAN. May I point out, if you will yield, that when you do this you run into one of the great problems. That is the reason I think the committee and Congress has not for years used an acreage rather than a crop basis. We use a crop basis because it is crops you are trying to reduce, not acreage. It is the production of corn or the production of cotton that you are trying to reduce.

Now, if you simply say everybody in the United States has got to lay out 10 percent of his acreage, then everybody will lay out. There will be a little milo down in our part, mightly little sorghum or Sudan grass grown—they would lay that land out and plant all the cotton and corn they wanted to on that 90 or 80 percent of their land that

they had left. You have got to cut your acreage over the Nation by something like 50 or 60 percent if you are going to use a national total.

Mr. NICHOLS. What you are saying is that farmers are not smart enough to figure out what they can plant and make a profit on. Is that what you are saying?

The CHAIRMAN. No, I am saying farmers are so smart they can plant whatever is more profitable in their area.

Mr. NICHOLS. But next year it won't be.

The CHAIRMAN. That doesn't save you and that doesn't save the Nation. You can cut everybody's acreage by 20 percent and still grow 6 billion bushels of corn in the United States. That is easy. And you can cut everybody by 20 percent and still grow 2 billion bushels of wheat in the United States, and you can cut everybody's acres by 20 percent and still grow 20 million bales of cotton in the United States, and you have not done a thing toward actually reducing what we need to reduce.

True, you would probably have upset a lot of dairy farmers. You would have messed up a lot of other operations, but you would not have cut the things that are causing the problem.

Mr. NICHOLS. That is why we are in trouble with soybeans, sir. We have cut corn, we have worried about corn and we have not worried about soybeans. So we planted soybeans where we could not plant soybeans and to stay within our allotment, and so we got soybeans in trouble.

The CHAIRMAN. You can take a 20 percent cut over this whole United States and just wipe out 20 percent of all the acres in the United States and still grow far more than you can sell of corn, of grain sorghum, of wheat, of barley, of cotton, of tobacco. You can grow more of all of those things that you can possibly use on the remaining 80 percent.

Mr. ABERNETHY. May I inquire further about that question?

The CHAIRMAN. I am sorry.

Mr. ABERNETHY. Now, as I understand, you would have an annual referendum; is that right?

Mr. NICHOLS. Not necessarily. I don't know if that would be necessary.

Mr. FREESE. Annual or every 2 years.

Mr. ABERNETHY. Anyhow, you would have a referendum periodically, maybe every 2 years, maybe every 3. Would votes be taken by commodities or just by farmers? In other words, would a southern cotton farmer vote on the corn program or vice versa?

Mr. NICHOLS. Maybe I am not informed enough. We are talking about feed grains, sir. The cotton have their own. The feed grain——

Mr. ABERNETHY. I have some wheat farmers down in my district who moved down there from the great State of Illinois, and they are producing pretty good wheat. Would those wheat farmers vote in the same referendum as the corn farmers?

Mr. NICHOLS. Yes.

Mr. ABERNETHY. Their votes would be equal?

Mr. NICHOLS. Yes.

Mr. ABERNETHY. Would your vote as a 1,000-acre farmer—would your vote, under your program, be of the same value as one who had 30, 40, or 100 acres?

Mr. NICHOLS. It would if he got over half of his income from farming, it would mean just exactly the same.

Mr. ABERNETHY. Over half. I see.

That is all, Mr. Chairman.

Mr. FREESE. In regard to Mr Abernethy's question, how to implement how many acres right now, the USDA does have records of every acre planted in the county, State, and so on. These acres then would be distributed by percentage of tillable acres instead of by past history.

Mr. ABERNETHY. Or suppose a farmer had no history at all of having planted soybeans but he had tillable acres available for the planting of soybeans, could he move in and plant them?

Mr. FREESE. Absolutely.

Mr. ABERNETHY. Then that would add to what we are already producing?

Mr. FREESE. The others would be reduced by that amount. He should have the same right to plant corn or soybeans. Just because he had a past history where in those 2 years he had no acreage, for whatever reason—this is one of the big arguments against the feed grain program right now. They feel this should be done by a percentage of tillable acreage instead of by past history.

Mr. ABERNETHY. Thank you, Mr. Chairman.

Mr. COTTLE. I would like to make a comment on what Mr. Belcher said. I was very happy that he said what he did. But I was a little disturbed as to what he felt like that some of the farmers wouldn't go for this program because they would have to cut too many acres or too much of a percent.

Now, in our own University of Illinois, which is a land-grant college back in Champaign, Ill., they ran a cost figure in the university and they said it cost $112 per acre to produce an acre of corn in the State of Illinois. Now, if you gentlemen will bear with me—I am sure you already know this—that the average yield of corn in illinois last year was 89 bushels per acre. Now, whenever you divide 89 into $112 you come up with $1.29½ per bushel for corn. To my knowledge there has been no corn—the price has never reached $1.29½ for this farmer in Illinois to break even last year, and this is on record at the University of Illinois for anybody who would like to get this.

So on my own farm I could lay out—I farm—and my son—840 acres of the blackest, tillable, richest ground on earth. I could lay idle over 50 percent of it and produce corn and beans on the other 50 percent and come out with much, much more net income than I do today by going along with the farming program.

Now, I would like to straighten one thing out for certain here. This is a bad public relations image as far as I am concerned. People say that I get paid for laying acres idle. I don't get paid a dime for laying acres idle. I lay acres idle, but all I get is a support price of $1.09 per bushel on my corn plus 30 cents a bushel on 40 percent of my base yield, but I don't get paid a dime for laying an acre idle. But whenever you add $1.09 and 30 cents you come up with $1.39, and the parity price on corn today, the USDA—I don't say it, the Government says it, that I have got to have $1.72 to 3 in order to make a profit. So if nothing else comes out of this meeting I would hope that somebody in these Halls of Congress would have enough gumption to set the record straight that I and other farmers in this room today do not get paid—or we don't in Illinois—for laying acres idle.

Thank you.

The CHAIRMAN. Thank you.

Now, I want to recognize Mr. Myers.

Mr. MYERS. Thank you, Mr. Chairman.

I want to thank my colleagues this morning for listening to this group, especially. Many of them are my constituents—Hoosiers, here also are those from Illinois. I went to school at Charleston, so I know many in your area. We have had some differences of opinion about bringing tractors here, which I have expressed to you. I think you have some right ideas and I want to congratulate you, for I understand the problem.

I might take issue with your statement. I think you have simplified the problem. I think you are beginning to realize the problem we have here, too. It does seem very easy. I could write a farm bill that would work, but we would never pass it. I think this is the important thing, that we have to write a farm bill that will pass.

I think you have some parts in your recommendation that we probably will incorporate in a new farm bill. I hope we can.

As far as numbers of bills that have been recommended, I think I have as many recommendations in my office as there are people in this room right now. So there are farm programs, and I think every one of them contains facets that are needed and which can be worked on. I think you have simplified the referendum. As inviting as it seems, as a farmer—and most of you know that I am a farmer—to let a farmer produce or raise on his land anything he wants to, with a reduction in acreage, the remainder he can farm, I don't think it will work. It will work over a period of 20 years, yes, but it will be just as rough with this voluntary program. I have talked to you about this. I think we will have just as many problems. We want to solve these problems. We are going to have difficult problems even at its best. But we want to head off these problems before we get to them.

I would like to ask one question. You talk about parity. I think everyone here will take issue about what is parity and what is a fair parity. Where would you bring parity into this? How will you guarantee it? Now, I agree with you, parity, not charity. Explain that to me.

Mr. COTTLE. The parity price is price set up by the Government.

Mr. MYERS. I understand that. How are you going to guarantee parity? How is it guaranteed by the Government?

Mr. COTTLE. Naturally if we cut the percentage of acres enough to bring supply in line with demand we all know they will receive parity even at market price.

Mr. MYERS. You think it will be automatic? You don't think the Government has to do anything?

Is the proposed loan and purchase program of Commodity Credit Corporation such that it will go ahead and purchase feed grains?

Mr. COTTLE. They shouldn't have to.

Mr. MYERS. Shouldn't have to. What if the processor won't bid up?

Mr. COTTLE. He will bid up because this plant is nothing but a big chunk of concrete unless there is grain going into it. He can pay this price. The only thing is he isn't forced to pay it today.

Mr. MYERS. What mechanics have you put in your legislation to compel him? That is what I am asking.

Mr. COTTLE. We don't compel him to do anything. If he has a plant processing feed grain or wheat or what have you, he isn't going to leave it lay idle and he can pass the cost on to the consumer if there is any extra cost. Whenever the price of wheat went down he did not necessarily lower flour that went into bread.

Mr. MYERS. Well, would your parity be at all times on annual parity?

Mr. COTTLE. Parity or what?

Mr. MYERS. You just cut your wheat. We all know we took less prices at harvest time. You are going to cut your beans and corn. Corn has already started to go down. People are emptying their bins for the fall crop. It looks like a good crop. At harvest time it is going to be less.

Mr. COTTLE. I am glad you brought that up. Almost 1 week ago today the Federal Government came out with the report of corn in all positions, and I heard a gentleman say we guessed at it—and I am sure they do—but I know what that guess cost me as a farmer already. Yes, sir; it cost 13 cents a bushel already, this guess, and I think it is a guess.

Mr. MYERS. But to answer my question about at harvest time, because the processor cannot handle all of this at one time, he doesn't need it.

Mr. COTTLE. No, sir.

Mr. MYERS. How are you going to guarantee the price at that particular time?

Mr. COTTLE. We don't have to get rid of it.

Mr. MYERS. I don't have storage at my farm. I have to sell, but the processor doesn't need all that that particular day I am harvesting the corn. How are you going to guarantee a certain price?

Mr. NICHOLS. Exactly the way you are guaranteeing today, your storage and loan.

Mr. MILLER. It will be very similar to soybean, as long as we had everybody who could get a loan on beans how many did? They sold them below loan. If he farms commodities to sell below the loan that is his decision.

Mr. MYERS. That is what I wanted to find out.

Mr. NICHOLS. The only way you can guarantee even supply is to store. If you don't, just like you said, if you sell it today you can take whatever you can get, but if you are in a position to set there you can perhaps let the slut get out and the price will work up. If the supply isn't there and we can get these people to quit guessing—we are sure they are guessing a little high—but if we can get them to stop——

Mr. MYERS. If we could do all those things we probably wouldn't have to worry about a farm program.

Mr. MILLER. Yesterday we talked to a gentleman that has a fairly high rank in the USDA and he made the statement that the corn carryover would be around 750 million bushels. This report just came out last Thursday, which indicated we will probably have about as big a carryover as a year ago, and his figure is down 300 million bushels, and so I got him over to the side and said in light of that report that came out Thursday how could you make such a statement and he said "Well, I think they made a mistake on the report." So, I

mean, I don't know whether he is in a position to know something that the rest of us don't know or not, but I am like Mr. Cottle, it took about 10 cents off the corn market in nothing flat.

Mr. MYERS. It always has. That is right.

Thanks, Mr. Chairman. Thanks to the committee, and thank you, folks.

The CHAIRMAN. Do we have more people waiting?

I think we should again ask as many as will to rotate and let others come in.

(Short recess.)

The CHAIRMAN. The committee will now proceed.

I will recognize Mr. Jones.

Mr. JONES of North Carolina. Thank you, Mr. Chairman.

I first want to commend you gentlemen here this morning. At least you are thinking and trying to approach a very serious problem which the results affect our economy.

But as one suggestion to you, as a result of our experience in my part of the country with the very fine tobacco program, I think you need to move with the concept of total production and not acreage. We tried acreage on the tobacco program for many years. The more we reduced the acreage the more total production we got. Only in 1965, I think it was, it became apparent that the control program was not working—but the tobacco farmers voted to control themselves by applying poundage control.

Thank you.

Mr. NICHOLS. Sir, did your tobacco farmers accept this pretty easy, or did you have to do a lot of convincing?

Mr. JONES of North Carolina. It took a selling job, but it was done.

Mr. COTTLE. Are they happy with it, sir?

Mr. JONES. The majority are extremely happy and realize it was the salvation of the program, there is some feeling, justly so, because the Department of Agriculture, in my opinion, did not make allowances for previous existing conditions which did not give them a fair base poundage allotment.

Mr. COTTLE. Mr. Chairman, I would like to make a few statements on these idle acres. I think that we have some differences of opinion in the committee. You say we are fortunate—I say in this country that we can only produce in the feed grains area, especially, anyway, one crop a year. So you are not going to be doubling up as some of the impressions that have been left here this morning would suggest. You are not going to plant more acres on a farm or more crops per year than you have acres.

It does make a great difference where you lay these acres idle. You see, in our program we have stated that it can be on a 2-year rotation, but this field cannot be kept in idle acres more than 2 years until the whole farm has gone through the rotation. This is one inequity that we find in our present day farm program, whether it be intentional or unintentional, I am not sure. I have got my own ideas. Because this would take out good productive acres sooner or later, maybe, possibly the first 2 years it might not be as great as it would the following years. But whenever you start reducing idle acres in the breadbasket of this world in the Middle West and you take out acres, you will reduce this so-called surplus, which, in my opinion we don't have, and

I can't understand how we could ever have it with people saying that we have several million people going hungry in this world every day. It certainly must be a matter of distribution or something besides overproduction.

But if we do have overproduction I ask these Hall of Congress to think this over seriously. We are not asking for a handout or a charity. All we are asking to give the farmer the opportunity to vote, whether you think he has the ability to decide his own decisions or not. But please let these farmers—give them an opportunity to vote in a fair referendum, and we don't care if we have more than our referendum on this ballot. If you have other farm programs—and I am sure you have, as the chairman has stated—put them all on this ballot, give the farmer the opportunity to choose, because we have men in foreign soils fighting today that, as I understand, the only reason why why we are fighting is to give these people a right to vote on a form of government that we would like to live with.

This is all we are asking today, Mr. Chairman, is an opportunity for the farmer to vote on a program that he feels would best suit him, regardless of how many are on this ballot. We are not asking for ourselves alone. If we could just get this vote for the farmer.

I feel like today the farmer is willing and able and is smart enough to control his production so he can contribute to the great society of this Nation. [Applause.]

The CHAIRMAN. The rules don't allow any showing of approval or disapproval. I don't want to cut you off, but that is the way the rules are written.

Mr. Jones, are you through?

Mr. JONES of North Carolina. Yes, sir.

The CHAIRMAN. Mr. Cottle, I would like to point out that just 10 days ago a substantial number, possibly half or more of this committee, went down on the north plains of Texas, Mr. Price's district. That is an area as large as the State of Indiana. We saw thousands of acres going into corn, irrigation corn. They never grew much corn down there before. But they are going into corn in a big way. If you gave them a program that would allow them to plant 80 percent or even 60 percent or even 40 percent of their land, put water on it, which they are doing—and they report to us that they are growing 100 bushels or more with that irrigation—what is going to happen to your program? How long are you going to have to cut these acres—I mean, everybody's acres, because you are going to have to say that nobody can plant more than x percentage of his acres in corn, aren't you, under your program?

Mr. COTTLE. Yes, sir; we are not sure of what the x percentage——

The CHAIRMAN. That is x percentage in all crops I should say.

Mr. COTTLE. That is right. We keep referring to corn and feed grains take in.

The CHAIRMAN. If a man had a section of land of 640 acres, and you cut out half of his production where he probably has been growing grain sorghum and wheat, when he could grow 120 bushels of corn to the acre, he is not going to put much of that land in wheat on which he might grow 20 bushels to the acre. He is going to put it in corn; isn't he?

Mr. COTTLE. I am not sure he could probably grow more corn.

The CHAIRMAN. He can grow up to—they told us wheat there is anywhere from 12 to 60 to 70 bushels per acre. But that corn looks attractive to him. Suppose he can only plant 400 acres out of 640? He can plant 200 in corn and 200 in wheat; can't he?

Mr. COTTLE. Yes, sir.

The CHAIRMAN. That doesn't mean any limitation on the amount of corn you are producing in the United States. It probably means an increase.

Mr. COTTLE. Well, sir, of course, always when the human element is involved there is always chance for error, but should there be a larger volume of corn than has been anticipated—and we are using corn—why, then you are going to have a shortage of soybeans, maize, or barley, or something, because you can still only raise one crop per acre. So whenever you overdo the corn, why, possibly these other prices would raise above parity prices if there was a shortage of them, and this would tend to make this gentleman balance his crop rotation out and especially—the labor problem in any area, talking for myself now—I certainly wouldn't do this because of the labor problem. I would like to have my workload spread out over the year where I can do a better job of planting and harvesting and marketing this crop. So when you bring everything up in balance I don't really believe that you are going to have a problem of overproduction in one commodity and underproduction in the other. This has been the problem today because of the uncertainty of price, so sometimes we do overproduce heavily on one commodity more so than the other.

The CHAIRMAN. Mr. Cottle, if we had just a feed grain program and did not have cotton or wheat programs wouldn't every farmer try to take the guaranteed price in feed grain?

Mr. COTTLE. Mr. Chairman, I consider wheat is a feed grain. You can feed wheat.

The CHAIRMAN. You can consider cottonseed and soybean as a feed grain, too, but we have historically had separate programs for them. I think we are going to have to include all.

Mr. COTTLE. I don't see anything wrong with the inclusion of all crops. However, the tobacco man and cotton man has had a separate program, hasn't he?

The CHAIRMAN. The cotton man had marketing quotas and they have been down to where they could not sell if they grew in excess of their marketing quota. You have never had those kind of controls in feed grains.

Mr. COTTLE. Didn't they raise the acreage this year, sir?

The CHAIRMAN. If we take all controls off, then it seems to me we are going to have all kinds of shifts. I recall very well that I used to drive between Little Rock and Memphis on the way to Washington, and except for a little rice near Monroe, it is almost one solid cotton-field. Today it is almost a solid soybean field, because they could shift to soybeans. There was not anything to keep them from shifting to soybeans and they have done it.

Mr. COTTLE. Yes, sir.

The CHAIRMAN. They are going to do it under any program unless we make that kind of shift.

Mr. COTTLE. That is right. This is what our program specifies.

We are not specifying to control any commodity on these tillable acres. But we say that the marketplace will control the volume that he plans.

The CHAIRMAN. Well, the marketplace will control it over a number of years. I think we all agree on that. I find the market hasn't yet shifted in my country into more productive crops, or out of those in the loss leaders, because people stay with crops they are accustomed to unless some regulation comes in and rescues them. But I don't want to take up the time.

I guess Mr. Jones has finished.

Well, Mrs. May.

Mrs. MAY. Thank you, Mr. Chairman.

Gentlemen, I realize this has been a traumatic discussion between yourselves and members of this committee. May I assure you that I personally think you have made a great contribution in coming here by tractor, if only by calling public attention to many of the problems of this committee. Many of our committee members who have served in Congress longer than I, have been trying to alert people of the United States in all parts of the country, cities and suburbs, to the real problem of the farmer. Your efforts may help this story.

May I present my credentials in that I do represent one of the very few remaining rural districts in the United States. As you know, over 90 percent of the U.S. Congress is made up of city districts, not rural districts.

I thank you for at least getting attention put on this program, because this is always what we are searching for.

One more comment on this before I ask my questions. You have given us several arguments that you say we should give to our city Congressmen and their constituents. For instance, the argument that you are not paid not to produce. May I suggest you pick up some Congressional Records, if you have not already seen them, and read the debates on farm bills in the House of Representatives or Senate. Those points are made over and over, I promise you, by your farm representatives on this committee. Then be sure and read the rebuttal we get from the city Congressmen. We are trying to make these points, but we need a lot of help. That is why I would like my questioning to go to the effect of the specific program you propose, facts I must have in trying to sell it to my colleagues in the State of Washington. Tom Foley, another member of this committee, and I will always vote for the farmer, but our other five members of the delegation do not always give us a vote of support. They have different district problems and they don't quite understand the problem many times. My questions will be the kind that will be raised should we ever bring this program to our colleagues.

Now, I think it would be a great mistake if we don't go into what your program will do to our export market. You have mentioned it in passing—Mr. Miller did. I assume at parity corn would have to be at $1.72 or $1.73; wheat, $2.77; soybeans at $3.50; are we in agreement on that?

Mr. MILLER. Yes.

Mrs. MAY. I think you will have to agree this certainly prices us out of the world market. It just seems to me that to make this program workable you will have to also propose about a billion in export sub-

sidy. Our export market is important (1) to the farmers, desperately important to them, and (2) it is important to the U.S. balance of payment. This is something on every Member of Congress mind. Soybeans are our biggest export crop and very important to us.

Would you comment on my feeling that there would have to be something done by the Government on an export subsidy on this type of program?

Mr. REESER. Yes, Mrs. May, we definitely appreciate your comments, and I think we must recognize and have recognized this particular fact. As we pointed out in our presentation, we feel that this subsidy, if it is being necessary—and I am sure that it will be—should be a part of the general fund instead of being charged directly to Agriculture.

Mrs. MAY. We would like that, too. We would like not to be charged with the food stamp program, the school lunch program, but we have not been able to accomplish it yet.

So, since that is not obtainable—export subsidy would have to be sold as part of your farm program package, wouldn't it?

Mr. REESER. Yes, definitely.

Mrs. MAY. And we have the factor of cost.

Now, the second question—your taxicab driver would have asked you if he had thought it through, Mr. Miller. What will be the effect of this program on the cost of meat or wheat products for the consumer?

Mr. MILLER. No, he did not care.

Mrs. MAY. I don't think that he did not care. I think that a lot of people when presented the theory of a farm program would express support until someone points out the cause and effect on consumer cost. This I assure you is pointed out by speaker after speaker on the floor of the House of Representatives. What is this going to do to your hamburger price and your bread price?

Mr. REESER. Honestly, it works out in the history basing of the pricing of your raw commodity and your prices of your processed commodity. If you go back to the history I think we can definitely point out the price of raw commodity, soybeans or wheat or whatever, whenever they drop it does not seem to have any effect on the continuing increase of the produce—on your consumer end.

Mr. FREESE. But the rises, definitely goes on up. There is never any retraction, but we should point out, as in the presentation, our products are now priced at 9 percent less than 1952 and consumer price is priced at 23 percent more. Now, does that indicate——

Mrs. MAY. Yes.

Mr. Purcell of Texas and I were members of the National Commission on Food Marketing. Our study of this area showed that it is very true that the upward cost pressure does not come from the price of the raw farm product. The point is, however, that there does come a point of no return for a processor or retailer. He makes 1½- to 2-percent profit on gross income in spite of increased retail price. We know labor, handling, transportation, inflation, all of these things go to increase the price of the product.

In other words, under your program I am afraid we cannot honestly say that if this program became effective and provided prices of parity

to the farmer that we could promise the price of wheat products and meat would not go up, would it?

Mr. REESER. And we don't intimate that would be the case, but I think we do have a point. It shouldn't be the case in reverse and I think we should emphasize this every chance we get.

Mrs. MAY. The third thing, Mr. Chairman, we haven't discussed in depth why we have not been able to get general support among farmers throughout this Nation for this type of a program, and a big factor is that you have objection from those States that are feed deficit. My own is one. What are we going to do to get the support of poultry farmers in Georgia and in the Northeast? They resist this type of program, as you know. Our Lake State dairy producers, dairy producer area, who are in the feed deficit area, see this grain price going up. They have to either raise feed on the farm, and 83 percent of corn, as I understand, is consumed right on the farm, or they have to go through an expensive process of buying it elsewhere. In the feed deficit areas I don't know how we will buy the support of the farm groups representing poultry, dairy, those groups that are so dependent upon the purchase of feed or having adequate feed available.

Mr. REESER. Isn't there a cycling effect on this price structure that indicates whenever there is a high return on this type of sales your poultry, your meat products, and your dairy products and a low price on feeds, that it is not too long until those prices come down? Now, I have been in the livestock business and I have always found that I get my best returns whenever the feed grain is high, because that eliminates this cycling of the in and out.

Mrs. MAY. In other words, you think that these people raising poultry, cattle, dairy herds, would be able to project ahead that with high-feed grain prices the price for their product at the market would then go up?

Mr. REESER. Yes, many do, and I realize also that many interpret it as you have indicated. This is a public relations thing. I think what your committee here and this group here are well aware of is that public relations is one of our biggest problems, and getting these points across, not only to the city man, but also to the farmer, and we feel that there are statistics and facts available that we could be using in this area that are not being used. We would hope that we could precipitate this kind of action.

Mrs. MAY. I think our problem here is that we cannot argue on both sides of the coin.

Mr. REESER. Right.

Mrs. MAY. We cannot go out and say to the dairy, cattle, poultry producer, look, you can pay high feed grain prices and the cost of your product is going to go up and therefore you can get more return. Then we cannot go in and tell the consumer, really, the cost of chicken and meat and bread won't go up. We have to make the two arguments fit together and live with them.

All I am trying to point out here, again, is what other members of this committee have pointed out to you earlier, our problem is finding arguments to gain congressional support. I am certainly sympathetic in trying to give you the opportunity to vote on what program that you think you can live with best and best manage your own farming.

We cannot get to that point unless we can get the bill passed by Congress and to do that we need wide national support.

I was just underlining the nitty gritty of the questions that are going to be raised that we must try to answer satisfactorily on any program that we agree to present to the House of Representatives.

Mr. MILLER. I would like to make a comment on the livestock angle. We, too, have a few cattle back home, and I really don't know anyone that is raising and feeding livestock that does not want to do this. They have got to have it in their heart. We love livestock.

Mrs. MAY. Are you in a feed deficit area?

Mr. MILLER. No.

Mrs. MAY. I was talking not about your State but——

Mr. MILLER. I think anyone out there raising chickens or poultry is doing this because they want to, and it is a way they can supplement or make a living.

I think, as the gentlemen pointed out, the cheap feed has always led to cheap livestock and these people have ended up losing money. I think there are several people in this group that raise livestock, and they have not voiced one objection to $1.70 or $1.80 on corn.

Mrs. MAY. They do not have to buy. They raise their feed right on their farm.

Mr. MILLER. That is true.

The CHAIRMAN. I think in all fairness we must let the few that are outside——

Mrs. MAY. Mr. Chairman, I am through.

The CHAIRMAN. Those who are still waiting outside should have an opportunity to get in here before we adjourn. We will adjourn in a very few minutes. In the meantime, Mr. Shipley from Illinois is present.

(Short recess.)

The CHAIRMAN. If that is everyone, we are delighted that all of you can at least see inside the committee room because, there is only going to be a few more minutes.

I would again introduce Mr. Shipley of Illinois who is with us.

(Applause.)

The CHAIRMAN. He is not a member of this committee, but he has taken it upon himself to come over here to this committee.

The chairman is going to recognize Mr. Purcell and Mr. Kleppe. He will recognize Mr. Purcell first.

Go ahead, Mr. Purcell.

Mr. PURCELL. Well, I think, like all of us who have been speaking here, we are trying to express to you an understanding of your problems. Now, you have not mentioned one thing, you have not come up with one single idea that we haven't long since strived over and worked on. I would like for—I think I speak for the committee when I say I would like for you to accept the attitude that we on this committee have, because this is the difficulty of getting a kind of workable farm program started in good faith. We are trying to deal with you gentlemen realistically and with the facts as they are.

I would just like to ask one or two questions because we are pressed for time.

Now, what do you conceive would be done with the surplus, the abundance, whatever you want to call it, of the commodities we now

have or would have at the time a program of this kind would go into effect? What would you have the Government do with the CCC stocks that would then be on hand?

Mr. MILLER. Do you consider these stocks to be excessive at the moment?

Mr. PURCELL. We can play around all day, Mr. Miller. I can ask you a few questions and you can ask me some. They are Government property, what do you want the Government to do?

Mr. MILLER. Well, I am sorry. I did not mean to present a derogatory question, sir.

Mr. PURCELL. What are you going to do with them?

Mr. MILLER. We are going to keep them and call them a strategic reserve, because I think we should never put ourselves in a position to have a shortage in this country. I think they need to be called a strategic reserve and be held.

Mr. PURCELL. Some of us have introduced strategic reserve bills and put very considerable work into it. So that would be an expense the Government would continue to maintain.

Mr. MILLER. Yes, sir; unless they don't want to.

Mr. PURCELL. What would you say about carrying forth acres laid out and not using them? What would you do, you and me, or farmers do with those acres?

Mr. MILLER. We would require the same thing now, planted down in some type of cover crop and the weeds and so forth be controlled.

Mr. PURCELL. And you do not contemplate any kind of a soil bank program anywhere with the long-term buying up or leasing, I believe?

Mr. MILLER. No, sir.

Mr. PURCELL. Now, then, if by any chance we were to ever be able to have another referendum-type mandatory program that you are talking about, do you have an alternative plan that—just say it did not pass, then what do you think would be the next best thing for the Congress and the Government and the program to take?

Mr. MILLER. Well, as was stated in the statement, that if a farmer won't control his production, we just kind of feel like just let her go. That is what some of them want to do anyway. It will be corrected right quick. That will be some drastic changes. Why fool around? We have fooled around for 35, 40 years. If we want to get it over with, get it over with once and for all.

Mr. PURCELL. Are you expressing your opinion or that of your organization that you are speaking for?

Mr. MILLER. I thought that was the feeling of the organization. There are other individuals here——

Mr. COTTLE. I would like to speak on that. We would be happy to put our proposal on a ballot with any other farm organization's proposal and let the chips fall where they may. The ones with the most vote should be the program. This will be the democratic——

Mr. PURCELL. The most votes would represent the program, you are voting for this program or nothing, and if it is nothing you are willing to live with it?

Mr. COTTLE. If this is the only one on the ballot.

Mr. PURCELL. There won't be but one program for each. You won't have a multiple choice Sears, Roebuck and Farmers Union. I am asking if your program is not accepted if you are willing for the Government getting out and letting all these commodities seek their own level?

Mr. COTTLE. I would be; yes, sir.

Mr. PURCELL. All right.

Now, let me ask you one more question. Do you have the support of any of the nationally known farm organizations in Illinois or Indiana, since some of you are from Indiana, is that right, Joe?

Mr. NICHOLS. No.

Mr. PURCELL. Are there any recognized farm organizations that are going along with you on this idea that you know of?

Mr. MILLER. The answer to your question is "No." And we feel like that we are grassroots farmers that are not being represented by some of the people that profess to be and they have ulterior motives.

Mr. PURCELL. I am sure you are right on that. But you do not have the endorsement of the Farmers Union or NFO or any of them?

Mr. MILLER. We had members of every one of that group in our representation here, but we do not have their approval, no.

Mr. PURCELL. Just one more remark. When you people make remarks: "If the Congress has gumption enough or if we are allowed to vote," gentlemen, we have been working for 33 years to 1 or 2 years on every idea you have come up here with. I agree with you the public image is poor. We do not sell our products. You don't. We haven't been able to.

I would just close my harangue—if that is what you are going to interpret it to be—that we must work to have whatever we can get for farmers in the way of reasonable income for their money, their land, their effort, but in the big picture the farmers of America have not sold themselves—we take the idea I will grow my corn, somebody else come and get it. I will grow my cattle and that's all I have to do. Well, that won't sell anything. There is not another businessman in this country that does not sell his product.

So I would encourage you, first, I think you have done a good job in bringing this to the attention of the people. You have talked to the wrong ones, the taxi drivers and folks along the way are going to be sympathetic. They don't really influence anybody in the big cities. If we can get together and learn how to sell these products domestically and foreign we can at least make some headway. So let's work together. I am willing to work with you and everybody else is. We are not crotchety; we are not idiotic; we are not inexperienced. We must work together and accept each other on a knowledgeable basis—please do not assume this bunch does not know what you are talking about and does not know how to say anything to you.

The CHAIRMAN. Thank you, Mr. Purcell.

We will recognize Mr. Kleppe. The bell has already rung.

Mr. KLEPPE. Thank you, Mr. Chairman.

I want to add first of all my compliments to you gentlemen and to all of you that have come down here as a part of this activity. I want to add to those compliments of your discipline. I want to add those

compliments, to Congressman Springer and his activity in your behalf. He is a respected Member of this House. He is an interested and respected member of the problems that you recite. I think it is very much in order to include him with these compliments I am passing out now.

I want to indicate that you are my kind of people. If anybody represents an agriculture district in this United States, I think I can claim credit for it. I come from the west district of North Dakota, and we do not have anything but agriculture out there. So the problems that you recite are very well known. As a matter of fact, you may be surprised to know that over 80 percent of the farmers in my district have gross incomes of less than $15,000 a year. So when you talk about small family farms and the problems, we are well aware of what has happened to them economically.

This leads me into the question that I want to ask you and concerns me a little bit.

We have had a great deal of dialog regarding your proposal, the pros and cons and problems of it. I think we have had an expression here that we have thought about many of these things and what we are trying to do to find something we can pass. So, I won't go into that.

But when I think about the small family farms and the proposition of taking out of production how many acres it would necessitate to get down to this supply and demand business and receive full parity for, I wonder what might happen to my small farmers, to your small farmers and all the rest as to how low they may go in total acreage insofar as providing a sufficient income to allow them to stay on the farm. You and I agree that the exodus from the farms has been astronomical. It is the heartland of the district that I represent. So, if we have got a small farm and we take away 25 percent, 50 percent, 60 percent of his acres to comply with your proposal, how low can we go before we are going to chase more of these men off the farm, even though the acres he does put in will be profitable? I wonder if someone would comment on this particular thought?

Mr. NICHOLS. Congressman Kleppe, I would not know the percentage but I would say they are taking 50 percent of his income away by low prices. So how long is he going to last under these conditions? Maybe if we could take 20 or 25 percent of his total acreage out of production and give parity prices to the rest he will be better off than he is today. So he will be better off.

Mr. KLEPPE. You would like to hope you are right.

Mr. NICHOLS. I know we are not in Utopia and never will be.

Mr. KLEPPE. Frankly, I don't know. I know what is happening today.

Mr. NICHOLS. He is going to have to live anyhow. If something isn't done he is going to leave by Groves Day.

Mr. KLEPPE. It is that something that I would like to correct.

Mr. NICHOLS. We think it is price and nothing else. This country can produce items to take men to the moon with ease. It was just almost fantastic, you see, but today we cannot even figure out a way farmers can get a parity price.

Mr. KLEPPE. Then it is the point of diminishing returns to a point below which we cannot go. We are talking about your proposal and I am thinking about it along the lines——

Mr. NICHOLS. What you are saying again is a man laying out 25 or 30 percent of his land and still making a go of it.

Mr. KLEPPE. Yes.

Mr. NICHOLS. If he cannot do it that way he cannot do it under today's program.

Mr. KLEPPE. You are speaking of your proposal that it is better than what we have got?

Mr. NICHOLS. Yes.

Mr. KLEPPE. I am not quarreling with that, but this is a serious question in my mind, because in so many parts in America they do not have anything left once we take the land.

One more question. Your proposal basically is along the line of feed grains, but you also include wheat. Wheat has a separate program. How do you specifically relate this? Basically we have wheat, you know.

Mr. NICHOLS. Many farms, especially in our area, are feeding wheat. It is cheaper.

Mr. KLEPPE. It is still a small part of why wheat is raised in the United States.

Mr. NICHOLS. The wheat raised in the area we are from, there has never been any surplus, it is a soft wheat, and we are not really——

Mr. KLEPPE. You have not expanded your thinking insofar as wheat is concerned?

Mr. NICHOLS. I do not see why the wheat farmer could not take his plant out of production just the same as we do. The question came up a while ago, I think, they mentioned they saw corn growing in Texas. The only reason they saw corn in Texas is that corn is a controlled crop and has a support price. So they switched to corn. Sure, if other grains had been supported at a parity price they would not have switched.

Mr. KLEPPE. Specifically, then, you are saying that your same proposals and your same program should apply to wheat?

Mr. NICHOLS. I see no reason why it shouldn't.

Mr. KLEPPE. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Kleppe.

Mr. Belcher, you would like to say a few words?

Mr. BELCHER. I would like to say, on our side of the aisle I appreciate the courtesy you have shown this committee—your attitude. This has been one of the most orderly crowds before this committee for the size of it. I want to say to my colleagues from Illinois and Indiana, you certainly have the privilege of representing a very fine group of constituents.

The CHAIRMAN. The Chair would also like to say in behalf of all the committee, not just one side, that we do appreciate this attitude. We are delighted to have you folks come in from the rural areas and talk to us about your problems. We do resent it when people come in here and simply use this as a forum to put on a show or something of that kind. But you have come with constructive ideas. Whether they are

workable or not is something we have to study over. But they are constructive. We appreciate the fine attitude. We wish we could give you more time. There is a quorum call in the House at this minute. That is what those three bells meant.

The committee will stand adjourned.

Thank you very much.

(Whereupon at 12:15 p.m., the hearing was adjourned.)

GENERAL FARM PROGRAM AND FOOD STAMP PROGRAM

THURSDAY, JULY 31, 1969

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to recess, at 10:05 a.m., in room 1301, Longworth House Office Building, Hon. W. R. Poage (chairman) presiding.

Present: Representatives Poage, Abernethy, Abbitt, Stubblefield, Purcell, O'Neal, Foley, de la Garza, Vigorito, Jones of North Carolina, Montgomery, Alexander, Burlison, Lowenstein, Rarick, Melcher, Teague, May, Goodling, Miller, Mathias, Mayne, Zwach, Kleppe, Myers, Sebelius, and Mizell.

Also present: Christine S. Gallagher, chief clerk; William C. Black, general counsel; Hyde H. Murray, associate counsel; L. T. Easley, staff consultant; John A. Knebel, assistant counsel.

The CHAIRMAN. The committee will please come to order.

We have met this morning to discuss the extension of the Food and Agriculture of 1965 and food stamp legislation. We have with us the National Grange: John W. Scott, master of the National Grange, accompanied by Mr. Ingwersen, by Mr. Nelson, and by Mr. Frederick.

We will be delighted to hear from you gentlemen in any way you care to present this statement.

Mr. Scott, you make any presentation you care to and call on any of your sources.

STATEMENT OF JOHN W. SCOTT, MASTER, NATIONAL GRANGE; ACCOMPANIED BY JAMES W. INGWERSEN, CHAIRMAN, EXECUTIVE COMMITTEE, NATIONAL GRANGE, AND MASTER, KANSAS STATE GRANGE; A. LARS NELSON, OVERSEER, NATIONAL GRANGE, AND MASTER, WASHINGTON STATE GRANGE; AND ROBERT M. FREDERICK, LEGISLATIVE REPRESENTATIVE, NATIONAL GRANGE

Mr. SCOTT. Thank you, Mr. Chairman.

Mr. Chairman, members of the committee, I am John W. Scott, master of the National Grange. Although this is my first opportunity to appear before some members of this distinguished committee to discuss with you the problems facing American agriculture, I am sure you are familiar with the position of the National Grange regarding farm legislation. If I might take a little bit of the committee's time, I would

like to acquaint you with my background and introduce to you members of the National Grange executive committee who are appearing with us today.

I am a product of the family farm, spending most of my productivity or productive years on a dairy farm in Butler County, Pa. At an early date in my life, I became active and have remained active for over 35 years in the Grange movement in Pennsylvania, serving in various capacities at local and county levels and being elected master of the Pennsylvania State Grange in 1962, serving in such capacity for 6 years.

In 1965 I was elected to the office of secretary of the National Grange and served in that capacity until November in 1968, when the then worthy national master, Herschel D. Newsom, resigned to accept an appointment to the Tariff Commission. My duties as master of the Pennsylvania State Grange compelled that I move from our family farm, from Butler to Harrisburg, Pa., the State Capital. However, at approximately the same time, our farm was taken over by the State, through a proceeding of right of eminent domain, to be made into a State park. So I guess I can be classified along with some 16 million other people that have left the American farm since 1952 as a displaced farmer. However, I would hasten to point out to this committee that the decision that I made to leave agricultural production was one brought about action of the State and by own independent decision. I was not displaced by farm programs, as has been alleged by many people who have left American agriculture.

I feel that we are quite fortunate that our time to testify before this distinguished committee on farm legislation and food stamp proposals for 1969 fell at the same time that the executive committee of the National Grange was holding one of its regularly scheduled meetings at our headquarters at 1616 H Street NW., Washington, D.C.

Therefore, several of the members of our executive committee will make short statements as part of our presentation to this committee. Others are here as observers and, perhaps, may have some contribution to make in the way of answering questions from members of the committee. The chairman of the executive committee of the National Grange is seated at my right, Brother James W. Ingwersen, LeRoy, Kans. In addition to his other capacities at both the national level and locally, Mr. Ingwersen is master of the Kansas State Grange. We have also Ermil S. Jerome, secretary of the executive committee and master of the Idaho State Grange; serving on the executive committee as past master of the Rhode Island State Grange, Woodrow W. Tucker, and from our neighboring State across the Potomac, the great Commonwealth of Virginia, John B. Burgess, master of the Virginia State Grange. The overseer of the National Grange, A. Lars Nelson, is also master of the Washington State Grange. We also have with us the lecturer of the National Grange, program director in fact, Mr. William J. Brake. With us also is Attorney Alton L. Denslow, who is staff of the legislative counsel of the Grange.

We also have at the table this morning Robert Frederick, who is the full-time legislative representative.

As you all know, the National Grange is a farm-rural-urban-family organization representing 7,000 rural community organizations located in 40 of our 50 States. The Grange has a heterologous membership that represents producers as well as consumers. We are pleased

to be able to support H.R. 12430, introduced by the distinguished chairman of this committee, to extend the Food and Agriculture Act of 1965 and the Food Stamp Act of 1964.

We certainly want to thank the chairman for calling early hearings on farm legislation as well as the Food Stamp Act of 1964 because we firmly believe that the extension of both bills should go hand in hand, as we feel that you cannot have an effective food stamp program without first assuring the producer of America's food and fiber a level of income equal to his counterpart in other segments of the American economy. The Grange is in strong support of continuation of the Food and Agriculture Act of 1965, and already has previously testified in the Senate on the extension of the Food Stamp Act with some amendments.

We would like to take the time allotted to us today to discuss with this committee the importance of the Food and Agriculture Act of 1965 and how we feel it has helped solve some of the problems existing in rural America and how it has bolstered farm income and stabilized consumer prices. We are privileged, once again, to come before this distinguished committee which has in the past heard with compassion the pleas of the farmers for a more adequate return for their products in the marketplace and for more equitable income as compared with the rest of our economy. As you have worked your will with your considered judgment in the years since the Grange has been coming before you, the answer which you have provided for the problems of America deserve our gratitude and thanks, rather than the criticism of those who would destroy existing agriculture programs and thereby provide the fertile ground of economic chaos.

We appear today in support of the Agriculture Act of 1965, ask for its extension as a cornerstone or the firm foundation for farm programs in the seventies, and will suggest some refining amendments to make it perhaps more equitable, more appealing, and more workable.

At the 102d annual session of the National Grange held in Peoria, Ill., in 1968, the agriculture committee presented to the delegates the following statement on general farm programs and policies. It was unanimously adopted by the voting delegates of the National Grange, and I think it deserves quoting:

> Gross and net farm income is estimated to be up from 1967 levels, although the parity ratio shows little change at 73 percent. While the parity ratio of income between farm and nonfarm people shows a steady gain from 55 percent in 1960, it must be realized this is the result of many factors—including division of net farm income between fewer farmers. Realized net farm income at $4,900 is second highest in history, again the result of many factors—including the contribution made by the Grange-oriented farm programs. However, farm income is still far below the equitable financial reward agriculture desires for the efficient production of food and fiber.
>
> Therefore, the Grange supports the extension of the Food and Agriculture Act of 1965 as a basic farm program. History has proven over and over in recent times that orderly marketing alone cannot bring a reasonable and fair return to agriculture when the agricultural plant produced more of a given product than the market could absorb. Price times volume in an excessive surplus situation has never meant more income from a given crop. After the favorable market price reaction to a balanced supply and demand situation as experienced in 1966, American farmers will do all they can to maintain the favorable market price levels which were reached, by controlling production and at the same time, produce the additional quantities desired for export, provided such additional production is not permitted to adversely affect prices on the domestic market.
>
> The National Grange vigorously supports a Strategic Reserve of food and fiber isolated from the market in such a way that its release could not be obtained

except at a parity price level. This very sensible emergency reserve of food and fiber would make possible the setting of production goals for these commodities much closer to actual need without fear of jeopardizing abundant food supplies.

The Grange believes a voluntary supply-management program of basic crops is workable. However, such a program must have sufficient incentive by direct payments to producers to generate a high percentage of participation.

The Grange reaffirms its belief in the family-type farm system, not only as very efficient in the production of food and fiber, but as the backbone of the rural society comprising rural America.

The Grange does not envision a static size family farm system, but rather growing farms because of ever-developing new technology, larger machinery and automation.

Seventy percent of our population is already jammed onto two percent of the land. And we face the possibility that another 80 million people will have to join them in the next 30 years.

Many say this shift to the cities is a historical and worldwide pattern. Inevitable in a modern society. Some say it is desirable. But more are saying, it is not in the national interest, is not inevitable, and is not desirable.

Instead of jamming more people in big cities, heaping up their problems already almost insurmountable, the Grange recommends that industry and business come out to rural America and strengthen our rural society that rests on a thriving family farm system.

Large corporate structures in food processing and retailing are demanding a large volume of a given product of specified quality, at the time they want it. They are finding it advantageous to have control of their source of food production by owning and operating land and feeding livestock worked by wage labor, or through contracts. Either way leaves the farmer's role as little more than a hired man. However, family farmers can supply the needs of the big corporate structure by organizing horizontally and marketing through group action.

The Grange recommends and urges that agricultural producers form marketing groups, using present cooperative structures, but new ones where necessary. Also, to support legislation that would strengthen producer group action.

To date, the act of 1965 has not entirely corrected the basic problem facing modern agriculture.

The inequity that is built into our economy by legislation which has been designed to improve the income of business and the wages of labor without correspondingly building and making improvements on the income situation of the American farmer must be corrected. The cost of the products that the farmers buy has little relation to the law of supply and demand. The supply-management of labor and the production controls of industry effectively counteract the so-called automatic stabilizers which are a part of the "supply and demand" theory of economic distribution.

The Agriculture Act of 1965 has been severely criticized by the public and some farm organizations because it has not stopped the cost-price squeeze in which American agriculture finds itself caught. However, we hasten to point out that the Agriculture Act of 1965 was not meant to, and certainly cannot, stop the cost-price squeeze. This is brought about by conditions of our economy far outside the control of the American farmer. However, they are in the control of this Congress and of this Nation.

The Food and Agriculture Act of 1965, as extended in 1968, was meant to provide an abundance of food and fiber for the American consumer at fair and reasonable prices and at the same time try to supply to the farm economy a return that would make it equal to its counterparts in the other segments of the Nation's economy. We will agree that this has not been completely accomplished to the satisfaction of the farmers or to their organizations. However, it is because of the tremendous inflation that has gripped our country that this has not been brought about, and not because of the failure of the Food and Agriculture Act of 1965.

The Grange has been in strong support of the extension of the surtax both in the House and in the Senate. We feel that it is the Government's responsibility to its citizens to bring the rapidly rising spiral of inflation to a halt. The immediate extension of the surtax, thus making a firm declaration to the Nation and to the financial world that America is willing to take the steps necessary to control inflation, is long overdue. To delay this further is to compound our already present difficult problems in American agriculture. We do not believe that you can formulate any program to solve the problems of American agriculture in the face of the rapidly rising spiral of inflation that has our country in its grips, a condition to which, we might add, the American farmer has contributed the least of any segment of the economy.

Therefore, serious consideration and prompt action must be given to the economics of other segments of our economy before there can be any improvement in the position that agriculture faces today. Our support of the extension of the Agriculture Act of 1965 is not to be interpreted as abandonment of a field in which we have equal interest, since the level of farm costs is directly related to net farm income in a way which, at the present time, is even more critical than farm income itself. The Grange is also in favor of, and has stated that there must be, cuts in the Federal budget. These cuts should not be made at the expense of farm programs, because the farm sector cannot afford a reduction in income or we may find ourselves in a position that we have been in before. The continued spiral of inflation will find a recession taking place in the farm economy which can lead to a very serious depression or a serious recession in the Nation's economy. This cannot be allowed to happen. Therefore, it seems to us quite inconsistent for people to be complaining about the deficiency of the present farm program in terms of farm income, and at the very same time, suggesting that $3 billion of farm income be dropped by eliminating the wheat, feed grains, and cotton programs.

THE AGRICULTURE ACT OF 1965

The Agriculture Act of 1965 was not, and is not, perfect legislation, if indeed there has ever been perfect legislation, but it was solid and it is sound and productive legislation which can be perfected if the Congress will take the time and expend the effort to do so just as was done in 1965 and in previous years.

I think, in judging the accomplishments of the act of 1965, we first have to go back to 1961. The problem then and the problem still is that at the core of this problem is the American farmer's fantastic ability to produce more and more for a highly inelastic market. In 1961 agriculture was confronted by a nightmare—the prospect of a half billion bushels of grain rotting on the ground. There were 2 billion bushels of corn in storage, there was enough grain sorghum to carry us for a full year and a half, plus more than enough wheat to fill our domestic needs for 2 years. The leaking dike of price support was all that kept this ocean of grain from breaking loose and ravaging the agricultural economy. The then existing programs virtually guaranteed that the situation would worsen unless decisive action were taken. If production in 1961 continued at the 1960 levels, we would add up to 400 million bushels of surplus feed grains to our already almost uncontrollable stocks. Grain was stored in every conceivable space, even on

ships. New bin sites and new elevators dotted the landscape everywhere. Storage cost was a national scandal, costing taxpayers more than a million dollars a day. There simply was no place for a half billion bushels of surplus grain to go except on the ground. The consequences for grain producers, livestock farmers, the grain industry and rural America in general appeared to be disastrous. The then farm programs, the bulwark of farm income stabilization, simply were not dealing realistically with the situation. To be more specific, the wheat carryover which had been only 256 million bushels in 1952, was 1,411 million bushels and the feed grain carryover, 20.1 million tons in 1952, was 85 million tons. The Government actually owned roughly $6 billion worth of farm commodities. As farmers produced more, their income became less. Farm net income was $14 billion in 1952 and in 1960 was only $11.7 billion, a drop of 17 percent. Beginning in 1961, a series of voluntary production adjustment programs were hammered out to replace the ineffective programs under which the surpluses had developed.

I need not dwell too long on the situation that faced the American farmers and the American farm economy in 1961, because most of you gentlemen lived through this period and helped to hammer out the legislation that corrected the surplus situation that then existed. The Agriculture Act of 1965 has hit hard and reversed the downward trend in farm prices and farm income from those commodities which were under support programs. True, it has used Government money as part of the income of farmers, but it was money which has been well earned by the American farmer who has contributed not only to the stability of the cost of living in terms of a particularly static wholesale price index for farm products, thereby saving consumers millions of dollars in extra food costs, but also has made the greatest contribution of any segment of our economy to the solution of the extremely critical problem of foreign exchange and balance of payments.

There has been no cheap food policy, as some have charged. The policy of the Department of Agriculture under the present programs has been, in setting price support levels, clear and simple—to protect farm income while enabling farm products to compete in the market. Every price support level in effect today is higher than in 1960 and most are considerably higher. Where we have allowed prices to seek market levels for competitive purposes, we have protected farm income through direct payments. Let me point out here that these are not welfare payments; they are payments made to American agriculture, as an integral part of supply-management, and in their proper sense should be referred to as consumer subsidies.

If American agriculture has not earned the gratitude of the American people because of our contribution to the highest standard of living which has ever been enjoyed by any people in history and at the least amount of cost in terms of hours worked for their food in all the history of the world, then we should have at least earned their gratitude for the contribution that we have made to the economic welfare of the United States. This was accomplished by the Agriculture Act of 1965. Therefore, Mr. Chairman and Members of the Committee, the Grange comes before you today without any apology for farmers or for what they have received from the Government when the prices of agricultural commodities in the marketplace were not adequate for the financial requirements of the producers of America's food and fiber.

Net farm income in 1968 was in excess of $15 billion, some 28 percent higher than in 1960. During the past 8 years, net farm income has averaged $13.7 billion. This is nearly $1.8 billion a year more than the average of the preceding 8 years. Net income per farm this year is estimated at nearly $5,000, about $2,000 more than in 1960. Farm people also earn more from off-farm jobs. The total per capita expendable income (income after taxes) of farm people in 1960 was about $1,100. This year we estimate it at in excess of $2,000, or roughly double that of 1960.

In 1960 the average person on a farm had only a little more than half as much income as the average nonfarm person. This year he has about three-fourths as much. The income gap between farmers and nonfarmers has been cut in half. From January 1961 to January 1968, owner equities in agriculture increased by more than $55 billion, or $18,000 per farm. Even after allowing for inflation, the improvement in the balance sheets of agriculture during these years has been very substantial. Farmers are obviously moving closer to economic equality with nonfarm people. We cannot turn our backs on the past and on present programs and turn to some unknown and untried programs because a few of our commodities now are in somewhat of a problem.

USDA BUDGET

The total budget outlay of the U.S. Department of Agriculture for all its programs including the nonfarm activities, which is about half of the total budget of the Agriculture Department, increased from $5.9 billion in fiscal 1961 to $6.7 billion in fiscal 1968, an increase of about 14 percent, compared with 68 percent for the entire Federal Government. The 1968 budget, however, financed programs that were far more effective than those of fiscal 1961. The 1968 budget also financed on an adult level a number of programs that were only in their infancy in 1961, such as programs to revitalize rural America. In addition, it financed generally expanding food sharing programs, consumer activities and resource conservation, yet as a percentage of nondefense outlays by the Federal Government, the total Agriculture budget dropped from 17.4 percent in fiscal 1961 to 6.8 percent in fiscal 1968.

Not only have the costs declined, but the intended beneficiaries of the programs are receiving the money rather than those who stood between the farm and the Department of Agriculture. In this regard, we might also point out that it was the desire of most of the farm organizations that the second certificate added to wheat in the 1965 act be taken from the marketplace which we thought could afford it. However, it was the decision of the Congress that this be taken from the general fund as an aid to the consumer. This item of close to $300 million could probably be charged to a different account, as can a great many of the services which the Department renders for the general welfare and not specifically for the farm community.

In 1960, the CCC losses were $1,884.5 million. In 1961, it increased to $2,081.8 million. Payments to farmers increased by $1,500 million. In 1966 CCC stated losses were $2,984.9 million. Payments to farmers were $3,300 million. In other words, the CCC had a net earning in that year had it not been for the payments to farmers. The difference in terms of farm income between this and previous programs is simply that the farmers get the money. We believe that this was the

intention of this Congress and the members of this committee who were presiding at that time, and we believe that their intentions have been fulfilled in the record of this program.

I would also like to point out that I think perhaps one of the greatest indications of the popularity and the success of the supply-management aspects of the Food and Agriculture Act of 1965 has been the tremendous response of American farmers in signing up for the program in 1969. I think it would be well to put into the record and bring to the committee's attention the sign-up for the following programs:

Wheat.—Farms signed up—981,153. That's 139,019 more than were enrolled last year, and record percentage of national allotment acreage on signed farms was 88.7 percent, compared to 85.4 percent in 1968. The 981,153 farms represent 45,722,428 acres in allotments, a 13-percent-average cutback from the 1968 program. A total of 11 million acres have been diverted.

Cotton.—Farms signed up—477,587, compared with 463,800 in 1968. Allotments totaling 14,948,744 acres this year compares with 14,760,-561 acres in the final 1968 report, representing 90.5 percent of the national total.

Feed Grains.—Farms signed up—1,661,770, which is 161,411 more than were enrolled last year. Total intended diversion of 41,342,442 is planned by the signed farmers who had feed grain base acreage totaling 94,005,566 acres.

The 1969 farm enrollment is 161,411 greater than last year's record number of 1,500,359. Base acreage on signed farms this year total 7 million acres more than the record of 87 million set in 1965. Total intended diversion is nearly 5 million acres greater than the record of 36.7 million acres established in 1965. It is 7 million acres larger than the total for 1968. A total of 60.3 million acres will be diverted in 1969, made up as follows: 41.3 million in feed grains; 11 million acres in wheat; 3 million conservation reserve; 4 million cropland adjustment; 1 million in crop conversion, for a total of 60.3 million acres diverted in 1969. Total number of farms enrolled in wheat, feed grains, and upland cotton programs: Wheat 981,153 farms; upland cotton 477,587 farms; and feed grains 1,661,770, for a total of 3,120,510 farms.

We think this is indicative of the interest of the American producer, the interest of the guy out there on the farm in present farm programs and his willingness to divert and control acreage on a voluntary basis to bring supply in line with demand. Once again, let us point out that the greatest benefactor of supply-management under present farm programs is the American consumer because it provides him with a managed abundance of food and fiber for him to feed and clothe his family.

Mr. Nelson, our National Grange officer, is a man who has long been associated with feed programs. He is a wheat farmer himself. He has been chairman of the Grange Wheat Committee since 1955. He has been a member of the National Agricultural Advisory Committee.

Mr. Chairman, with your permission, I would like to let Mr. Nelson present our wheat program.

The CHAIRMAN. May I just comment off the record.

(Discussion off the record.)

The CHAIRMAN. I wonder if members have any questions on the statement so far?

Mr. Teague?

Mr. TEAGUE. Just one, Mr. Chairman.

On page 13, Mr. Scott, you indicated, and I do not question your accuracy that about almost a million wheat farms participated in the program in 1969, signed up. For the record, does not that constitute about one-half of the total wheat farms, or am I wrong in my recollection?

Mr. SCOTT. Mr. Nelson, would you like to respond to that question?

Mr. NELSON. I think it covers more than that, Mr. Chairman. You said about half?

Mr. TEAGUE. Yes, that was my recollection or understanding. Maybe I am wrong. Are there not something like 2 million farmers growing wheat?

Mr. NELSON. I have the actual record here if I can turn to it. I would rather not comment without that.

Mr. TEAGUE. Well, you can supply it for the record. I do not wish to pursue it further. I would just like to have the record show that that question was raised and have the answer provided.

The CHAIRMAN. You will put that in the record?

Mr. NELSON. Yes.

(The information referred to follows:)

WHEAT: ENROLLMENT IN 1969 WHEAT PROGRAM

State	Total wheat farms (number)	Enrolled farms (number)	Percent of farms enrolled (percent)	Total 1969 allotment (acres)	Enrolled allotment (acres)	Percent allotment enrolled (percent)
Alabama	6,977	2,862	41	62,137	33,406	54
Arizona	1,101	523	48	39,193	27,599	70
Arkansas	14,237	3,532	25	134,128	60,125	45
California	6,298	2,459	39	367,616	282,651	77
Colorado	21,584	17,041	79	2,339,072	2,226,194	95
Connecticut	78			311		
Delaware	1,491	575	39	25,920	15,777	61
Florida	1,268	567	45	16,835	10,233	61
Georgia	20,702	11,668	56	123,572	83,357	67
Idaho	26,656	17,259	65	1,080,794	1,010,846	94
Illinois	129,492	60,689	47	1,621,393	1,056,255	65
Indiana	117,337	52,427	45	1,247,578	744,010	60
Iowa	12,925	3,485	27	137,815	64,271	47
Kansas	142,571	111,830	78	9,671,319	9,243,991	96
Kentucky	23,189	9,792	42	204,149	109,381	54
Louisiana	1,324	289	22	38,153	19,985	52
Maine	28	16	57	229	162	71
Maryland	13,053	4,250	33	156,863	78,974	50
Massachusetts	24	1	4	174	13	7
Michigan	111,589	62,337	56	1,078,761	781,551	72
Minnesota	63,253	40,743	64	930,569	809,165	87
Mississippi	3,219	816	25	53,317	27,766	52
Missouri	123,800	68,014	55	1,515,462	1,085,575	72
Montana	22,711	17,741	78	3,554,209	3,435,218	97
Nebraska	74,453	58,566	79	2,880,545	2,694,817	94
Nevada	474	177	37	15,379	10,865	71
New Hampshire						
New Jersey	4,222	1,940	46	46,173	30,476	66
New Mexico	4,649	2,502	54	427,676	370,438	87
New York	32,489	17,309	53	300,886	221,353	74
North Carolina	82,890	43,022	52	392,416	241,675	62
North Dakota	68,406	61,671	90	6,628,809	6,386,037	96
Ohio	133,093	72,985	55	1,476,308	1,055,908	72
Oklahoma	74,903	55,325	74	4,454,505	4,205,384	94
Oregon	15,313	7,353	48	770,370	708,031	92
Pennsylvania	71,981	27,583	38	533,943	264,873	50
Rhode Island	12			157		
South Carolina	35,894	19,409	54	176,898	121,080	68
South Dakota	41,494	30,254	73	2,504,338	2,327,334	93
Tennessee	29,672	11,017	37	188,178	95,845	51
Texas	67,975	43,400	64	3,703,018	3,411,585	92
Utah	10,605	4,997	47	269,341	229,577	85
Vermont	77	2	3	443	6	1
Virginia	42,967	17,010	40	268,356	147,562	55
Washington	16,613	9,803	59	1,799,542	1,725,457	96
West Virginia	4,553	1,532	34	27,392	13,118	48
Wisconsin	10,531	4,374	42	52,802	29,106	55
Wyoming	3,343	2,006	60	348,674	225,396	91
Total	1,691,516	981,153	58	51,565,718	45,722,428	89

SUMMARY OF WHEAT ACREAGE

I believe it should be brought to the Committee's attention that out of the total 1969 allotment of 51,565,718 acres, 45,722,428 acres were enrolled, or a whopping 89 percent of total national allotment was under the wheat program. In our judgment, this indicates the wishes and will of the wheat farmer. In addition, 58 percent of all wheat farmers, according to the U.S.D.A., enrolled in the program, further indication that the wheat farmers support present farm programs. We also should point out that the total figure of 1,691,516 acres includes any farm that had an allotment of one acre or more of wheat in 1969, whether it was planted or not.

Further evidence of the support of the present wheat program by the commercial wheat farmer can be determined by studying the chart state by state. For example, the large wheat state of Kansas had 78 percent of total farms enrolled and 96 percent of the state's total allotment was enrolled. On the other hand, Virginia, with only 40 percent of total farms enrolled, had 55 percent of their national allotment under the program. However, Virginia in 1968, according to the U.S.D.A., had only 169,000 planted acres out of an allotment of 268,000-plus acres.

By dividing the total number of wheat farms in a state into the total state allotment, you arrive at the average number of acres per farm. Example: Illinois, 1,621,393 allotted acres to 129,492 farms, or 1,252.11 acres per farm; Kansas, 9,671,319 alloted acres to 142,571 farms, or 6,783.51 acres per farm; Colorado, 2,339,072 allotted acres to 21,584 farms, or 10,837.06 acres per farm. The percent of farms enrolled in the program from our 3 example states is: Illinois, 47% of total and 65% of allotment; Kansas, 78% of total, and 96% of allotment: and Colorado, 79% of total and 95% of allotment. Such a detailed analysis of the above chart will show that a large majority of the commercial wheat farmers support the present wheat program.

The CHAIRMAN. Any other questions of Mr. Scott on what has been gone over?

Mr. Mayne?

Mr. MAYNE. Mr. Scott, I noticed at the bottom of page 14, you seemed to emphasize the voluntary aspect of the program. Do I take it from that that your organization does strongly favor a voluntary as distinguished from a mandatory program?

Mr. SCOTT. Traditionally, the Grange has favored a voluntary program, because it appears to be the will of the farmers that the mandatory program that was enacted by Congress was not accepted by farmers. So we have taken this voluntary approach. I think the acceptance on a voluntary basis indicates that farmers do accept it in this manner.

Mr. MAYNE. Thank you.

Mr. NELSON. Mr. Chairman, might I comment in answer to the question of the Representative?

The CHAIRMAN. Yes.

Mr. NELSON. The final signup for 1969 showed that 88.7 percent of the national allotment was signed up for the program. Now, the Department of Agriculture in this release of April 23 did not show the exact number, the total number signed up versus the total number of wheat farms. But there were 981,153 farms signed. I am of the opinion that this is much more than 50 percent of the wheat farms of the country, since they embrace that amount of the available national allotment.

Mr. TEAGUE. Well, I have just been advised by counsel that his figures show that there are about 1.8 million wheat farmers, which would mean about half.

Mr. NELSON. All sizes, 10 acres on up.

The CHAIRMAN. May we go a little further there? One of the reasons involved is that there is an exemption on wheat farmers and no exemption——

Mr. MURRAY. The 15-acre exemption, Mr. Chairman, was repealed by Public Law 87–703 in September 1962. So there is no 15-acre exemption any more.

Mr. TEAGUE. Mr. Chairman, as I said, I do not desire to pursue this. I just wanted the record to show the accurate figure.

Mr. ZWACH. Mr. Chairman?

The CHAIRMAN. Mr. Zwach?

Mr. ZWACH. I want first of all to compliment the Grange for their presentation, and then come to a couple of questions.

On page 4 of your testimony, second to the last paragraph, you state: "However, farm income is still far below the equitable financial reward agriculture desires for the efficient production of food and fiber."

What does the Grange have as a goal? What are you striking for? I have not seen that in your testimony. Is it full parity for agriculture?

Mr. SCOTT. Mr. Congressman, the Grange feels that the farmer is entitled to full parity for that part of his production which goes into domestic consumption.

Mr. ZWACH. And your organization is fighting for full parity for the producer?

Mr. SCOTT. For the part that is used for human food.

Mr. ZWACH. Now, is there anywhere in this testimony where you spell out how you can improve, how you think the Congress—what we could do to improve that financial reward for efficient production? We all agree there should be efficient production. Do you have one, two, three recommendations for improvement in the farm bill? You ask for its extension, do you have any suggestion for improvement?

Mr. SCOTT. Yes, Mr. Congressman. As we go through the testimony, we have suggested some amendments to certain portions of the farm bill which we think will improve substantially the income of the producer.

Mr. ZWACH. They come up later?

Mr. SCOTT. Yes.

Mr. ZWACH. Fine.

That is all, Mr. Chairman.

The CHAIRMAN. Any other questions of Mr. Scott?

Mr. MYERS. I had one comment, Mr. Chairman, about page 6, which I do not take issue with. You say the Grange itself recommends that industry and business come out to rural America and strengthen our rural society. I very much agree with you, but out in Washington, Mr. Nelson's country, a few weeks ago, we met a number of farmers who were opposing some industry locating in their area. They said they were taking away the farm labor, said they could not hire anybody today. You always have these opposing forces in the farm community. Do you have any comment on that?

Mr. SCOTT. I know this is true in all areas. We had this happen in one area in Pennsylvania. I think we have to be selective.

One thing that we are concerned about is that when industry does come out to rural America, it does not use the best land in rural America, that it uses land which is not prime agricultural land and I think

that this initial impact, if we can get agricultural income to where it should be, the farmer will be able to compete better with industry for labor than he can today. His financial position just puts him in a very poor competitive position for labor today.

Mr. MYERS. Secretary Hardin a number of times has spoken in general terms in favor of a program to revitalize rural America. Do you have something further in your statement relative to this, what your plan might be for industry?

Mr. SCOTT. No definite plan, except that we think there, we have testified on other bills in support of programs which would help industry to come to rural America, but it is not included in this statement.

Mr. MYERS. There have been some programs introduced by our colleagues which would give tax incentives and other incentives to encourage industry to locate in some of the rural areas.

Thank you.

Mr. NELSON. Mr. Chairman, may I reply, since the State of Washington has been involved in this particular matter?

The CHAIRMAN. Yes.

Mr. NELSON. There is a strong drive throughout the States, regardless of what you may have been informed, to take industry wherever it is adapted and wherever it will make a contribution to the economy. We recognize that there is a drain on farm labor, both by the Vietnam war and by other areas of more complete return to the laborer. But this is not deterring the going ahead and establishing this for long-range purposes and benefits throughout the State. We have a department in our State government that emphasizes this, plus the port district and others who work jointly to develop these opportunities in rural areas.

Mr. MYERS. I think you are right, but we do have opposition within farm groups and with farmers. Within this committee, there is going to be pressure brought against us.

Mr. NELSON. But not in the Grange in our State.

Mr. MYERS. OK. Thank you.

The CHAIRMAN. Are there other questions?

(No response.)

The CHAIRMAN. I would like to ask you, Mr. Scott, on page 5, you make the statement:

> However, such a program must have sufficient incentive by direct payments to producers to generate a higher percentage of participation.

That seems to me to be a substantially correct statement. But you are familiar with the votes that have been taken in the House on this matter of limiting those payments. It seems rather clear to me that the majoriy of the House is going to vote to limit these payments in the future, so that we will not be able to use the direct payment system that we have used in the past. What's your judgment on that? Do you think there is any chance of our retaining a system comparable to what we have had in the past?

Mr. SCOTT. I am aware of the pressure for a limitation of payments and as you know, the Grange testified very strenuously to oppose these limitations.

The CHAIRMAN. I know it, and I am opposed to it, too. But I am just trying to look at the facts. Do we have a chance of maintaining

a farm program such as we have had in the past in the face of that kind of pressure? I think that it is a misunderstanding of the program, but nevertheless, it exists.

Mr. SCOTT. I agree heartily with you. I think that these payments have been pictured in the press and by the press and by certain Members of Congress as welfare payments, when really, they are part of a food and fiber policy. If you are going to curtail production in order to maintain farm income, you have to do it where the product is being grown. If it is a big farmer that is growing it, that is where it has to be.

I know we face a tremendous challenge in this area. We may have to, this committee in its wisdom may have to arrange farm programs in a different way in order to still maintain the same end without these large payments to individuals. But it is going to make that task much greater, I think.

But in the face of public opposition, we are going to have to face it.

The CHAIRMAN. I fully agree with you as to the desirability of the direct payments. I think it is the cheapest method we can use by far. More of the money goes to the farmer. You can do the same thing by making the same payment somewhere else, but the farmer will not get all of the money. I think that all that these people have done, these bleeding hearts who did not want a large farmer to get a large payment, is probably making it necessary for us to pay these into the hands of some third party. This third party then is going to charge us a commission for handling the money, just as sure as the world, and the farmer is going to wind up with less money or a smaller percentage of what the Government puts out than he is getting at the present time. Do you not think that is true?

Mr. SCOTT. I think that is right.

The CHAIRMAN. Some of our friends from Massachusetts and elsewhere get up and tell us that these are charity payments to people who do not need them. If I read the record correctly, there were only 43 percent of the farmers who got above the $20,000, only 43 percent of them who put in as much land as they could have under the program. Now, in the face of that, does it look like it was so clear that there was a charity payment there, that they were just making a windfall? If there had been a windfall, would it not have been clear to those men, who were right intelligent people or they would not have gotten to the point where they could draw $20,000—would they?

Mr. SCOTT. That is right.

The CHAIRMAN. They would have known that it was profitable for them to take more of that, if it in fact was a pure gift or a handout, as our colleague from Massachusetts and Illinois said it was. Had it actually been a handout, do you think there would have been only 43 percent taking the full advantage, or do you think there would have been more than 90 percent taking the full advantage of it?

Mr. SCOTT. I think human nature would have enticed 93 percent.

The CHAIRMAN. As a matter of fact, it seems to me that those figures prove conclusively that it is rather questionable whether these big farmers are making a profit by getting into the program now, and that some of them do not feel that it justifies them to tie up all of their land. Is that not the reasonable explanation of it?

Mr. SCOTT. I think it is, Mr. Congressman.

The CHAIRMAN. In other words, those who are putting their money up do not know for sure whether they will be repaid when they go into the program, or whether it is profitable for them not to go in. It seems to me right clear that the actual actions of these large farmers prove more conclusively than anything any of us can say, that this is not a giveaway, but that it is a razor blade question as to whether it makes money for the participant or not.

So while I am in full agreement with you there, do we not get into the position where we are probably going to have to look for something else?

Mr. SCOTT. We sure hope not.

The CHAIRMAN. Do you think we can get the votes of this House on the floor to pass a program that continues to depend upon payments? I would like to; I think it is the best and the cheapest program we have. But do you think we can pass it?

Mr. SCOTT. It is our hope, Mr. Chairman, that these hearings——

The CHAIRMAN. I am not interested in your hopes, Mr. Scott. I am interested in what you think.

Mr. SCOTT. We will work strong for passage and continuation of this kind of a program to tie it closely with the needs of urban people in the food area——

The CHAIRMAN. Can you advance as many as six members from the Pennsylvania delegation from the big urban areas of the Pennsylvania delegation? Can you get us six of either party?

Mr. SCOTT. I will do my best.

The CHAIRMAN. Of either party or both parties? Can you get us six from Philadelphia and Pittsburgh who will vote for a continuation of a sound program?

Mr. SCOTT. Mr. Chairman, through my work in the Legislature of Pennsylvania for the Pennsylvania State Grange, I have some very good friends who have now moved to the Congress, and I will tell you this much: I will do my very best.

The CHAIRMAN. Good. That is what we need. That is more constructive than almost anything we can get. That is the only way we are going to pass this bill, get votes. The only votes you are going to get are from people you know and who have confidence in you. You are not going to get any votes from New Mexico or from Washington State or from Texas. They do not know you.

You have to deal with the people whom you know.

Mr. SCOTT. Right.

The CHAIRMAN. I have people come up here from my district all the time, talking to me about what can I do to pass this bill. Now you can talk to me, and that is all you can do, and you can go see your Senator.

Mr. SCOTT. Mr. Chairman, there are many Members of my Congress with whom I have walked in their district, as I have Mr. Vigorito in Erie County, Pa., and I will do my best.

The CHAIRMAN. I think that will be good. That will be helpful.

Mr. TEAGUE. Will you yield for just a moment?

The CHAIRMAN. Yes.

Mr. TEAGUE. I will try to be helpful to Mr. Scott and give him a little warning to get a good explanation to these people from Pitts-

burgh and Philadelphia when you go to talk to them what they tell their people back home about a cotton producer in California getting a payment of $3,700,000. They are going to need some good selling.

The CHAIRMAN. I think there is a good answer.

Mr. TEAGUE. I just hope Mr. Scott will have that answer.

The CHAIRMAN. I feel I just gave it to Mr. Scott. I have not gotten the figures from your State. For the Nation over, as to those people who have gotten as much as $20,000, there were not but 43 percent who took full advantage of this program.

Mrs. May?

Mrs. MAY. I am very sorry, Mr. Chairman, that I was late and did not get to greet Mr. Nelson who is from my State. I do want to show for the record that Mr. Nelson will get two votes for farm programs from Mr. Foley and me, he can count on that.

But I quite agree with the chairman. Mr. Nelson, I think, understands that he would be working with the already saved as a missionary if he did not go to the other five members of the Washington State delegation and help Tom and me with getting a farm program through.

I will be glad to yield to my colleague from Washington, Mr. Foley.

Mr. FOLEY. I want to join the lady from Washington in the greetings to the distinguished State Master Lars Nelson and the others who are appearing before us today.

Mr. NELSON. Thank you.

The CHAIRMAN. We hope you will go to work with the people from Seattle.

Mr. NELSON. Mr Chairman, may I admit that I am from the Fourth District of Washington?

Mrs. MAY. You are supposed to say that proudly, Mr. Nelson.

The CHAIRMAN. Are there other questions of Mr. Scott at this point? What we are doing is dividing this up.

Mr. KLEPPE. Mr. Chairman, on the line of dialog I have just heard, I would like to add I am sure there are a couple of votes from North Dakota for a farm program.

The CHAIRMAN. You did not say what they would do on this problem of limitation.

Mr. KLEPPE. If you want me to get into that, that is something else again.

The CHAIRMAN. That is what we are talking about.

Mr. KLEPPE. In North Dakota, we have a little issue of corporate farming that becomes involved in the payments and overrides the issue here. This becomes a separate sort of question. I would not belabor this point.

The CHAIRMAN. I would merely point out to you, Mr. Scott, as one who is starting in this game, but I know you have been in the legislature: The people who will do you the most harm—I do not mean this for Tom Kleppe—are the people who will tell you this program has no better friend than I, but——

If there are no further questions on this part, we will hear from Mr. Nelson on the wheat program.

Mr. NELSON. Mr. Chairman, members of the committee, you have before you the wheat section which comprises pages 15 through 22.

I would say in general and specifically that we are in full support of the wheat provisions, wheat title, and its reenactment in the H.R. 12430 for 1969, with no limitation on the length of the bill; that is, we would remove the 1970 expiration and go on from there.

WHEAT PROGRAM

The domestic parity wheat certificate program was developed and first recommended by the Grange, which in cooperation with commodity groups and other general farm organizations, succeeded in writing the program into law in the 1964 farm bill and in extending it to a 4-year program in the Food and Agriculture Act of 1965.

This program is an intelligent recognition of existing marketing problems and a correct application of economic laws, in that:

1. It distinguishes between primary and secondary uses of wheat—"primary" referring basically to food and "secondary" referring to nonfood uses;

2. Reliance is placed upon the primary and most profitable market for the major return for the factors of production and this wheat is priced at parity;

3. The difference is recognized between the American and the international price levels, and it provides for pricing policies within existing treaty agreements;

4. It makes the production of marginal or surplus wheat considerably less profitable than the production for primary and export markets;

5. It avoids the twin fallacies of pricing that portion of the commodity which is most in demand at a marginal price level as would be done under the so-called free market principles, and at the same time it avoids pricing the marginal production at the level returned by an open end support system in which all the wheat is supported at the same high level;

6. Basic attention is given to the demands of the domestic and foreign markets, and seeks, by economic rewards and penalties, to adjust the production to the demands of the market;

7. Diversion or conservation payments are made for land diverted from wheat production; and

8. All production within the allotment is supported at approximately 50 percent of parity. The producers participating in the program are issued certificates covering their historic share of the primary use market in an amount equal to the difference between the support level and the parity price. Additional certificates are issued for the farmer's share of the export sales based on his historic production in an amount equal to the difference between the loan level and the sale price. Thus the effective allotment for shares of the market is in terms of bushels, a long-standing Grange objective.

The Grange approves the use of the substitution clause and CCC loans on farm-stored wheat. We urge the earliest possible announcement of the programs and maximum acreage diversion payments to assure wheat growers an adequate income.

The Grange will seek attainment of the following objectives:

1. Proportionate distribution of all domestic wheat marketing certificates issued among all wheat producers who remain in compliance with the wheat marketing allocation program;

2. The issuance of domestic wheat marketing certificates for wheat exported through concessional sales or for relief distribution and/or increased nonrecourse loans to obtain price support on this wheat equal to the domestic price support level;

3. The orderly issuance of purchase authorizations for exporting wheat;

4. Fifty-percent payment of the domestic wheat marketing certificates to producers at the time of wheat signup—this payment fully identified to the grower and others as an integral part of the wheat price and income to the producer; and

5. The use of bushel or hundredweight in connection with necessary production controls and market regulatory measures whenever feasible.

6. That wheat certificates should be computed on the basis of the difference between county loan rate and parity, rather than the difference between national average support price and parity.

7. The present proven wheat yields are based on a 3-year average for the producer and the county average is based on a 5-year average. Therefore, the Grange believes that all averages should be based on a 5-year period.

The National Grange favors the continuation of the International Grains Agreement, as it is a vital addition to the total supply-management program.

In addition, the Grange opposes the use of an oat-rye factor in establishing a wheat base and recommends that every possible effort be made to reestablish a 100-percent substitution base for the oat-rye producers.

The Grange fully realizes that we cannot eliminate all of the inequities of the present wheat program, but we do, however, have some specific amendments to the Food and Agriculture Act of 1965 as it applies to the wheat program.

We might state for the record that the proposed amendments to the wheat program have been worked out in conjunction with the National Wheat Growers Association and other general farm organizations that are in support of the extension of the present farm programs.

We are proposing the wheat provisions of the Food and Agriculture Act of 1965 be amended as follows:

(Exhibit A follows:)

EXHIBIT A—WHEAT AMENDMENTS

SEC. 501(a) Section 506 of the Food and Agriculture Act of 1965 is amended by striking out the language preceding the colon and inserting in lieu thereof the following: "Section 107 of the Agricultural Act of 1949, as amended, is amended to read as follows."

(b) Section 107 of the Agricultural Act of 1949, as amended by section 506 of the Food and Agriculture Act of 1965, is amended—

(1) by striking out that portion which precedes paragraph (3) and inserting in lieu thereof the following:

"SEC. 107. Notwithstanding the provisions of section 101 of this Act, beginning with the 1969 crop—

"(1) (A) Price support for wheat accompanied by domestic wheat certificates shall be at 100 per centum of the parity price therefor; and (B) price support for wheat accompanied by export certificates shall be at such level not more than 90 per centum or less than 65 per centum of the parity price therefor as the

Secretary determines appropriate, taking into consideration the factors specified in section 401(b).

"(2) Price support for wheat not accompanied by marketing certificates shall be not less than $1.25 per bushel after subtracting national average storage and interest costs, as determined by the Secretary, in cases where wheat is placed under Government loan."

(2) by adding at the end of such section a new paragraph as follows:

"(5) For any crop of wheat harvested during the calendar year 1969 and any subsequent calendar year, the Secretary shall provide, in the case of each farm, for the payment of a special export wheat payment of 65 cents per bushel on a number of bushels determined by multiplying not less than 40 per centum of the number of acres in the farm acreage allotment for wheat by the projected farm yield (as defined in section 301(b)(13)(K) of the Agricultural Adjustment Act of 1938, as amended). Export payments under this paragraph shall be in addition to any price support payments otherwise provided and shall be available only to cooperators."

SEC. 502. The Agricultural Adjustment Act of 1938, as amended, is amended as follows:

(1) Paragraph 13 (K) of section 301 (b) is amended by striking out the period and inserting in lieu thereof a comma and the following: "and in no event shall the projected farm yield for any crop of wheat for any farm be reduced by more than 5 per centum below what it was for the immediately preceding crop if the actual yield from such farm was reduced as the result of drought, flood, or other natural disaster."

(2) Subsection (d) of section 332 is amended by striking out "in the calendar years 1966 through 1969" and inserting in lieu thereof "in the 1966 and subsequent crop years."

(3) The first sentence of section 339 (b) is amended by striking out "in the calendar years 1964 through 1970" and inserting in lieu thereof "in the 1966 and subsequent calendar years."

(4) Section 379b, as amended by section 502 of the Food and Agriculture Act of 1965, is amended by striking out "in the calendar years 1966 through 1969" in the first sentence, and inserting in lieu thereof "in 1966 and subsequent calendar years."

(5) Section 379c (e) of such Act is further amended by adding at the end thereof a new sentence as follows: "A producer shall be entitled, under such rules and regulations as may be prescribed by the Secretary, to receive, at the time he agrees to participate in the wheat marketing allocation program, an amount in cash equal to not less than 50 per centum of the face value of the domestic and export marketing certificates to be issued to him."

(6) The last sentence of section 379e is amended by striking out "for the marketing years for 1966 through the 1970 wheat crops" and inserting in lieu thereof "for the 1966 and subsequent marketing years for wheat."

SEC. 503. The Agriculture Act of 1964 is amended as follows:

(1) Amendment (7) of section 202 is amended by striking out "effective only with respect to the crops planted for harvest in 1965 through 1970" and inserting in lieu thereof "effective beginning with the crop planted for harvest in calendar year 1965."

(2) Amendment (13) of section 202 is amended by striking out "effective only with respect to the crop planted for harvest in the calendar years 1965 through 1970" and inserting in lieu thereof "effective beginning with the crop planted for harvest in calendar year 1965."

(3) Section 204 is amended by striking out "effective only with respect to the marketing years beginning in the calendar years 1964 through 1969" and inserting in lieu thereof "effective beginning with the marketing year which begins in the calendar year 1964."

SEC. 504. Section 502 of the Food and Agriculture Act of 1965 is amended by striking out the language preceding the colon and inserting in lieu thereof the following: "Section 379b is amended to read as follows."

Simply stated the amendments we are proposing will do the following:

1. Make the wheat program permanent legislation by removing the December 31, 1970, expiration date.

2. Provide for an export certificate on a portion of the cooperator's production.

3. Establish the national average support price loan value of $1.25 per bushel at harvest time rather than at loan maturity.

4. To provide that a producer will not have a reduction in his projected yield for any year by over 5 percent of the preceding year by reason of a natural disaster.

5. Provide for the payment of at least 50 percent of value of domestic and export marketing certificates at time of program signup.

We are not proposing any changes in the domestic certificate, the substitution clause, the overseeding privilege or any other provisions of the present wheat program of the 1965 Farm Act.

EXPORT CERTIFICATE

Despite the desirable features of the wheat provisions of the 1965 Food and Agriculture Act, the commercial wheat farm economy is deteriorating rapidly. The domestic certificate assuring 100 percent of parity on domestically consumed wheat has been an important bulwark against the cost-price squeeze the farmer is suffering. However, even the domestic certificate has been unable to hold wheat returns at a survival level.

In the 3 years since the certificate program went into effect the blend price for compliers (national average market price per bushel plus returns for certificates) has been:

1966	2.22
1967	1.87
1968	1.79

In addition to this disastrous drop in blend price, the wheat farmer has had his allotment cut 32 percent and has seen his input costs rise by 15 percent. Large wheat stocks throughout the world have depressed prices to or below the loan level. Relief is desperately needed.

At the present time, the American farmer is carrying the full cost of wheat that is exported as a part of our foreign policy and wheat exported under the food for peace programs. This is unfair to the American farmer. If such programs are a part of our international policies, they should be supported by Americans and not just U.S. wheat farmers.

For these reasons, we are requesting an export certificate which would in effect, make a three-price program for wheat.

Using this year's parity price and also this year's domestic certificate percentages, a complying farmer would receive:

Domestic: $2.77 per bushel for 3 percent of his normal yield.

Export: $1.80 per bushel for 40 percent of his normal yield (if minimum 65 percent of parity was used).

Noncertificated: $1.25 per bushel for 17 percent of his normal yield.

Thus, the blend price to farmers would be $2.12 per bushel for the normal yield on allotted acres.

LOAN VALUE AT HARVEST

It is now the practice to subtract 10 cents per bushel storage cost from the support loan price if the wheat is placed in commercial stor-

age at time of harvest. It is our suggestion to get the full loan rate paid when the wheat is put into storage at harvest time and then make the farmer liable for paying his own storage cost when his wheat is either sold or turned over to the Commodity Credit Corporation.

In effect, this would set the market price floor, which is dependent on the loan level, 10 cents higher at harvest time. We believe the effect on the market price would be most desirable, whereby the loan rate of $1.25 would set the market price, being 10 cents higher than under the present operation of the program, more farmers would sell a portion or all of their wheat at harvest rather than place wheat under the loan and it would return 10 cents more per bushel to the small farmer who is less likely to be in a position to store on the farm or or to have capital to place his wheat in commercial storage.

REDUCTION OF PROJECTED YIELD

Under the present provisions of the wheat program in the Food and Agriculture Act of 1965, there is no protection from having a very low per acre yield caused by fire, hail, flood, or other acts of God, used as a part of the formula setting a farm's projected yield. This, of course, can drastically reduce the number of domestic certificates a farmer is eligible for, thereby reducing his income through no fault of his own.

We are asking that a limit of 5 percent be set as the most a projected yield might be reduced as the result of any one bad year due to acts of God.

ADVANCE PAYMENTS

Our reasons for supporting this amendment briefly are: First, it would bring the wheat program into conformity with cotton and feed grains in which advance payments are made a considerable time before the harvesting and the final compliance with the program.

Second, and more importantly, the advance payments would be received at a time of relatively great need as far as the farmer's production expenses are concerned. If the payments were made after the spring signup and preceding the market receipts for the wheat by several months, this would be an economic advantage of no small consequence to the farmer, who finds himself in a hard-pressed credit situation at this time.

Our third reason for supporting this bill is that we believe it would be an additional factor to strengthen the program and to increase compliance in the program. We also are convinced that the larger the number of wheat growers complying in the program, the better the program will be and the easier to administer. The planning that is a part of the programing would be simplified considerably as well.

Since these payments are basically made as a reward for compliance in the programs, it does not seem to us to be particularly reasonable to assume that the farmer has not complied at the time he has planted his acreage within this allotment. The change in departmental procedures to permit certification of compliance with only spot checking to determine whether or not the farmers were in compliance indicates that the Department itself is convinced that, in general, the farmer is to be trusted when he certifies that he has complied with his acreage allotments.

At the National Grange's 102d annual session held in Peoria, Ill., in November of 1968, the delegate body passed the following resolution which indicates the Grange's strong support of the certification plan for wheat.

CERTIFICATE PLAN FOR WHEAT FOLLOWING TERMINATION OF 1968 EXTENSION

Whereas the 1968 U.S. wheat crop of over 1.6 billion bushels has exceeded all expectations; and

Whereas this production may jeopardize the current farm program, including the certificate plan of payment; and

Whereas the certificate plan of payment for wheat domestically consumed of 600 million bushels provides the basic income for wheat growers to survive and continue in business; and

Whereas this is a form of insurance in case of minimal yields in future years; and

Whereas there are certain farm organizations, milling companies, exporters, and others who want the certificate plan of payment eliminated now or later, thus gaining at the expense of the growers: there, be it

Resolved, (1) That the National Grange opposes any move to destroy said certificate plan; and

(2) that we oppose any other additional move to destroy the economic base of wheat growers of this country.

Thank you, Mr. Chairman. I think maybe I have taken more of your time than I should.

The CHAIRMAN. No, but I would like to ask you if you think you can get us six members from Washington.

Mr. NELSON. I will take that challenge from the chairman. I have two here already and they are going to fan out and with us working together, we are going to bring the Washington delegation pretty strongly into support, especially if you tie the food stamp and the production program together. They are complementary.

The CHAIRMAN. We think so.

Are there questions of Mr. Nelson?

Mr. KLEPPE. Mr. Chairman, I just had one question. I want clarified if I may, Mr. Nelson, on page 19 of your statement, the sentence reads "In addition to this disastrous drop in blend price, the wheat farmer has had his allotment cut 32 percent." Right prior to that, you have a table which shows the blend price for 1967 and 1968. I want to be sure I understand this. As of January 1, 1966, we had a 30-percent increase in wheat acreage allotment.

Mr. NELSON. This was due to the Secretary of Agriculture being in the situation of a limit as to whether or not he would have sufficient supply to take care of demands.

Mr. KLEPPE. I know what it was due to. Nevertheless, it happened. We had a 30-percent increase.

Mr. NELSON. Right.

Mr. KLEPPE. After that, we had two cuts that kind of wiped out that 30-percent increase, so we are at status quo.

That is about where we are standing from the standpoint of acres. Any proposed cut that takes place will be a net cut from where we were, starting in 1966, is that correct, in acreage allotment?

Mr. NELSON. What acres are you talking about?

Mr. KLEPPE. Wheat allotment.

Mr. NELSON. I know, but are you talking about 68½, 62½, are you talking about 52? What was the 1966 acreage that you are making reference to?

Mr. KLEPPE. I do not have in mind that specific number. I am thinking of the cuts that were made in the allotments in 1966—not the cuts. I means the increases made in allotments in 1966, and then subsequently cut so that the cuts offset the increases of 1966. We are just about now at the same number of acres that we had at the beginning of 1966.

Mr. NELSON. I think this is substantially correct. They counterbalance.

Mr. KLEPPE. If that is correct, then I understand your statement, but it was misleading to me because you were referring specifically to an allotment cut of 32 percent.

Mr. NELSON. I think I was in on this 30-percent increase at that time. Our National Grange Executive Committee conferred with Secretary Freeman shortly before the announcement. We were concerned about that additional 10 percent that was going to go in at that time. We needed assurances it was not going to throw us back into the surplus condition from which we were beginning to emerge and the best indications he had were——

Mr. KLEPPE. Just following through on this, how do you feel about reducing acreage allotments now based on the supply?

Mr. NELSON. If we carry on a substantial increase in the income to agriculture and a further curtailment of a reasonable nature had to be made, I am relatively sure—I am not sure how far it goes, of course—that the wheat farmers, if this is to their advantage, to get the surplus in control, wheat farmers have not backed off from this.

Mr. KLEPPE. They are talking about 10 percent, they are talking about 16 percent.

Mr. NELSON. Well, 16 percent would be too much.

Mr. KLEPPE. Sixteen percent would be too much. Ten percent?

Mr. NELSON. Maybe. We would have to see what the figures were on which the Secretary based that particular recommendation.

Mr. KLEPPE. Thank you, Mr. Chairman.

Mr. PURCELL. Mr. Chairman.

The CHAIRMAN. Mr. Purcell.

Mr. PURCELL. Mr. Nelson, these are not really direct questions, but this has been an opportunity for some of us to philosophize, so I want to provide my share this morning.

I find that in the country, when dealing with farmers, we never give credit—at least additionally—for the certificate being on top of the price of wheat farmers are getting. Do you find that to be the general attitude?

Mr. NELSON. Yes, sir.

Mr. PURCELL. Do you have any suggestion as to how we can get a better image or more reality reflected in what the farmers really are getting for their wheat? They want to get a lot more.

Mr. NELSON. Well, I think I alluded to that in the testimony here, where at market time, you got the full $1.25, wherever you were, relatively so. This would add almost a 10-cent boost. Where, in some parts of the country, in the high mountain country and the plains, they are down to a price of $1 or less, this would be a substantial improvement, to be able to get this additional amount in terms of the loan arrangement.

Mr. PURCELL. I am talking about how you get the farmers to acknowledge that they are really not getting $1.50 or $1.25 for their wheat if they are in the program and how you get them to admit that you have a certificate on top of price.

Mr. NELSON. Well, this is a problem and I think probably there is quite a need for impressing not only upon the farmer but upon the press and all those who comment on the agriculture situation that this is part and parcel of the domestic parity price. I think maybe one of the things that would help would be this payment right after signup and have it very clearly understood at that time that the farmer, in signing up, was geting an advance as part of the price he is going to get in terms of the 600 million bushels, roughly, that are in the domestic category for human use. I think this would be one thing.

Mr. PURCELL. Well, do you not feel that if we gave him part of that money when he signed up, not only would he not ever admit he ever got it, but it would be totally forgotten about, the fact that he ever did get it, and he would want some more? I am not expressing my final opinion on it, but some way, we do not get the psychological credit for having provided for the farmers, and it is not enough, but it is significant——

Mr. NELSON. I recognize that this has been one of our bugbears in terms of the program in getting our people to realize and admit, and there are farm organizations which have helped them in this respect, do not recognize that part of the supply management domestic parity program, that this is an essential part of the income provision as far as the marketing is concerned. Most fellows think, well, they go down and get their certificates——

Mr. PURCELL. I understand how they do it. Let me, while I have you in a cooperative mood here, assign to you the missionary task of working with that organization that you are referring to, and also could you kind of redouble your effort with your own farmers?

Mr. NELSON. Well, the State of Washington shows a pretty strong signup, 96 percent. If you can beat that anywhere else——

Mr. PURCELL. But they are not going to tell me—I have not been to the State of Washington lately, but your farmers are going to do just what my farmers do. If you ask them what they got for their wheat, they are going to tell you $1.18 or $1.23 or whatever they got, and that is not what they got for their wheat.

Mr. NELSON. That is right. I agree.

Mr. PURCELL. My only request to you while you are so benevolent this morning on all this you are going to do, is to tell me that you are going to go out there and preach the gospel to your farmers a little stronger about let's be straightforward about what we are really getting for most of our wheat.

Mr. NELSON. Thank you. May I comment?

Mr. PURCELL. I am kind of like Mr. Mayne; I wish you would say yes or no to that question.

Mr. NELSON. Well, I have been on the yes side on that for some time. This is not a sudden conversion on my part. I have led the fight. I made 18 speeches in three States on the 1963 act and I had the young fellows look at me as if I were not telling the truth.

But I would say this: We have a radio hookup of some 18 stations that we put a regular program on and these are being stressed on these

regular programs. We have a TV program which we put this on. We have a publication. We have news releases, and I make speeches all over the State. Brother Foley there can tell you that I do not minimize this situation, and so will Representative May. So I am fully with you.

Mr. PURCELL. All right. Now, we saw some very consoling evidence a couple of weeks ago in the Panhandle of Texas, where, on a local level, several major farm organizations—the Farm Bureau, the Farmers Union, and the NFO, come into the same room to meet. They did not even have to bring their six-shooters to check at the door. They even appointed a joint spokesman, which, to those of us there, was a very, very good feeling. Do you have any reason to believe that the agricultural situation of this country is finally so drastic that the real interest and need of farmers might become paramount and over and above the philosophy or the determination of each separate outfit to be the "big dog" so that they might begin to cooperate for the sake of farmers?

I do not want a speech about how many speeches you have been making. I want to know if you can give me any evidence of what has been going on.

Mr. NELSON. Let me be specific, Mr. Chairman. In 1963, I drafted a resolution at Portland, Oreg., directing the national master to call the organizations together.

Mr. PURCELL. I am talking about 1969.

Mr. NELSON. Let me follow through if I may, please.

Mr. PURCELL. All right, hurry up.

Mr. NELSON. I will do it as rapidly as I can.

Following that, the national master continued to call the farm organizations together, extending an invitation to all of them for consensus. Just recently—2 weeks ago, Mr. Chairman—there were 17 or 18 organizations right in this room visiting with the chairman, which had been called together by the National Grange. We have always taken the lead in this and we will continue to. But to guarantee you that the American Farm Bureau Federation, about which we are talking, will join on the national level with the other farm organizations is one of the most difficult things to accomplish that I know of. Now, if you go their whole way and give up all your own thoughts and all your own facts, you can get them all together. But we are not about to do that.

They would destroy this program that the chairman of this committee has introduced into the Congress. They would destroy our supply management programs over a period of time. And I do not think any bona fide farmer, wheat farmer, wherever he is, can go down this alley, with the reduction of some 75 to 90 million acres. This is not an income-raising thing for agriculture, this is a disaster.

Mr. PURCELL. I think you said no, if I heard you.

Mr. NELSON. I sure did.

Mr. PURCELL. All right. Will you try again?

Mr. NELSON. Excuse me. Maybe I missed the point of the question. Will I try to get them together once?

Mr. PURCELL. Will you try once more?

Mr. NELSON. We will try as long as there is any opportunity to get all the agricultural organizations together.

Mr. PURCELL. All right, thank you.

The CHAIRMAN. Mr. Melcher?

Mr. MELCHER. Mr. Nelson, I am interested in your $1.25 figure at harvest time. Are you proposing that there seems to be a little doubt here—would the $1.25 be for everybody or would it be less freight?

Mr. NELSON. In my understanding—I am going to refer this to Bob Frederick here for a reply, if I may.

Mr. FREDERICK. Actually what happens, of course, is that the cost of storage is taken out at that time.

Mr. MELCHER. I am not referring to that. I am referring to the blanket proposal of the $1.25. Is that a national average less freight from various points, or is it $1.25 disregarding freight?

Mr. FREDERICK. It is less freight.

Mr. MELCHER. Thank you.

Thank you, Mr. Chairman.

Mr. JONES of North Carolina. Mr. Chairman.

The CHAIRMAN. Mr. Jones.

Mr. JONES of North Carolina. Mr. Nelson, you referred to small farmers, and since we do not have much wheat down my way, what's your definition of a small wheat farmer, acreagewise?

Mr. NELSON. That varies in our State and it varies elsewhere. I think I am a small wheat farmer. I only have 870 acres of available arable land and about 375 acres that I can produce under the substitution clause and the wheat allotment. I think I am a small farmer and I am getting smaller everyday.

Mr. JONES of North Carolina. Do you possibly have figures as to the percentage of those in a similar category that produces wheat?

Mr. NELSON. In my category?

Mr. JONES of North Carolina. Or under.

Mr. NELSON. I would say in the largest wheat-producing county in the Nation, where my farm is located, roughly half of the 1,800 producers in that county are in that category.

Mr. JONES of North Carolina. Thank you, sir.

The CHAIRMAN. Mr. Foley.

Mr. FOLEY. I would like to say that I think we have heard very fine statements from Mr. Nelson and Mr. Scott. I do not think that those of us in the wheat areas need too much encouragement to support this program. But I think it is helpful to have the specific recommendations that the Grange has given today for areas of amendment. I know too that the Grange realizes it is going to be difficult enough to pass the bill without improving it at least as much as those of us who are concerned about income would like to see it improved. We have to find a balance between what we would like to have and what we can actually realize.

I do not have any other questions or statements to make, except this with respect to two matters. First of all, I want to assure my own colleagues in this committee that we have all had the experience of farmers who have joined the program and damned it at the same time. Lars Nelson and the Washington State Grange have not been among these. There has been no more vigorous supporter and enforcer of the wheat program personally than Lars Nelson or the Washington State Grange. I think that that fact ought to be in the record.

Secondly, I dislike being in the position of talking about other farm organizations when they are not present, but I would say this about the Farm Bureau: Its national policies do not often find reflection in local agricultural areas, and in our own areas, there are substantial and important wheat-raising areas which have heavy Farm Bureau membership. These individual Farm Bureaus have not taken the position of hostility to these programs that has been reflected on the national level, and the fact introduced into the record by Mr. Nelson of 96 percent signup in the State of Washington is very good evidence that this program is extremely popular with operators in the wheat area generally. I think the effort has to be made to bring organizations together and I know the Grange is going to do its full share of cooperation in that effort as it has in the past.

Thank you, Mr. Chairman.

Mrs. MAY. Mr. Chairman?

The CHAIRMAN. Yes, Mrs. May.

Mrs. MAY. Mr. Nelson, I certainly agree with what my colleague from Washington says on the fine job you in the Washington Grange have done in our State. It is the one organization in which farmers do have more unaninimity of opinion, I think, than any other area. We who represent these areas always appreciate that.

That gets us right back to the point that other Members have talked about. When it comes to selling this or any other program to Congress, I think you know the real hard-core questions that we are going to have to answer, whether this is tied with food stamps or not. I agree with you that that is a factor that we have to consider very seriously in selling it. But I have been convinced, and you and I have talked about this, since the two key votes on the $20,000 limitation, that this Congress is not going to give their support to a program that costs more without, certainly, promising some better income to the farmer. At the same time, many, many Members are going to insist that we cannot prove—and I have colleagues who say I have to prove—that this will not increase consumer prices of food products. This becomes an almost impossible situation, as I think you realize.

Mr. NELSON. Right.

Mrs. MAY. Now, bringing up the arguments that you and other farm groups have made, we think the people should be told these facts. For instance, the fact that the big producer who is so highly criticized today for his big payments does at the same time have to suffer greater losses than the medium-sized farmer. I hope, and I think I am sure that you have read the debate in the Congressional Record on the floor of the House, when the House adopted the $20,000 limitation. I think you will find every one of the arguments are in that record as presented by many members of this committee, and other Members of the Congress who represent rural districts. As you can see, as good as the arguments were and as factual, they did not prevail on the final vote.

Having made this philosophical background statement, let's go to the proposal for making the export certificate, providing an export certificate on a portion of the cooperators' production. Have you, in developing this, come up with an extra cost figure? What would be the increased cost of this to the Government, Mr. Nelson?

Mr. FREDERICK. We do not have the exact figure on this. We have discussed this entire program along with other amendments that have been suggested in our testimony with Dr. Paarlberg of the Department of Agriculture. It is suggested that the farm portion alone of the amendments, including the ones for feed grains and the ones on the conservation reserve, would be about between a $600 and $700 million increase.

Mrs. MAY. $600 to $700 million overall? Not just the wheat?

Mr. FREDERICK. Yes; depending upon how much would be appropriated or authorized for the cropland adjustment and the conservation practices act portions of our suggested amendments.

Mrs. MAY. We are doing some quick figures up here. I think mine agree just about with yours.

Mr. NELSON. I would go through the formula.

Mrs. MAY. I wish you would.

Mr. NELSON. I think if you take the 40 percent, then take the average yield of the country, you could come to a pretty close figure on a 55-cent increase that would result from the export certificate.

Mrs. MAY. Which is what?

Mr. NELSON. I cannot tell you the exact amount. I would have to figure it out, but it would be substantial.

I recognize, too, as long as we are on this point, that we have the Council of Economic Advisers, we have the Bureau of the Budget, and maybe some other factors that have been a limitation throughout the last 20 years on what can be allocated to the agricultural segment of the economy. The Congress has been up against this and so has the Secretary of Agriculture, regardless of party, and so has everybody.

I would also like to say that income to agriculture flows back. They do not hang on to it. They cannot, because they are in debt $55 billion right now. So it has to flow back into channels that are productive of jobs, and of course, business, and strengthening of the economy. What can go into this can be of very great benefit, I think, to everyone.

Mrs. MAY. Mr. Nelsen, I can just hear my city colleagues, asking how much of this increase of the farmers' income is that going to add to the big cooperators in your district, Mrs. May? We are already getting about 55——

Mr. NELSON. You have very few large farms of that nature in the Fourth District. Some of the farms are pretty good size.

Mrs. MAY. But it is a pretty awkward question when I am trying to be a salesman.

Mr. NELSON. The vast bulk of those farmers are in the medium group and the smaller size.

Mrs. MAY. I am sure you understand. I know the arguments, but I do not get very far with them.

Mr. NELSON. We will help you all we can.

Mrs. MAY. Also, and I do not even know how to put a question on this, because it is hard to answer at this point but we will have to answer it some way—what will be the effect on our export market? That market is in sad condition—we know the wheat price fell drastically a few days ago. We hope that will strengthen. We know we are in a crucial export situation and that 12 cent cut——

Mr. NELSON. Maybe another one will come along on top of it. It is even rumored now. I do not know whether it is going to be a fact or not.

Mrs. MAY. Well, we will pray.

Mr. NELSON. It could. Certainly, we are concerned about this. We have been strong supporters of the International Trade Agreement and the adherence to that agreement by the signatories. But we are also aware of the Russian influence and they have even starved themselves to bother our markets and cause us trouble. I am not going to say anything of the satellite countries.

We have exported know-how to the developing countries and they are coming in with exports. Here is India almost self-sufficient because of the Mexican shorty wheat and the country right up above there that they have trouble with, they are ready to export and so forth. This sort of situation we face.

Then we have the EEC, with everything they can do, the French getting out into the eastern part of the pack and the western part of it and selling wheat 20 cents a bushel under the minimum price setup in the international agreement—cut throat. This sort of thing. No desire, at least under De Gaulle, to cooperate with other nations, but to emphasize only themselves. What's going to happen under the new regime there, I do not think anybody can predict at the moment. But we hope there is going to be more cooperation so we all can have it.

Mrs. MAY. I think we have learned a very hard lesson on the international agreement, that no agreement is any better than the loyalty and the faith of those cooperators who sign it.

Mr. NELSON. This is right.

Mrs. MAY. Maybe we will learn from this. It is a very bitter lesson for those of us who were so dependent on export.

Mr. SCOTT. Being one of the richest nations in the world, we are looked at with more scorn when we break such an agreement than other nations are.

Mrs. MAY. I can say this, Mr. Scott.

We are not really off the subject, Mr. Chairman.

It seems to me that at the beginning of the International Wheat Agreement, other countries were unofficially breaking the rules and when we decided finally, at long last, with our backs to the wall, to break the agreement, we did so honestly above board. Immediately we got ourselves slapped down by all these others who preferred to negotiate under the table or took the attitude—we do not want the left hand to know what our right hand is doing. Good guys finish last in this case, I guess.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mrs. May.

Now, I wonder, Mr. Scott, if you might not take up at this point and more or less summarize the rest of this, because we do want to go over it. We will not have any chance to come back this afternoon. You know this education bill is on the floor.

Mr. SCOTT. Mr. Chairman, that is what we planned to do. We expect to stay within the allotted time. With your permission, I have asked Mr. Frederick to present a very important area in the bill, the dairy section. Bob is prepared to present it to you.

The CHAIRMAN. Mr. Frederick.

DAIRY PROGRAM AMENDMENTS

Mr. FREDERICK. The National Grange respectfully requests that the Food and Agriculture Act of 1965 be amended by amending section 101 (a), the Agricultrual Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937. (See exhibit B, attached.)

EXHIBIT B—DAIRY AMENDMENTS

SECTION 101 (a). The Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, is further amended by striking in subparagraph (B) of subsection 8c(5) all that part of said subparagraph (B) which follows the comma at the end of clause (c) and inserting in lieu thereof the following: "(d) a further adjustment, equitably to apportion the total value of the milk purchased by any handler, or by all handlers, among producers and associations of producers, on the basis of their marketing of milk during a representative period of time, which need not be limited to one year, and further adjustments to provide for the accumulation and disbursement of a fund to encourage seasonal adjustments in the production of milk, and (e) a further adjustment, equitably to apportion the total value of the milk purchased by any handler, or by all handlers, among producers and associations of producers, on the basis of their marketings of milk during a representative period of time, which need not be limited to one year and which may be either a fixed period of one or more years, or a moving average of one or more years, as provided in the order, and which may be adjusted, and readjusted from time to time, to reflect the utilization of producer milk by any handler or by all handlers in any use classification or classifications. In the event a producer holding a base allocated under this clause (e) shall reduce his marketings, such reduction shall not adversely affect his history of production and marketing for the determination of future bases, or future adjustments of bases, except that an order may provide that, if a producer reduces his marketings below his base allocation in any one or more use classifications designated in the order, the amount of any such reduction shall be taken into account in determining future bases or future adjustments of bases. Bases allocated to producers under this clause (e) may be transferable under an order on such terms and conditions as may be prescribed in the order if the Secretary of Agriculture determines, in connection with such order, that transferability will be in the best interest of the public, existing producers, and prospective new producers. Provision shall be made in the order for the allocation of bases under this clause (e) to new producers and for the alleviation of hardship and inequity among producers, and prescribing terms and conditions under which new producers may obtain bases on an equitable basis with old producers. Producers holding bases so allocated or obtained shall thereafter participate pro rata in the market in the same manner as other producers. In the case of any producer who during any accounting period delivers a portion of his milk to persons not fully regulated by the order, provision may be made for reducing the allocation of, or payments to be received by, any such producer under this clause (e) to compensate for any marketings of milk to such other persons for such period or periods as necessary to insure equitable participation in marketings among all producers. Notwithstanding the provisions of sections 8c(12) and the last sentence of section 8c(19) of this Act, order provisions under this clause (e) shall not be effective in any marketing order unless separately approved by producers in a referendum in which each individual producer shall have one vote and may be terminated separately whenever the Secretary makes a determination with respect to such provisions as is provided for the termination of an order in subparagraph 8c(16)(B). Disapproval or termination of such order provisions shall not be considered disapproval of the order of other terms of the order."

(b) Such Act is further amended (1) by adding to subsection 8c(5) the following new paragraph:

"(H) Marketing orders applicable to milk and its products may be limited in application to milk used for manufacturing."; and (2) by amending subsection 8c(18) by adding after the words "marketing area: wherever they occur the words "or, in the case of orders applying only to manufacturing milk, the production area."

(c) The legal status of producer handlers of milk under the provisions of the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, shall be the same subsequent to the adoption of the amendments made by this Act as it was prior thereto.

(d) The Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, is further amended by adding at the end of subsection 8c(5) the following new subparagraph (I):

(I) Establishing or providing for the establishment of research and development projects, and advertising (excluding brand advertising), sales promotion, educational, and other programs, designed to improve or promote the domestic marketing and consumption of milk and its products, to be financed by producers in a manner and at a rate specified in the order, on all producer milk under the order. Producer contributions under this subparagraph may be deducted from funds due producers in computing total pool value or otherwise computing total funds due producers and such deductions shall be in addition to the adjustments authorized by subparagraph (b) of subsection 8c(5). Provision may be made in the order to exempt, or allow suitable adjustments or credits in connection with, milk on which a mandatory checkoff for advertising or marketing research as required under the authority of any State law. Such funds shall be paid to an agency organized by milk producers and producers' cooperative associations in such form and with such methods of operation as shall be specified in the order. Such agency may expend such funds for any of the purposes authorized by this subparagraph and may designate, employ, and allocate funds to persons and organizations engaged in such programs which meet the standards and qualifications specified in the order. All funds collected under this subparagraph shall be separately accounted for and shall be used only for the purposes for which they were collected. Programs authorized by this subparagraph may be either local or national in scope, or both, as provided in the order, but shall not be international. Order provisions under this subparagraph shall not become effective in any marketing order unless su such provisions are approved by producers separately from other order provisions, in the same manner provided for the approval of marketing orders, and may be terminated separately whenever the Secretary makes a determination with respect to such provisions as is provided for the termination of an order in subsection 8c(16)(B). Disapproval or termination of such order provisions shall not be considered disapproval of the order or of other terms of the order."

(e) The first sentence of section 201 of the Agricultural Act of 1949, as amended (7 U.S.C. 1446), is amended by striking the works "milk, butterfat, and the products of milk and butterfat" and inserting in lieu thereof the words "and milk". Paragraph (c) of section 201 of the Agricultural Act of 1949, as amended (7 U.S.C. 1446(c)), is amended to read as follows:

"(c) The price of milk shall be supported at such level not in excess of 90 percentum nor less than 75 percentum of the parity price therefor as the Secretary determines necessary in order to assure an adequate supply. Such price support shall be provided through purchases of milk and the products of milk."

The amendments made by this subsection shall become effective for the marketing year beginning April 1, 1970.

Mr. FREDERICK. The amendments to the act that are contained in exhibit B are, in brief, as follows:

1. To extend the class I base plan for fluid milk and make it permanent legislation.

2. To establish and provide for a system of mandatory checkoff in market orders for milk to provide for the development of projects on research, advertising and promotion of dairy products.

3. The first sentence of section 201 of the Agricultural Act of 1949, as amended (7 U.S.C. 1446), is amended by striking the words "milk, butterfat, and the products of milk and butterfat and inserting in lieu thereof the words "and milk."

Paragraph (c) of section 201 of the Agricultural Act of 1949, as amended (7 U.S.C. 1446(c)), is amended to read as follows:

(c) The price of milk shall be supported at such level not in excess of 90 percentum nor less than 75 percentum of the parity price therefor as the Secretary

determines necessary in order to assure an adequate supply. Such price support shall be provided through purchases of milk and the products of milk.

The National Grange appreciates the opportunity to support the proposed amendments to title I, Food and Agricultural Act of 1965. These amendments represent the long-term objectives of the National Grange and we believe they will make the class I milk base plan more attractive and equitable to dairy farmers and provide stability to the marketing of dairy products which will directly benefit the American consumer.

Our position on class I base plan for fluid milk has been stated repeatedly in our annual Conventions, most recently at our 102d annual session in Peoria, Ill., in November 1968, when the delegate body passed the following dairy policy:

DAIRY POLICY

1. The Grange reaffirms support of the class I base plan. To strengthen this, we favor amendments to the Marketing Agreement Act providing for a promotional checkoff and dairy association bloc voting on marketing orders. We recommend the following amendments to the class I base plan:

"(*a*) Allow holders of base to share equitably any increase in class I sales.

"(*b*) Allow new producers to earn a base.

"(*c*) Remove the 1969 termination date of the class I base plan.

"(*d*) Allocations of undelivered base milk amongst all producers.

"(*e*) Make provision that in case any amendment to the class I base plan receive unfavorable vote, it would not change the status of the rest of the order.

2. We believe the present standby pool program has provided stability to fluid milk marketing and a much-needed market for class I supplies not now under regulation of a Federal order.

The National Grange was an original supporter of the marketing order concept and supported its application to the milk industry, which was in a chaotic condition at that time. The purpose of such orders was to pool the class I markets in the various marketing orders, so that the competition for this market would not result in a chaotic condition in the market and the disruption of adequate supplies for the consumer. It was not the intent of the early legislation to set up a sysem whereby the producers of milk for the lowest use classification would be required to continue to produce excessive amounts of this lowest-price milk in order that they might maintain their share of the class I market.

However, the blend-pricing formula which was introduced in the orders has had exactly this result. Under this system, there is no way to reduce the production of the milk that is sold for the lowest use classification by the individual producer without reducing his share of the class I market. It is a corollary of this that there is also no way for him to increae his share of the class I sale without increasing his production of the milk that is sold for the lowest use classification price. There is no way in which he can protect his share of the class I sale from those who would expand their production, thereby diluting the class I market and reducing everyone's share of this market except those who are expanding their production.

Under the blend-pricing system, the only alternative they have for improving their income is to increase their proluction. Thus, we enter a vicious circle which is self-destroying and in which the producer continues to increase his production in order to maintain even a substand-

ard living level and, by his very action, further reduces his net income and his standard of living.

The Food and Agriculture Act of 1965 which provided for the class I base plan permits the producer to manage his own business by removing the impairment of the blend-price system and allowing the farmer to make adjustments in production, which is the first mark of every well-reguated business. Every man that tries to improve his net income, regardless of what business he is conducting, has as his first rule the elimination of the loss factors of his business. The adoption of the class I base program is an expression of democratic principles, it is an incentive to better business management, and it has the added advantage of reducing the supply of low-classification milk in the higher-priced class I areas and permits the dairy farmer to produce for the market that he is best equipped to produce for and removes the "race for base" that occurred under the blend-price system, which, in turn, led to surpluses in the dairy industry.

We apologize to the committee for going back over old history in setting the case for a class I base plan. However, we felt it necessary so all would know that this legislation is needed to remove the inequities in the 1965 amendments so as to make the plan more attractive to other marketing areas that would benefit from the class I base plan but have been reluctant to adopt the plan unless the suggested amendments were adopted.

The major reasons for the class I base plan not being adopted are removed by our recommended amendments.

1. Making the legislation permanent will permit dairymen everywhere to plan and set up class I base plans knowing and having confidence that it will be long term. In addition, urgent action is needed. We can not wait for studies or further needless delays, as it took from May of 1966 until July of 1967 to have the first class I base plan approved. In order for dairymen to start plans, urgent action is needed now, not in 1970.

2. Because of the way the Department of Agriculture has insisted on administering the class I base plans, an amendment is needed to permit dairymen to alter the way in which the "base" for each producer is computed. The Department of Agriculture has insisted that only a single representative period of market deliveries be used in allocating a permanent base to all producers. To maintain this rule is to say that all cows and all dairymen should wear a size 40 suit. To avoid this "pegging" of the base, the legislation would permit allocation of class I bases so that individual marketing histories would be recognized and so that the necessary adjustments could be made.

3. The current law does not permit the present base holder to share in any increase in class I milk base, nor does it permit a nonbase holder to share in any part of the class I base on a decreasing market. This feature, perhaps more than any other, is the reason that more orders do not contain the class I base plan. The legislation under consideration of this committee removes this severe hardship on both "new" producers and existing base holders. The amendments include two sentences covering treatment of new producer: "Provision shall be made in the order for the allocation of bases under this clause (e) to new producers and for the alleviation of hardship and inequity among producers and prescribing terms and conditions under which new pro-

ducers may obtain bases on an equitable basis with old producers. Producers holding bases so allocated or obtained shall thereafter participate pro rata in the market in the same manner as other producers." In addition, the proposed amendments would allow established producers to share equitably in the benefits of market growth, growth to which they have been the largest contributors.

4. We should also point out that excess sales now going to new producers and hardship cases are frequently priced much higher than base sales. In a growing market, therefore, there exists a harmful attraction for established dairymen to drop out of the regulated market and become freelance adventurers. The amendments correct this inequity and preserve the dairy market for the dairyman who is willing to curtail his production to the demand of the market.

The enactment into law of the proposed amendments would remove the stumbling blocks in the amendments of 1965 to the agricultural Makting Agreement Act of 1937, as amended and make the class I base plan more attractive to other marketing areas that want this type of milk pricing.

The objection to the legislation on the grounds that only one area has adopted such a plan is a paper tiger and cannot be defended in light of the proposed amendment, which will remove the objections dairymen have to the present class I base plan.

If the objecting organization is so sure that dairymen do not want a class I base plan, why not pass the legislation and give the milk producer a chance to vote on the plan? Because a class I base plan cannot be adopted as part of an order without an individual vote by the producer (Sec. 8c(19)(e)).

Mr. Chairman, this portion of the proposed amendments to the Food and Agriculture Act of 1965 are the same as were proposed by Congressman Meeds in H.R. 7996 and identical bills introduced by Congresswoman May, a distinguished member of this committee, and Congresswoman Hansen, all from the State of Washington, earlier in the 91st Congress.

Hearings were held by the subcommittee, and it was favorably reported to the full committee, where it is still pending. Hearings were held during the 90th Congress on the same amendments. The bill was favorably reported by this committee to the House. It passed the House by a substantial majority and failed to get through the Senate, due to the pressure for adjournment.

We would like to emphasize a statement made before the subcommittee that held hearings on H.R. 7996 by Congressman Meeds of Washington:

Mr. Chairman, I wish to conclude by reaffirming the intent of this legislation and the purpose of the Congress in writing title I of the Food and Agriculture Act of 1965. It is my (and our) understanding that certain voices in the Department of Agriculture are contending that class I base plans should be available to producers only in those areas where a damaging milk surplus is undermining the market. Reduction of surplus milk production was a key aim of the 1965 Act, but to my own thinking (and that of the National Grange) the central purpose was to reinvest the individual dairyman with more control of his production, more determination of what his actions were going to be in response to the market. Dairymen in the Puget Sound region responded quickly to the authorizing legislation because they had suffered long enough under the blend-pricing syndrome in which output and more output was essential for economic survival. With the new provisions of H.R. 7996, we can continue our support for orderly growth compatible with stability and with economic self-determination.

We agree with the distinguished Congressman from Washington and submit to this committee that a recent request for hearings on a class I base plan in Southeast Florida was denied by the Department of Agriculture because they claimed a surplus did not exist.

We would like to point out to the committee that once again the decision of whether to have a class I base plan or not to have a plan was based on the amount of surplus milk in the areas and not upon the economic advantages of the class I base plan to the producer of fluid milk—in this case, 75 to 80 percent of the fluid milk produced in the market area in Southeast Florida.

We submit to this committee that the primary reason a surplus has not developed is because, in this case in Florida, 74 of 88 producers in the area have operated a class I base plan outside the order "to encourage members to adjust their production to the needs of the market." At the same time the production of the other 14 producers, outside of the Independent Dairy Farmers' Association (IDFA), grew by leaps and bounds at the expense of those responsible for creating the market.

We further wish to point out to this committee that it is this type of uncontrolled production and marketing in the dairy industry that has forced the smaller producers out and brought economic havoc to parts of rural America. The larger grow larger at the expense of the medium-to-small producer, forcing him from the industry to seek a livelihood in the urban jungle where he is ill-equipped to compete.

We urge this committee and the Congress to oversee the administration of the laws that they have approved and passed to see that the congressional intent of the law is carried out as well as the letter of the law.

The National Grange is of the opinion that if this were done, plus the approval and extension of the proposed amendments to the act of 1965 by this committee and the Congress, that the dairy industry will continue to be a healthy, growing segment of agriculture and aid in the growth of the national economy; further, that marketing orders such as in Southeastern Florida that want to add a class I base plan to their marketing order would be able to do so without the necessity of overcoming administrative interpretations that were not the intent of Congress.

Dairy promotion today is being conducted by the industry on a voluntary basis. The proposed amendment would make it mandatory for all producers, if "approved by producers separately from other provisions, in the manner provided for the approval of marketing orders." We believe in self-help promotion and advertising programs and firmly believe that all producers, whose sales can benefit from such programs, should share in the cost. The proposed amendment will accomplish this objective.

The Dairy Committee of the Grange, working with the National Milk Producers Federation, has been very conscious of the weak competitive position of butterfat. We have been losing per capita consumption of butterfat, not only with respect to butter, but also in the fluid milk market. These two outlets, when considered together, provide a market for about 75 percent of all butterfat sold by farmers in the milk that they market.

The decline in per capita consumption of butterfat must be arrested and reversed if the size of the dairy industry is to be maintained and to prosper. Notwithstanding the weak competitive position of butterfat, however, the prices paid farmers for milk has been inadequate when measured in relationship to costs, and milk production is not keeping pace with population growth.

To improve the competitive position of butterfat while at the same time maintaining price supports to farmers for milk, the dairy industry proposes to amend the Agricultural Act of 1949 by eliminating the reference to butterfat. This can be done, since butterfat originally was included as a means of providing price support to farmers marketing farm-separated cream. Farm-separated cream marketings today, however, represent less than 1.5 percent of total marketings of milk by farmers.

If the Agricultural Act of 1949 were amended, the price support program would work as follows: (1) the price support level for manufacturing milk would be announced as at present; (2) the support price for milk, as at present, would be assured through the purchase program of the Commodity Credit Corporation, modified only to the extent that the purchase price of butter would be established at the discretionary level, rather than at a level necessary to assure the mandatory support level for butterfat as now contained in the law. Any reduction in the purchase price of butter would require a compensating increase in the purchase price of nonfat dry milk to maintain the support level to farmers for milk. This program has the advantage in that it would result in maintaining price support levels for manufacturing milk, while at the same time improving the competitive price of butterfat when sold as butter, in other dairy products, or even as fluid milk. The program reduces the value of butterfat in milk sold by farmers which competitively is losing ground, and it would increase the value of milk solids-not-fat which is increasing in consumer acceptance. The Government would be relieved of the burden and cost of accumulation and storing butter to the extent now necessary.

It is anticipated that the Government would purchase sufficient butter for authorized programs, such as school lunch. The Government would perhaps purchase larger quantities of nonfat dry milk. This is a low-cost item for the Government to handle and is readily adaptable for programs to improve nutrition at home and abroad. Consumers would benefit by more favorable prices for butter than under the current program.

I will be available to the committee to ask any questions you want. I am sure the Milk Federation will come before you and explain these in further detail. They have been a part of our coalition to work together and bring up these and others that will be suggested by some of the other farm groups that will be testifying later on.

With that, I will close out the dairy section.

The CHAIRMAN. Are there any questions about this dairy section?

Mr. ZWACH. Mr. Chairman, one question.

Do you support that present legislation that provides that new producers should share on an equitable basis as determined by the Secretary?

Mr. FREDERICK. Yes, sir, this is actually what No. 10, page 23 is. It is the language of the Meeds bill, which allows the new producer to obtain a base and share in the base. It is exactly the Meeds bill, which Mrs. May also introduced and Mrs. Hansen from Washington introduced. This is the language you have now pending before the full committee which is the same language approved last year.

Mr. ZWACH. Do you think this would depreciate the sale value of bases?

Mr. FREDERICK. I did not catch your question.

Mr. ZWACH. Would it decrease the value of bases when they are transferred from one individual to another? I understand that 776 producers have sold their bases for $7 million. Now, this puts a value on bases that is completely unrealistic. Would this legislation that you suggest reduce the value of the blue sky in these bases?

Mr. FREDERICK. I think it would, because under the present legislation, it is difficult if not impossible to earn or obtain a base. Under this Meeds amendment, the new producers could obtain a base.

Mr. ZWACH. I think this is very important, the bases do not become this valuable.

Mr. FREDERICK. Yes; we feel that would help decrease that.

Mr. SCOTT. Congressman, if I might add, I think this will have a definite tendency to do that. It will actually almost stop the base chasing, because as the market reveals, the new base will become available on a pro rata basis rather than on a strictly buy basis.

Mr. ZWACH. I am very interested in this.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Zwach.

Mr. SCOTT. Mr. Chairman, Mr. Ingwersen comes from the breadbasket of the world, the State of Kansas. At least he says it is the breadbasket of the world.

I have asked him to bring you the cropland adjustment and conservation practices section and the feed grain section, which begins on page 32 of our statement.

Mr. SEBELIUS. Mr. Chairman, I would like to welcome Mr. Ingwersen here to testify. He is not only chairman of the executive committee nationally, but he is a Kansas president. He is not a constituent of mine since he comes from another district, but Kansas has a five-member delegation which is a nonpartisan effort and I consider him so, because with all five being Republicans, we vote as a unit. You will not have to send any missionaries there. The five will be with the program.

Thank you.

Mr. INGWERSEN. Mr. Chairman, members of the committee, I am Ingwersen, chairman of the executive committee of the National Grange and a Kansas farmer.

Our worthy national master, John Scott, in his well-prepared statement filed with you today, has ably set forth the Grange position relative to the Agriculture Act of 1965 and amendments to strengthen it.

I wish to endorse his statement and urge your study and consideration.

CROPLAND ADJUSTMENT AND CONSERVATION PRACTICES

There is now a provision in H.R. 12430 for cropland adjustment, with a limit of $225 million authorized for the program. However, the program has not been funded during the past few years to permit any new land going into the program.

We would suggest that the Food and Agriculture Act of 1965 be amended to make this section of the act permanent and to provide for open end authorization.

In addition, we respectfully suggest that the Conservation Practice Act be properly funded to provide for higher incentive payments for placing land in long-range conservation uses, such as recreational areas, hunting reserves, et cetera.

The use of the Conservation Practice Act to accomplish basic concepts of conservation reserve appears to us to be highly desirable. There is no question but that there is a great need for recreational and open-space areas, room for children to play, room to develop and preserve the beauty of the great outdoors, and room to provide for the orderly expansion of the living space of rapidly multiplying population.

This public use obviously should include watershed protection. The failure to develop adequate soil conservation and watershed protection programs in the upper Midwest has been a costly experience. How much better would it have been to have spent the money that was required, both for the retirement of land and the improvement of the watershed and water conservation characteristics of this land, than to be spending the hundreds of millions of dollars to clear up the debris and restore the economic life of communities which can never fully recover from the losses that have been sustained in the last few tragic weeks.

FEED GRAINS

The feed grains programs of the Food and Agriculture Act of 1965 have been the most successful features of the act, especially from the standpoint of matching supply to demand. Therefore, we are in strong support of the permanent extension of the present feed grains programs.

We would suggest that section 105(e) of the act be amended by inserting after the fourth sentence thereof a new sentence as follows:

> In no event shall the farm projected yield for any crop of feed grains for any year be reduced by more than 5 per centum below what it was for the immediately preceding crop if the actual yield from such farm was reduced as the result of drought, flood, or other natural disaster.

SOYBEANS AND FLAXSEED

We join with other farm organizations and commodity groups in supporting a diversion program for soybeans and urge that the act of 1965 be amended to include such a program. Provision should be made to carry out such a program in any year that the Secretary determines that the total combined stocks of soybeans and flaxseed of the Commodity Credit Corporation (including such stocks under Government

loan) as of August 31 of any year (a) exceed 150 million bushels (including the bushel equivalent of any soybean and flaxseed meal and oil held by the Corporation); or (b) exceed by 15 per centum or more the number of bushels of such commodities utilized (domestic and export) in the immediately preceding year. Such a diversion program should include a level of price support for such commodities of not less than 75 percent of the parity price therefor as the Secretary determines necessary to achieve the acreage reduction goal established by him for such crop.

We firmly believe that such a program should be available to the Secretary to control the production of soybeans and to protect the income of the producer. If the committee wishes, we will be glad to supply for the record a draft of the proposed amendment.

MARKETING ORDERS

The Grange is a firm believer in the marketing order concept of farm legislation; therefore, we respectfully suggest that the Food and Agriculture Act of 1965 be amended to extend the use of market orders to all crops.

We believe that it would help farmers market their products more efficiently and gain a greater return from their production if market order authority were expanded to include all agricultural commodities. Growers of those crops now covered are permitted to vote on whether to establish market orders for their commodities. This privilege should be extended to producers of all commodities.

CONSUMER PROTECTION RESERVE

We believe that our past Worthy Master, Herschel D. Newsom, summed up agriculture's need for a consumer reserve of food and fiber in his last address to the delegate body, in Peoria, Ill., in November 1968, and I quote:

> The fact that American agriculture has been called upon, in World War I; in World War II; in the Korean War; and as recently as 1967, to produce in the national interest—to "Arm and Feed our Allies to Make the World Safe for Democracy," and as Secretary Claude Wickard put it, because "Food Will Win the War and Write the Peace," and as we were told in the Korean War and only as recently as two years ago that "the world has grown to depend upon U.S. strategic food supplies and reserves"—always to discover later that when these emergencies were passed and markets disappeared rapidly, that depression prices resulted—all these factors have established a very discouraging pattern of economic injustice and the consequent rising rates of indebtedness on U.S. farmers. And unfortunately, in many cases, these injustices have to some extent been passed along to farmers of the rest of the world. All farmers have been hurt from the consequences of expecting farmers to produce without regard to who's going to pay for the extra production.
>
> No other segment of the American economy has been called upon to produce its products in excess of market demands without a firm guarantee of cost plus ten percent or some other such factor, in addition to a clear and unmistakable pledge on the part of the Government of the United States to "stockpile" or place in "reserve" such extra production—so that the extra production would not destroy the price level and threaten the financial integrity of the producers of such "national requirement."
>
> This Annual Session of the National Grange should emphasize with all the vigor at its command, that neither American agriculture, rural America, nor the nation as a whole, can tolerate this sort of needless and unwise exploitation

of American farmers. American farmers cannot shoulder a disproportionate share of the cost of our foreign relations program. Farmers want to produce for hungry people, but if we are to preserve a capitalistic structure, a diverse, individual enterprise structure, which in all American history has served America well, then we must recognize that American farmers in equity and justice, as well as in the national interest, must receive comparable treatment to that accorded to every other producer in America called upon to produce for the national interest. Further delay in incorporating food bank or strategic food and fiber reserve provisions, reasonably defined and equitably administered, is intolerable and, indeed, is a threat to the national interest, as well as to agricultural well-being.

We now have carry-over supplies of these products. But no program has been established to maintain a proper reserve to protect us in the event of emergency which could either boost demand or sharply reduce production.

With such a reserve, greater accuracy in supply-management by commodity programs would be possible. This then would permit us to more closely and consistently approach price and income goals.

This reserve would provide: (see exhibit C).

1. To the maximum extent practical, reserve stocks of agricultural commodities be maintained under producer control.

2. The reserve level of a commodity for any marketing year be established at a percentage of the estimated export and domestic consumption of the commodity.

3. Whenever, during any marketing year, the uncommitted stocks of wheat, feed grains, cotton or soybeans owned by Commodity Credit Corporation fall below the reserve level established for such a commodity, CCC should acquire those quantities of the commodity necessary to rebuild the reserve at a purchase price at the prevailing market level.

4. When these commodities have been purchased and placed in the reserve, they must be held in such a manner so as not to affect market prices.

EXHIBIT C.—CONSUMER PROTECTION RESERVE

SEC. 701. It is the policy of the Congress to establish and maintain reserves of storable agricultural commodities adequate to meet any foreseeable food and fiber shortage which might arise in the Nation as a consequence of any natural disaster, adverse food production conditions for one or more years, military actions, or other causes and to assist other nations of the world in any food or fiber emergency. It is further the policy of Congress to establish such reserves in years of surplus production and to maintain them to the maximum extent practicable in the control of producers, to assure their segregation from the commercial market so that existence of the reserves will not adversely affect the level of market prices.

SEC. 702. Whenever, during any marketing year the uncommitted stocks of wheat, feed grains, soybeans or cotton owned by the Commodity Credit Corporation fall below the reserve level for such commodity specified below, the Commodity Credit Corporation may purchase at prevailing market prices such quantities of the commodity at such times and places as will effect the orderly establishment and maintenance of the Commodity Credit Corporation's stocks of the commodity at such reserve level. The reserve level of the commodity under this section for any marketing year shall be:

For wheat (million bushels)	200
For feed grains (million tons)	15
For soybeans (million bushels)	35
For cotton (million bales)	3

In any marketing year for any crop for which the Secretary determines that the estimated production from such crop will exceed estimated domestic consumption and exports during such marketing year by more than 10 per centum, the reserve level under this section shall be increased by 100 million bushels for

wheat, 7.5 million tons for feed grains, 15 million bushels for soybeans, and one million bales for cotton.

SEC. 703. (a) In order to assure that the Commodity Credit Corporation reserve stocks of wheat, feed grains, soybeans, and cotton will be insulated from the market, whenever the Commodity Credit Corporation's stocks of any such commodity are below the level specified for such commodity in the schedule prescribed in subsection (b) of this section, the Commodity Credit Corporation, notwithstanding the provisions of any other law, shall not sell for unrestricted domestic use of value for redemption or payment-in-kind certificates such commodity at less than the price specified in such schedule.

(b) The following stock levels and prices shall apply with respect to the Commodity Credit Corporation:

(1) For wheat, when the Commodity Credit Corporation's uncommitted stocks are not more than two hundred million bushels, the minimum price shall be 100 per centum of the current parity price, adjusted for class, grade, and location, less than current cost of the marketing certificate charged to processors.

(2) For feed grains, when the Commodity Credit Corporation's uncommitted stocks are not more than fifteen million tons, the minimum price shall be 100 per centum of the current parity price, adjusted for class, grade, and location, less the current price support payment rate with respect to the maximum permitted acreage for the feed grain.

(3) For soybeans, when the Commodity Credit Corporation's uncommitted stocks are not more than thirty-five million bushels, the minimum price shall be 100 per centum of the current parity price, adjusted for class, grade, and location.

(4) For cotton, when the Commodity Credit Corporation's uncommitted stocks are not more than three million bales, the minimum price shall be 100 per centum of the current parity price, adjusted for class, grade, and location.

SEC. 704. Notwithstanding any other provision of this or any other Act, for the purpose of efficient management of the reserve stocks, including rotation thereof, Commodity Credit Corporation may sell any commodity in its reserve at the domestic market price, but any such sale shall be offset by a prompt purchase of a substantially equivalent quantity of such commodity at the domestic market price.

SEC. 705. (a) The Secretary shall make available a program for extending the maturity dates of price support loans for any crop of wheat, feed grains, soybeans, or cotton if he determines that the estimated production from such crop will exceed estimated domestic consumption and exports during the marketing year for such crop. The Secretary shall estimate the production from each crop and the domestic consumption and exports for the marketing year for such crop within 30 days after the beginning of such marketing year and at any subsequent time during the marketing year when he finds that changed circumstances require a new estimate. If in any marketing year when the Secretary has made such a determination, extended loans on wheat, feed grains, soybeans or cotton of any crop are called and the quantity of the commodity under such extended loans is not substantially offset by the quantity placed under the extended loan program from the current crop, the Commodity Credit Corporation shall purchase such additional quantity of the commodity at the prices specified in section 602 of this title as will substantially offset the quantity of the commodity under extended loans which are called.

(b) The Secretary shall make extended loan programs available under subsection (a) or otherwise and exercise the right to call extended loans in a manner which will enable producers to maintain at the end of each marketing year carryover stocks under such programs of approximately 150 million bushels of wheat, 7.5 million tons of feed grains, and 20 million bushels of soybeans. In the case of any marketing year for any crop for which the Secretary determines that the estimated production will exceed domestic consumption and exports during such marketing year by more than 10 per centum, the Secretary may conduct the program in a manner which will enable producers to maintain at the end of such marketing year carryover stocks of up to 200 million bushels of wheat, 15 million tons of feed grains, and 35 million bushels of soybeans.

(c) The Secretary shall offer to enter into agreements with producers under which the producer shall agree to keep such commodity in storage under his control for periods of not to exceed three years, and the Secretary shall agree not to call the loans in such cases, unless the prevailing marketing price for the com-

modity has reached the level at which the Commodity Credit Corporation may sell such commodity for unrestricted domestic use under the pricing schedule provided in section 603 of this title and the Secretary determines that the commodity is needed to meet a shortage which has arisen as a consequence of a natural disaster, adverse food or fiber production conditions for one or more years, military actions, or other causes. Notwithstanding the foregoing restrictions, the Secretary may call the loans in the case of commodities which have substantially deteriorated in quality or as to which there is a danger of loss or waste through deterioration or spoilage or for the purpose of establishing claims arising out of contract or against persons who have committed fraud, misrepresentation, or other wrongful acts with respect to the commodity. The Secretary is authorized to provide incentives necessary to encourage farmers to store under such agreements approximately 150 million bushels of wheat, 7.5 million tons of feed grains, and 20 million bushels of soybeans. To the extent that the quantity of any commodity stored by producers under this subsection falls below such level, the Commodity Credit Corporation may purchase an additional quantity of the commodity to offset the deficiency.

Mr. SCOTT. Are there any questions?

The CHAIRMAN. Thank you very much.

Mr. BURLISON. I have a question about your brief paragraph, I think, on the soybean program. You have noted that your organization favors bringing soybeans under production control, acreage allotment, at a support price that would return approximately 75 percent of parity. I am curious as to whether your organization took a position, back a few months ago when the Secretary reduced the loan support on soybeans by approximately 31 cents per bushel. Did the Grange take a position on that action?

Mr. SCOTT. Yes; we did.

Mr. BURLISON. What was the position of the Grange?

Mr. SCOTT. We opposed the lowering of the support price to the farmer, very strenuously opposed it.

Mr. BURLISON. Thank you.

Mr. INGWERSEN. Mr. Chairman, I might comment that in my region, the lowering of the suppport price has not reduced the planting of soybeans; in fact, the planting of soybeans in our area is up. If one of the purposes was to reduce production of soybeans, I am afraid it will fall short. Whether it will make soybean oil and soybean meal more competitive in the open market remains to be seen, but it has not reduced production in our area.

Mr. BURLISON. I would like to direct my next remarks to the area of the food stamp program, which we have not discussed as yet and obviously will not have time to discuss.

I note from your written presentation here that you do not favor the inclusion of fiber products in the food stamp program. Could you state your reasoning why you are not in favor of that?

Mr. SCOTT. Mr. Congressman, we have taken the position that even the food area of the stamp program is in its infancy. It needs a lot of refinement in terms of ability to get the stamps where they are needed and ability to encourage people to use them properly. For this reason, we feel that the time is not yet ripe when this program should be extended to other than food items.

Mr BURLISON. But I note that in your proposal for a strategic national reserve or consumers' reserve or whatever we choose to term it, you favor making this reserve not only a food reserve but a fiber reserve as well. Is there any inconsistency in those two positions?

Mr. SCOTT. I do not feel there is, Mr. Congressman. In American agriculture, the food and fiber are so closely bound together in production that one can upset the other. You can grow one crop on the other land in many cases. In the area of food stamps, to be, at the present time, supporting only food in relation to a culmination of food and fiber, I think most essential to the poor people is to get enough to eat. Granted, they must have clothes to wear and socially, they need to be better clothed in order to make their social position better. But I hope we can gain some experience in the next very few years in distribution of food stamps that will enable us to move into a fiber stamp program with much better, more ease and much better than we could, I think, at the present time.

Mr. BURLISON. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Are there any other questions on this section?

If not, we will pass to the next.

Mr. SCOTT. Mr. Chairman, I have asked Mr. Frederick also to present our section that is in the testimony on long-range land retirement.

Mr. FREDERICK. Several cost studies have been made which I have referred to in the statement; one is our own Department of Agriculture, ERS–377 that attempted to estimate the cost of long-range cropland retirement programs. One from Iowa was the CAED Report No. 32 from Iowa State University.

LONG-RANGE LAND RETIREMENT

At the 102d annual session of the National Grange, the delegate body adopted the following resolution:

LAND RETIREMENT PROPOSALS

Whereas diversion of land from crops will continue to be essential in any effective farm program; and

Whereas numerous long-range land retirement programs, in lieu of and/or in addition to current annual diversion program provisions, are currently under discussion; and

Whereas the various proposals could have a significant impact on future farm program content, farm program costs, the survival of family farms, rural communities, and upon the tax base for counties and states; therefore be it

Resolved, That the National Grange carefully review new farm program proposals to make certain that any programs enacted by the Congress retain desirable features of current programs for family farms; are realistic as to the stated intended benefits and costs; and protect the tax and economic base of rural communities.

The Grange will support programs that will pick up the contracts which are expiring under the original Soil Bank Act and, in addition, urges that this committee authorize the necessary funds to expand the two programs discussed earlier in our statement that will encourage long-range conservation of our natural resources.

However, it still seems to us to be more fiscally prudent to tie reduction of acreage programs, which are designed to reduce surpluses, to the commodity or commodities which are being overproduced. In fact, we may say that it makes the most sense to do this in connection with crops which have a limitation on production that is not expressed in acres allotted to the particular crop. Therefore, we submit to this

committee that diversion payments which are related to the wheat program, for example, make the most sense because they lead to an inevitable and predictable reduction in the crops.

These, however, are not a sufficient basis for any encouragement that a long-range adjustment in agricultural production can be accomplished in this manner. We have heard a great deal from a number of so-called scholars in the field to the point that land is the basic requirement for production and, therefore, land must be retired from production in order to adjust the production of agricultural commodities to the demands of the market. The National Grange wishes to enter a vigorous dissent to this prevalent opinion. We would point out that the day when the factors of production in order of importance were land, labor, and capital has been completely outlived and the reverse is now true, because a most important factor in production is now capital, with labor second and land third.

Any long-range program for reducing production must come to grips with the problem of capital investment and must find some way of limiting the capital that is invested in order to limit the production from available land. This is a matter of basic economics. The failure to do this in some reasonable way will continue to put extreme pressure on the owner-operated type of land and increase in intensity the effects of a policy which makes survival dependent not so much on efficiency as upon the availability of capital reserves.

A more positive program, and, hopefully, we will begin to look for a positive solution to the problems of agriculture some day in the near future, would be the use of our productive and marketing know-how to expand the use of American agricultural production in food-deficient areas of the world. This would include the use of food for capital to pay for labor and to be the basis of investment; it would include expanded food relief programs, both at home and abroad, and it would have as its objective the adequate nutrition of all of the people of the world. The locking up of the productive facilities of American agriculture, in a permanent program of acreage reserves is unconscionable in a needy world. Temporary expediency, of course, requires that this be done now. As a solution to our food surplus problem, it would appear to this witness and his organization that the latter is highly preferable.

To adopt a land retirement program on the basis of a permanent solution to the problems of agriculture by this committee would seem to be premature and inconsistent with policies of national and international welfare. To adopt it on the basis of this being a temporary solution, while more permanent programs are being devised and implemented, programs based upon sound land and water-use planning, sound national and international policy, prudent use of tax moneys and the protection of the integrity of invested capital in many areas, would have the reluctant support of the National Grange.

What we are saying is that we will give enthusiastic endorsement and support to those programs which are permanent in nature, which remove from the foreseeable future, land from production and put it into productive use that is not confined to the production of agricultural commodities. This, again, is a part of proper land-use planning.

However, the whole farm retirement concept is one which needs to be most carefully considered, because this is the one which also retires the village businessman, and makes its most severe impact upon a community. However, we recognize that there are points beyond which the partial retirement of a farm is no longer practical, because of the requirements for machinery which would still remain.

Such a program as is conceived and carried out must contribute to rural welfare, instead of contribute to a decline of the welfare of rural people. That means, in other words, that again it must be correlated with efforts to disperse industry and provide employment opportunities in rural areas. The social and emotional factor of the displacement of pepole must be given equal consideration with the economic desirability of some of these programs.

It would appear to us that it would be possible to use land as capital for community development and to make available land a basis for the dispersal of industry and to attract this industry into the rural areas. However, the Grange would hold that this must be done with considerable caution and that we must not permit this kind of a program to be a refuge for fugitive industry whose excuse for moving from one area to another is only that they are trying to avoid the responsibilities for paying a living wage to the people who are employed in these areas. By and large, the moving of industries from place to place has not solved any of the problems of American life. Indeed, in many instances they have intensified these problems. However, within the concept which was developed by the Area Redevelopment Administration, the placing of expanded facilities for existing plants in other areas where there are supplies of labor, and the paying to the labor in these new areas a wage consistent with that which is paid in other plants owned by the same company, is a positive and constructive method of solving some of the problems of both our rural and urban communities.

Much has been said about the cost of current programs and that we in agriculture must continue to do what we have been doing—but on less money. We will grant that the cost has been substantial, but it has not been a critical factor in our economy.

In fact, in a publication by the Economic Research Service, USDA, April 1968, entitled "Estimates of Farm Production, Prices and Income, 1961–67, in the Absence of Farm Programs," states:

> The impact on net farm income under the free market conditions would have been even greater than the impact on production and prices. Increased volume of marketings would have held gross realized farm income during individual study years at levels of 80 to 90 percent of their actual 1961–67 levels. Net realized farm income, however, would have declined sharply. It would have been an estimated 76 percent of the actual in 1961, and 54% of the actual in 1967 as the cumulative impacts of lower livestock prices were fully realized.
>
> For the entire period of 1961–67, net realized farm incomes under actual farm programs totaled to 95.4 billion. Under the "free market" situation, net realized farm income was estimated at $60.9 billion. Thus, net realized farm income would have been lower by a total of 36 percent between 1961 and 1967 if farm price supports, acreage diversion, and export subsidy programs had been eliminated.

Likewise, in a similar publication by the Department of Agriculture entitled "Summary—Farm Program Needs 1968–70," March 1967, it states:

> Agriculture's surplus problem has been significantly diminished, as a result of the elimination of the surplus carryover stocks. According to earlier studies,

if farm programs—both annual and long-term diversion—had been terminated in earlier years while these large surplus carryover stocks were hanging over the market, net realized farm income would have been reduced about 50 percent. This analysis indicates that with the elimination of surplus grain stocks, if the annual programs were now terminated (while continuing the long-term cropland diversion programs), realized net farm income would be reduced by over 30 percent.

Net farm income would fall by more than $5 billion from the 1966 level. But government costs of the farm programs would be reduced by only $3 billion. Thus the decline in farm income would be substantially greater than the reduction in government costs.

Such a decline in net income obviously would have an adverse effect on farm land values. Farmers' net worth probably would decline much more than the reduction in net income.

In light of these studies, we would submit to the committee that farm programs, in fact, have paid in the national interest and have not been as costly as the bare figures published would indicate.

In connection with some proposed farm legislation and the Secretary of Agriculture's testimony regarding new farm legislation, several studies have been discussed regarding cost of long-term whole-farm-land retirement. The studies referred to are "Farm programs for the 1970's", CAED Report No. 32, from Iowa State University and "Analysis of a general cropland retirement program", ERS–377, May, 1968.

The above studies indicated that it would take between 60 and 70 million acres placed in a cropland retirement program, at a cost of between $1.2 billion and $1.4 billion to the Government.

The E.R.S. study concludes:

More than 70 million acres would have to be retired from total crop production to balance supplies with market demands at 1967 prices. Also special provisions would be required to achieve a balanced reduction of wheat, feed grains, and cotton.

Because of the attractiveness of the low estimated cost of such programs, they have received wide publicity and much support from various segments of our economy and educational institutions. However, with the present programs diverting in excess of 60 million acres, we failed to see in the programs any real promise of a success in supply-management and certainly no increase or improvement in present farm prices. In addition, we felt that the cost estimates were underestimated by a considerable margin if, in fact, productive land was to be removed from crop use.

In a letter to Senator George McGovern from the Legislative Reference Service of the Library of Congress, our doubts about the program cost in relationship to farm price levels were substantiated.

The letter from the specialist stated:

Although the Iowa State study states, "The 60 million acre retirement plan would provide a net income for agriculture in aggregate at about the 1967 level," a majority of a small group of university and U.S. Department of Agriculture economists, in reviewing these studies recently, expressed reservations with respect to this conclusion.

This group has not, as yet, filed a written report, but a majority of them, after reviewing the methodology of these studies, concluded that substantially more than 70 million acres of cropland would have to be retired to achieve supply adjustment of the price-supported crops, cotton, wheat, feed grains, and soybeans, which would assure them prices and incomes comparable to those obtained in 1965–68. A majority also expressed the judgment that the actual annual cost of retiring 60 or 70 million acres of cropland would be substantially higher than the minimum costs estimated in these studies.

In view of the above considerations, a cropland retirement program large enough to accomplish the supply adjustments obtained by the annual adjustment programs in 1965–68 might well require the retirement of 90 million acres of cropland or more at a cost perhaps 50 percent higher than the minimum cost estimates of these studies, or $2 to $2.5 billion a year.

The above estimate just includes the cost of retiring the land and does not include an adjustment payment or retraining allotment for persons who are removed from agricultural production. At the present time, we do not have any concrete total cost estimates of such farm programs, but in our judgment, it would run as high as, if not higher than, present farm programs, with less guarantee of satisfactory results on farm surpluses or farm income, if the decade before the present programs went into effect is an indication of such programs' performance.

Because of the doubtful results of such a program, at a like cost to the Government, plus the adverse effect it will have on rural communities, the Grange must raise its voice in opposition to such programs that would have a negative effect on farmers, consumers, and rural America.

It has been suggested that the cost of such programs to the Government can be reduced by permitting grazing on cropland placed in land retirement programs.

One of the brightest spots in America agriculture is the livestock industry. We feel this has been brought about by several factors, the first of which is the tremendous effort on the part of the meat industry, through advertising, to increase the per capita consumption of red meat. Second, they have been benefited by the Food and Agriculture Act of 1965 which has provided a stable and reasonable price for feed grains. Third, we feel that food stamps and food distribution programs have started and helped develop new eating habits and improved diets of American consumers who, up until this time and until such programs were available, did not have or could not afford red meat.

Now we find being advocated and arising in American agriculture a new horse to ride. That horse is the beef cow. There seem to be some indications that all problems in American agriculture now can be solved by shifting resources out of certain factions of agricultural production into beef cattle production. This is now the panacea for the solving of farm problems. Gentlemen, it's just not so, for in the immediate future, taking diverted acreage or whole-farm land retirement or easement retirement, or whatever type of long-range land retirement you wish to call it, and putting it into grass is not going to increase immediately the amount of beef and thereby bring about a decrease in the price of beef. We have to look at cattle numbers. To increase the number of cattle available for slaughter in the future, we must increase our cow herds, and to increase the cow herds, we will have to start taking heifers off the cattle market, instead of taking them to slaughter. In doing so, we would face immediate and sharp increases in the price of beef because of the decrease in supply.

Such programs entered into without a considerable amount of planning or forethought lead to first, a rapid increase in cost of beef because of the decrease in numbers by withdrawing the heifers; second, such programs in the long run, if we encourage overproduction

by grazing, will bring beef back down to the disastrous price of 19 cents a pound and kill a prosperous segment of agriculture. You cannot solve American farm problems by shifting from one crop to another any more than you can solve American farm problems in foreign ports through an unrealistic export policy that can have a negative effect on domestic farm programs.

The CHAIRMAN. Thank you very much.

Any questions on this land retirement program?

Mr. MELCHER. I have one.

Mr. Frederick, the talk about the land retirement program has been emphasizing that half of it would be put into cow-calf operation, pastureland, in order to meet a growing demand for beef. Would it be your opinion that with high-livestock prices it would be a natural thing for farmers and ranchers to increase production of beef without any Government incentive to do so?

Mr. FREDERICK. Yes, I think they would. I think that what happens when we get Government incentives by allowing grazing and so forth on rangeland will lead to too rapid an increase. The immediate reaction would be the withdrawing of heiffers from slaughter to start raising beef cows to increase herds, which would have an immediate effect upon a rapid increase in the price of beef. In the long run, if it is accelerated, we could get back to the disaster prices of, as we remember it, 19 cents a pound over a long period of time. It would accelerate faster than the consumption could take the beef off the market.

Mr. MELCHER. You feel the acceleration under such a plan would be too rapid, whereas if it were allowed to take its natural course, it would still be accelerated, but in a more even manner?

Mr. FREDERICK. I think the cattle industry can be complimented on the fact that their advertising programs and programs to take cattle to the market before they get extremely heavy have all had their factors in increasing the consumption of beef. I think in their wisdom, they would let the program go slowly and not kill their position they have today by having too fast an increase.

Mr. MELCHER. Then you believe that without any new Government program that these objectives could be accomplished with less cost to the taxpayers.

Mr. FREDERICK. Yes, it can.

Mr. RARICK. Mr. Chairman, I would like to make one comment.

The CHAIRMAN. Mr. Rarick.

Mr. RARICK. I believe that in the Secretary's statement he called for a program of voluntary land retirement. Can you tell me of any successful farmers you know of who are willing to voluntarily retire their farm?

Mr. FREDERICK. There might be a few, if we had the time to elaborate on our statement, where we think through cropland adjustment and additional appropriations for putting land in some long-range conservation practices, will allow these people to perhaps get out of agriculture if they wish. But when the present program we have before us for whole farmland retirement plus the phasing out of present programs is the only alternative for a farmer, it is kind of like handing him a knife on his way to the guillotine. He has no alternative, either accept or he gets out.

Mr. RARICK. If we look at it on just a voluntary basis, it will be the unsuccessful and probably the less producing farmer who is going to be willing to participate?

Mr. FREDERICK. Right, and I think we will have a tremendous increase in production.

Mr. RARICK. Thank you, Mr. Chairman.

The CHAIRMAN. If there are no further questions on this section, we will pass to the next one.

FOOD STAMP ACT OF 1964

Mr. SCOTT. The Grange, in addition to being a farm organization, is a fraternal organization which has its foundation deep in our Judeo-Christian culture which has at its heart a deep concern for others in economic positions less favorable than ours.

Our membership, at all levels, concerns itself with people and their problems. We place special emphasis on the worth of the individual and his contribution to the improvement of the society in which he lives.

The Grange is privileged to have this opportunity to once more support, not only the Food Stamp Act, but the expansion of that act, to put our Nation on a charted course toward the elimination of hunger and malnutrition. Through healthy people will come a healthy nation, in which each individual will feel the added responsibility of making his contribution to his community, State, Nation and the world in which we all live.

The National Grange, from its beginning 102 years ago, has been concerned with the welfare of people. One of its first acts of national importance in the early years of Grange history was the purchase and distribution of five carloads of food and clothing for the flood victims of Mississippi and Louisiana. An additional cash grant was made to the State Granges in the affected areas for their use in alleviating human suffering.

We would like to make it clear that the Grange does not look on the food stamp program just as a means of increasing the use of farm products. If this were true, we would be testifying in opposition to food stamps and pushing hard for a complete commodity distribution program. We believe our testimony in support of a greatly expanded food stamp program will substantiate this position.

The Grange believes that all bills being considered by this distinguished committee contain the basic objectives of the Grange position concerning the use of food stamps to increase the distribution of foods and upgrade the diets of needy people in the United States. The opportunity for the American people to share fully in the abundance of food from our farms, regardless of their economic position in life, should be, and is, a major objective in any campaign against the effects of poverty.

COMPARISON OF MAJOR PROVISIONS OF FOOD STAMP PROPOSALS

Funds.—We do not feel that the Food Stamp Act should contain unlimited authorization for appropriations.

The CHAIRMAN. May I interrupt there?

I think there is a misunderstanding as to what we are talking about in open end programs. We can provide open end authorization, this committee can, but still the Congress would from year to year determine the amount of appropriation because the Appropriations Committee would come in with a figure which would have to be approved by the Congress. Of course, if this is just left there so the Department could spend any amount of money, I would consider that truly open ended. But I mean that no matter what this committee does, the Appropriations Committee is going to make the determination as to what the amount of money is. This committee can only put a limitation on the upper limits to which the Appropriations Committee can go.

Mr. SCOTT. Yes, and our contention is that there should be an upper limit, Mr. Chairman, and not a "sky is the limit" type of appropriation.

We have at our disposal, or soon will have, a very accurate appraisal of the level of hunger and malnutrition that exists in the United States. With this data in the hands of the experts at USDA and HEW, they should be able to ascertain the necessary moneys needed each year to sufficiently fund the program. Therefore, we feel that the appropriations requested in the Presidential message are sufficient to meet the needs in the foreseeable future. If experience proves that increased appropriations are necessary because of the higher number of families below the level set by the provisions of the act to receive free food stamps, additional funds can be appropriated.

Cost of coupon.—We have seen poverty, but it is hard for us to envision a large number of families in the United States that can not afford to pay even a very small amount for food stamps that are worth many times what they pay. We are inclined to favor a plan where food stamp recipients pay something for the stamps they receive, even if it is just a dollar or two per allotment period, with the value of allotment diminishing as household income increases.

Value of coupon allotment.—Until more accurate information is available as to what constitutes an adequate diet and the cost of such a diet, (we now have conflicting amounts in pending legislation and the President's message), we would favor letting the present provisions of the law prevail.

Eligibility requirements.—The Grange feels that income need only be insufficient to attain adequate diet, allowing the Secretary to prescribe minimum requirements as to maximum income limitations. Here again more research is needed to be able to define an "adequate diet." Such requirements may vary as to area, precondition of malnutrition, and other factors; therefore giving the Secretary some flexibility is highly desirable.

Local administration.—The biggest drawback to expansion of the present Food Stamp Act is the provision that the plan must be "administered by, and upon request of, State agency."

The Grange, therefore supports the provisions of legislation which provide for the administration by Secretary, through any nonprofit private, Federal, State, or county agency where (1) local agency fails to comply with law, (2) local officials fail to request program after Secretary has offered to pay part of costs, or (3) the Secretary determines that a local program is necessary to effectuate the act or alleviate severe malnutrition.

Mrs. MAY. Mr. Chairman, may I ask a question on that?

On page 48, where I think you made your point that you support provisions that the Secretary may go ahead in an area—well, you make three points there. As I understand it, the Senate version of this bill has put in some limitations. But one thing you left out, I believe the Senate version has a request by the Governor, too. Would you have any objection to that?

Mr. SCOTT. Yes, I am sure that this is the Secretary's feeling. We discussed this with Secretary Hardin. But I suppose, Mrs. Congresswoman, this would be a time when we might find even a Governor who would be obstinate in this area. I would hate to see people not get enough to eat for any political reason.

Mrs. MAY. Well, for political reasons, Mr. Scott, this may turn out to be one of the most controversial portions of the food stamp program. As one of the original sponsors of the bill, I am finding this to be true. It may be that it will be necessary to spell out a few more protections against Federal pressure to get support in some areas. I was just wondering if you have any do or die feeling on this.

Mr. SCOTT. No, this would not be a do or die position of the Grange, but I think our philosophy as a fraternity and as farmers, there should not be any hungry people in the land of plenty.

Going down, we say we do support the continuation until the food stamp program is perfected of the distribution by direct commodity distribution. I did touch on the self-certification.

Mr. MONTGOMERY. Mr. Chairman, would the gentleman yield?

The CHAIRMAN. Yes.

Mr. MONTGOMERY. Mr. Scott, I have drafted a food stamp bill which I will introduce in the near future.

On page 48, you talk of local administration and you say that we hope that local and State and civic organizations shall be solicited and encouraged to participate in the Food Stamp Act.

I might go a step further and say that one of the key sections of my bill calls for State participation, participating as they do in other Federal programs, starting off at 2½ percent, and when they reach the limit of 10 percent, it cuts off. In other words, the State will participate up to 10 percent. I introduced it because I think it has considerable merit to it. When you have your money in a program, you are going to watch the program better. Has the Grange taken a position on State participation?

Mr. SCOTT. I think you are right, when a person has money invested, they are more interested. But again, I think it comes back to this basic idea of the food stamp program is to feed hungry people. If for some reason a State can't participate or will not participate, it does not seem to the Grange that that hungry person out there should be denied food.

Mr. MONTGOMERY. Generally, my bill covers what you have said here. The way I interpret your remarks, you want a ceiling on the program. I have a ceiling of an amount of money, that my bill gives the person who needs food stamps a little easier way to get it than it is now, and better information. I felt, this being in it, that the State would participate.

Mr. SCOTT. I am sure we will be interested in studying your bill, Congressman Montgomery, and visiting you about it.

Mr. MONTGOMERY. You are not making a definite statement here today that you are for or against State participation?

Mr. SCOTT. That is right.

Mr. RARICK. Will the gentleman yield?

Mr. MONTGOMERY. Yes.

Mr. RARICK. What would the Grange's position be in line with testimony given on the other side of the House, by an economist that we have no food stamps, we just give free food to all the American people—staple food such as protein and various basic diet commodities?

Mr. SCOTT. Mr. Congressman, a distribution of this type is, we have proved to ourselves, is tremendously difficult. Many people can, and it is much easier, and it contributes to the entire economy of the community much more for the people to get their food in regular channels. Even though when we are trying to bring about a program of this kind to feed needy children, if they eat the same as the children they go to school with and get them in the same kind of ways, except for the stamp portion, the whole sociological approach is much better.

In addition to that, it is a much more efficient type of distribution, cheaper for the Government to distribute.

Mr. RARICK. We give children free milk now at the school and for that matter the Commodity Corporation could place this free food in grocery stores where people could pick up their free food while grocery shopping. If I understand your answer, then, you would be against, not having food stamps, and just giving free staple food to all the people, anybody who would want free basic foods to balance their diet.

Mr. SCOTT. That is right. I think it would be too costly a program to distribute for the Government. Our distribution programs were originally based on surplus commodities and to now go into the Government paying the market price for the food and then getting it out to the needy would seem to me to be a very roundabout way to serve the needs of hungry children.

Mr. RARICK. You surely are aware that just because people do not have food stamps or that the stamps are not given to them free—that alone does not cause malnutrition. I recall testimony on the floor yesterday on the HEW bill that the greatest amount of malnutrition in our country is not among low-income people but rather middle-class people, the middle-class people who get up in the morning, are running late, are too busy to feed their kids a breakfast and too busy running around to parties at night and partaking of too much whisky drinking to eat a planned or balanced meal. We must have some Wall Street bankers with malnutrition from poor eating habits. And we have some college professors—wealthy college students using pot and LSD, who likewise are suffering from malnutrition. So if there is malnutrition, its cause cannot be limited to income alone—the reason must be assessed as lack of commonsense eating habits.

Mr. SCOTT. Congressman, your statements are all entirely correct and we have devoted considerable time in our statement to our expression of what we feel is the need for education in nutrition at all levels, not just for the poor. We do support very strongly the Secretary of Agriculture in the new move to create an area in the Department of

Agriculture especially for this purpose of educational, nutritional education and to teach young mothers to feed their children better, perhaps for less than they are feeding them now financially.

Mr. FOLEY. Mr. Chairman, I have a couple of very brief questions. I do not want to get into a conflict with my good friend from Mississippi, but do you feel that if it would be possible to require States to participate in food stamp costs, it would be a disincentive for some States to participate, particularly if they had a high number of potential recipients and were under some financial difficulties at the State level?

Mr. SCOTT. I think I would say that I think it would be, Congressman, because some States do have and local governments, too, have just about all the burden they can bear now in terms of costs and any new program that comes along that is going to require more money naturally falls down at a lower need level.

Mr. FOLEY. You would not under any circumstances—I think I know you will say this—favor the participation of States in varying costs of farm programs?

Mr. SCOTT. No.

Cost of local administration.—Local governments are already hard pressed for sufficient funds to continue present level of activities; therefore all local costs that are not provided by civic organizations should be paid by the Federal Government. However, as we will point out later in our statement, all local and State civic organization should be solicited and encouraged to participate in the Food Stamp Act.

Concurrent direct food distribution.—The Grange believes that concurrent food distribution should be permitted; however, as soon as feasible, food distribution should be discontinued in favor of food stamp plans. This will eliminate some of the problems and high cost of providing free food through distribution plans by taking full advantage of the private food marketing system.

Self-certification.—The method of certification for eligible households is one of the most difficult, yet one of the most important provisions of the act. The Grange would recommend that the Secretary work up guidelines to be followed in certifying eligible households. Until better methods are developed, certification solely by affidavit of household should be provided in the act.

Issuance of coupons.—The Grange, being a community-oriented organization, believes that such local organizations should be utilized as much as possible to assist in carrying out the objectives of the Food Stamp Act. We, therefore, would favor the expanding role of community action agencies and VISTA volunteers in delivering stamps, whenever and wherever possible. In lieu of this we would recommend State agencies issuing stamps through the post office, mail, food stores, or otherwise in an attempt to increase the ease of eligible households to obtain stamps. We feel that there is, within the Department of Agriculture, the expertise to devise an adequate system of food stamp delivery, where it will not be necessary for the recipient to take taxis or expensive means of travel to obtain food stamps.

Information assistance.—The Department of Agriculture has had over 100 years of experience in assisting in the production of an abundance of nutritional food and the experience of teaching the unknowing of the importance of balanced diets through the home economics

workers of the Agricultural Extension Service. All the doctors and experts in other Departments of the Federal Government cannot match the record of the Department of Agriculture in teaching people better ways to live—farmers and nonfarmers alike.

The Department of Agriculture has been severely critized because it has not done enough in feeding the hungry and underfed people of our urban-rural poverty areas. Who has done more? Other Government agencies became interested in hunger and malnutrition after this committee made the first move in enacting the first Food Stamp Act.

The hearings being held by the U.S. Senate Select Committee on Nutrition and Related Human Needs point up the importance of education in meeting the nutritional needs of American young. Malnutrition in the United States is not restricted to "poverty pockets", but much is caused by lack of knowledge. Most poor eating habits are due to the failure of mothers—who weren't taught by their mothers or at school—to teach young people how to eat properly. And this occurs at all economic strata and is inexcusable in the middle-to-higher-income brackets because they have means to purchase nutritious food and access to an education to show them how it should be prepared. And it remains, of course, that those others who don't get enough to eat have another problem altogether—except they also don't get the nutrition education.

It's high time that greater emphasis was placed on "nutrition education" in public schools and local communities' projects. The consequences of "negative nutrition" should be burned into the minds of mothers as well as growing children.

We are not nutrition experts and do not pretend to know all the answers to solving the problems of hunger and malnutrition; however, we have studied the problem long enough to know that surplus food and increased appropriations alone will not cure the ills of a nation that has hunger and malnutrition so prevalent in a "land of milk and honey".

Therefore, we must approach the problem from two avenues: one, from increased use of farm abundance; and two, increased education of mothers and children in proper eating habits, both of which can be best administered by the Department of Agriculture because only they have the expertise to travel both avenues to answer the problems of hunger and malnutrition.

Within the Department of Agriculture, as I am sure this committee is well aware, is the Federal Extension Service, comprised of many experts in the areas of "nutrition" and "humanization" (art of talking, working with and understanding people). Both are of utmost importance if we are to truly eliminate hunger and malnutrition. Appropriations are important, but nutritional education is indispensable.

In recent months much has been done by the Secretary of Agriculture who has become increasingly aware that feeding the underfed and winning the war against hunger in the United States is the No. 1 responsibility of the Department of Agriculture. The program started by his very capable and dedicated predecessor. molded into viable legislation by this committee and passed by previous Congresses, now must be pushed farther and faster if they are to remain a part of the overall responsibility of the Department of Agriculture and this committee.

Territorial coverage.—At the present time, until we have developed better delivery systems, gained more knowledge of the requirements of adequate diets and nutritional deficiencies that exist in various areas, our efforts should be limited to the coverage of the present law; expansion to include all U.S. territory and possessions as funds and additional nutritional knowledge are available to the Congress and the Secretary.

Food coverage.—The Grange feels that, at the present time, items covered by the Food Stamp Act should be limited to foods, including milk.

New organizations.—We submitted a statement in support of H.R. 7919, the Human Nutrition Act of 1969, and act which, in our opinion, will be of tremendous assistance in obtaining the national goal of elimination of malnutrition and hunger from America. This bill would create an Assistant Secretary in the Department of Agriculture who would administer all food assistance programs and be directly responsible to the Secretary of Agriculture. We, therefore, would be in favor of additional amendments to the Food Stamp Act of 1964 to set up a National Nutrition Committee to act in an advisory capacity to the Secretary of Agriculture.

The Secretary, in accepting the challenge of the 1970's has said both in public and in private that the American farmer can produce all the food that is necessary to feed the hungry and underfed—but it must be done at a fair profit for the farmer. To this we add our amen. We feel that the problem of curing the Nation's ills of malnutrition and hunger can and must be met without reducing by one cent the farmer's income or Government appropriations for farm programs.

It is through these programs that we have our abundant food supply that is necessary in carrying out our many programs of welfare feeding and school lunch and related activities. Without present consumer subsidies in agriculture programs, the cost of the foods used in such programs would increase considerably and place the programs in serious jeopardy of being lost or greatly curtailed because of the increase in needed appropriations to purchase the agricultural commodities.

The production of nutritious food by the American farmer, at fair and reasonable prices for the consumer, and returning an equitable income level for the producer, is closely tied to the food stamp program, if not paramount to it, if we are to provide the food for the hungry and underfed. We, therefore, urge this committee to report a greatly expanded Food Stamp Act, along with the extension of farm legislation encompassing the commodity programs of the Food and Agriculture Act of 1965.

The Grange is pleased to note that the Secretary of Agriculture has announced the creation of a new agency within the Department of Agriculture called the Food and Nutrition Service. It is scheduled to come into existence officially sometime next month. The agency will operate the Agriculture Department's food programs including food stamps and commodity donations for needy families and various child feeding programs.

We commend the Secretary on this forward approach to accepting the challenge of eliminating hunger and malnutrition from the richest

agriculture nation in the world and urge this committee to give him and the Department the legislative tools necessary to accomplish this national goal.

We cannot emphasize too strongly the expertise that exists in the Department of Agriculture for conducting studies in nutrition, diets of men, women, and children, and the trained personnel to do the necessary job of education. In addition, through the various agencies of the Department of Agriculture, a delivery system can be devised to get the food and the education where it is most needed.

The CHAIRMAN. The Chair is not going to entertain any further questions, but we would appreciate it if you could sum up what is remaining.

CONCLUSION

Mr. SCOTT. It is stated in Ecclesiastes 4:10, "Woe to him that is alone when he falleth, for he hath not another to help him up." This is about where American agriculture is today. Those of us who have lived through the agricultural revolution, who have seen the abundance possible, are suffering as the result of it.

By releasing many millions of persons from the necessity of tilling the soil, the agricultural revolution has enabled the rest of our economy and society to grow to its present developed status. If farmers today produced at the productivity level of 1910, in order to feed our population, which is over 200 million, we would need to have kept 20 million persons in our farm labor force and have that many fewer for manufacturing, trades, services, professions, and the arts.

It is evident, then, that the agricultural revolution has already made an important and beneficial contribution to the welfare of our country. But what has it meant to those most directly involved in it—to farmers and rural communities? Has it been an unmixed blessing. The answer, unfortunately, is no.

Instead of being the chief beneficiary, the farmer has been the chief victim of this revolution. Because he did not recognize and control soon enough the forces of change, the farmer now finds himself in a desperate struggle for survival. He and his Government have found no adequate answers to three chief problems that have resulted from the agricultural revolution: the seemingly uncontrollable tendency of production to overrun effective demand, an inexorable cost-price squeeze which leads to bankruptcy, and the accelerated exodus from farms and rural communities to cities, often with disastrous results to both.

American agriculture, American farmers, Congress and, indeed this committee have fought with these problems and in most instances have accomplished much. We have labored hard and long in an attempt to find answers to the problems of American agriculture. Over the past years, two alternative approaches to the farm problems were attempted. Both failed, or partially failed, primarily because of the lack of political acceptance. During the Eisenhower years Secretary Benson made a valiant attempt, as he would put it, to return the farmer to the free market. Following that, the Kennedy administration attempted to implement a system of Government-run supply-management using direct, mandatory controls. Both of these approaches have been found wanting. I think one must look at the successes of the past administrations and take from them portions to mold the agriculture

programs of the seventies. The soil bank was not a great success, but it was an experiment from which we have learned what we know today about how to withdraw land from farm production.

The Kennedy administration passed the emergency feed grain bill, as you well know, in 1961, which is generally popular with farmers and which contains several ideas presented to wheat and now in effect for cotton in what is now referred to as the Food and Agriculture Act of 1965. We need not refresh for this committee the working mechanism of the Food and Agriculture Act of 1965 or the final innovation of the Kennedy years which was the two-price certificate plan for wheat. The successful innovations of the past decade should be important parts of any answer to the problems we now face.

In the short run, our choices amount to an economic and political dilemma. With voluntary programs, unrelenting pressures of significant annual increases in yields, means that budget costs go up each year even if you are only maintaining the same level of farm income. Each year politicians are faced with a Hobson's choice between greater budgetary cost or higher prices to the consumer, via certificate-type systems, and so forth, or—failing increases in either budget or prices—lower total farm income. If, in the process of making political choices, it is decided that farm program budgets must be reduced, farm income must fall as a direct consequence. Unless the cost of these programs can be transferred to the consumer, this is the dilemma. It is also a political dilemma, since each of these variables—budget, consumer costs, and farm income involve political potent interests.

We will continue to have the political dilemma that faces U.S. politicians and us as farmers and producers until we, as a nation, adopt a national policy on food and fiber. Once we have made the decision that it is in the national interest to maintain farm income at somewhere equivalent or equal to the non-farm sector, and at the same time provide the managed abundance of food and fiber to the American consumer, at fair and reasonable prices, we will not have the political dilemma that faces us today.

In summary Mr. Chairman, the Grange supports the extension of the Food and Agriculture Act as permanent legislation. In addition we are in support of increased use of the cropland adjustment program and the conservation practices program as supplemental land retirement to the annual commodity diversion programs.

We do not stand alone in our position, as this is the combined effort of 17 farm organizations and commodity groups, that met with the Grange and developed this program of unity regarding future farm legislation. We ask for your thoughtful consideration of the views of American agriculture and your advice on future deliberation of our farm coalition.

Mr. Chairman, in closing, I would like to say that we thank the committee for giving us the opportunity to present the Grange position this morning and as your testimony goes on and other organizations testify and the Secretary later presents his ideas of the needs of agriculture, we would hope that we would have the opportunity and permission of you, Mr. Chairman, to file or to come before you with anything further that we think would be pertinent to the new act.

We thank each member of the committee for the many long days and nights of labor that you have put in on farm legislation. We know and appreciate the terrific job that lies ahead.

I feel, Mr. Chairman, that from these hearings will come a consensus of a farm bill, and it would also further point out that the testimony that The Grange has given here today is also a part of that coalition that had been held of the 17 different organizations, and that we are doing our best to unify agriculture behind this kind of farm legislation. Thank you for being so patient with a rather long presentation.

Thank you.

The CHAIRMAN. Thank you very much, Mr. Scott. We want your further suggestions.

We do not know what the schedule will be as to appearances, but certainly, there will be an opportunity to present, at least in document form, any further suggestions.

We do appreciate your efforts to coordinate all of these organizations.

The committee will stand in recess until Tuesday morning next.

(Whereupon, at 12:20 p.m. the committee recessed to reconvene on Tuesday, August 5, 1969.)

34-326—69—pt. 1——14

GENERAL FARM PROGRAM AND FOOD STAMP PROGRAM

TUESDAY, AUGUST 5, 1969

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to recess, at 10 a.m., in room 1301, Longworth House Office Building, Hon. W. R. Poage (chairman) presiding.

Present: Representatives Poage, McMillan, Abernethy, Abbitt, Stubblefield, Purcell, O'Neal, Foley, de la Garza, Vigorito, Jones of North Carolina, Montgomery, Alexander, Burlison, Lowenstein, Jones of Tennessee, Melcher, Belcher, Teague, Wampler, Goodling, Miller, Mathias, Mayne, Zwach, Kleppe, Price, Myers, Sebelius, McKneally, Mizell, and Resident Commissioner Córdova.

Also present: Christine S. Gallagher, chief clerk; William C. Black, general counsel; Hyde H. Murray, associate counsel; L. T. Easley, staff consultant; John A. Knebel, assistant counsel.

The CHAIRMAN. The commitee will please come to order.

The committee is meeting this morning to consider the general farm program and the food stamp program.

We are pleased this morning to have with us representatives of the American Farm Bureau Federation. We are honored to have you, Mr. Shuman, president of the federation, with us, with a number of presidents of State Farm Bureau Federations.

We will ask you to proceed in any way that you care to, Mr. Shuman, making such statements as you care to and calling on those of your associates as you like. We are always glad to have you and delighted to hear from you.

STATEMENT OF CHARLES B. SHUMAN, PRESIDENT, AMERICAN FARM BUREAU FEDERATION

Mr. SHUMAN. Thank you, Mr. Chairman and members of the committee.

We appreciate the opportunity to present Farm Bureau's views with respect to new farm program legislation, and particularly the opportunity to bring nine of our State presidents from all over the Nation. I will make a very brief—at least for us—statement, and hopefully we

can present the statement in a few minutes and then have each of the nine presidents make a brief, about a 3-minute statement, and then we will be subject to questions, if this meets the pleasure of the Chairman and the committee.

Farm Bureau is a general farm organization with 1,796,641 member families in 49 States and Puerto Rico. A large percentage of our members produce commodities which are directly affected by the Food and Agriculture Act of 1965. Others produce commodities which are indirectly affected by this act because programs for individual commodities affect other commodities. For example, the feed grain and cotton programs have affected acreage planted to soybeans; and the feed grain and wheat programs have affected—usually adversely—the production of livestock, poultry, and dairy products.

Farm Bureau vigorously opposed the original enactment of the major provisions of the 1965 act. Our members are even more convinced today that the programs authorized by this act are not in the long time best interests of producers, consumers, or taxpayers.

Briefly, our principal reasons for opposing these programs are as follows:

(1) Government supply management has not worked.

(2) Government-owned stocks are bad for farmers.

(3) The operation of Government supply-management programs depends on political decisions.

(4) These programs make farmers dependent on Government payments for a substantial part of their net incomes.

(5) Government supply-management programs create pressures for international commodity agreements.

Each of these points was discussed in detail in our statement at the committee hearing on March 19, 1968. In order to save time today, I will not repeat this detailed discussion; however, I would like to offer for the record an updated review of "Experiences under the Food and Agriculture Act of 1965" which is based on our 1968 testimony, and it is attached here as exhibit A.

The CHAIRMAN. Without objection, that will be included.

(The document referred to follows:)

EXHIBIT A

EXPERIENCES UNDER THE FOOD AND AGRICULTURE ACT OF 1965

(An updated review prepared by the American Farm Bureau Federation—July 1969—supplementing the analysis presented to the Senate and House Agriculture Committees, at the 1968 hearings on farm program legislation.)

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(5) Government supply-management programs create pressures for international commodity agreements.

We will discuss each of these points briefly.

1. GOVERNMENT SUPPLY-MANAGEMENT HAS NOT WORKED

The Act of 1965 has not corrected the basic imbalance between prices farmers receive and the prices they must pay—commonly referred to as the cost-price squeeze. On the contrary, the index of prices paid has continued to rise faster than the index of prices received. The index of prices received by farmers rose 21 points from 239 in 1960 to 260 in 1968. In the same period the index of prices paid, interest, taxes and wage rates rose 54 points from 300 to 354.

The following table shows that there has been a rather steady decline in the parity ratio over the past 18 years and that the ratio was 73 in 1968. To find a lower parity ratio on an annual basis, it is necessary to go clear back to the depression year of 1933. We do not think it appropriate to include government payments in figuring the parity ratio as this destroys the usefulness of the parity concept as a measure of the relationship between farm prices and farm costs; however, if one looks at the adjusted ratio in the following table he also finds a steady decline. Even on an adjusted basis, it is necessary to go back to 1933 to find an annual figure lower than that reported for 1968.

PRICES RECEIVED BY FARMERS, PRICES PAID, AND THE PARITY RATIO, SELECTED YEARS, 1933–68

[1910–14=100]

Year	Prices received	Prices paid [1]	Parity ratio	
			Unadjusted [2]	Adjusted [3]
1933	70	109	64	66
1935	109	124	88	95
1940	100	124	81	88
1945	207	190	109	111
1950	258	256	101	102
1955	232	276	84	85
1960	239	300	80	81
1965	248	321	77	82
1966	267	334	80	86
1967	253	342	74	79
1968	260	354	73	79

[1] Commodities and services, interest, taxes, and wage rates.
[2] Not including Government payments.
[3] Including Government payments.

Source: Agricultural Prices, January 1964 and January 1969, Statistical Reporting Service USDA.

Although the average parity ratio for all commodities is the lowest it has been on an annual basis since the depression, the picture is even more dismal for the commodities that are subject to price support payments under the Act of 1965.

MARKET PRICES AND PARITY PRICES OF COMMODITIES FOR WHICH PRICE-SUPPORT PAYMENTS ARE MADE

	June 15, 1969		
	Market price	Parity price	Parity ratio (percent)
Wheat (bu.)	$1.22	$2.77	44
Corn (bu.)	1.18	1.72	69
Grain sorghum (cwt.)	1.81	2.80	65
Cotton (lb.)	.2124	.4792	44
Wool (lb.)	.420	.941	45

Source: Agricultural Prices, June 1969, Statistical Reporting Service, USDA.

The parity ratios shown above would be even lower if it were not for the fact that government supply-management programs have reduced the adjusted parity base prices for most of these commodities.

ADJUSTED PARITY BASE PRICES OF COMMODITIES FOR WHICH PRICE-SUPPORT PAYMENTS ARE MADE UNDER THE ACT OF 1965

	Wheat (bushel)	Cotton (pound)	Corn (bushel)	Grain sorghum (hundredweight)	Wool (pound)
1964	$0.805	$0.1303	$0.498	$0.780	$0.254
1965	.796	.1301	.488	.767	.258
1966	.773	.1279	.475	.760	.256
1967	.760	.1251	.472	.748	.253
1968	.744	.1258	.464	.744	.251
1969	.738	.1279	.460	.746	.251

Source: "Agricultural Prices," January supplements, 1964–69, Statistical Reporting Service, USDA.

If the adjusted base price of wheat had not been reduced from 1964 to 1969, the June 1969 parity price for wheat would have been $3.02 per bushel—25 cents more than the official parity price of $2.77.

Since the relationship between farm returns—including payments—and farm costs has continued to deteriorate, people have continued to move out of agriculture in search of better opportunities. As a matter of fact, the rate of outmigration was higher in 1966 and 1967 than in 1964 and 1965. The following table shows a drop in farm population of more than 5.1 million since 1960—a drop of 33 percent in only eight years.

CHANGES IN THE FARM POPULATION

Apr. 1 of—	Farm population (thousands)	Reduction from preceding year (thousands)	Percentage reduction from preceding year
1960	15,635		
1961	14,803	832	5.3
1962	14,313	490	3.3
1963	13,367	946	6.6
1964	12,954	413	3.1
1965	12,363	591	4.6
1966	11,595	768	6.2
1967	10,875	720	6.2
1968 (estimated)	10,475	400	3.7

Source: Economic Research Service, USDA.

Farm debt has increased in relation to farm assets throughout the postwar period; however, the rate of increase has accelerated under the government supply-management programs of recent years.

FARM DEBT IN RELATION TO FARM ASSETS, SELECTED YEARS

As of Jan. 1—	Total farm debt, excluding CCC loans (in millions)	Total farm assets (in billions)	Farm debt as a percentage of farm assets
1950	$10,733	$132.5	8.1
1955	15,441	165.1	9.3
1960	23,595	203.1	11.6
1965	36,009	238.5	15.1
1966	40,147	256.0	15.7
1967	44,532	269.9	16.5
1968	49,000	283.7	17.3
1969 (preliminary)	53,100	297.9	17.8

Source: "The Balance Sheet of Agriculture, 1968," and "1969 Agricultural Finance Outlook," AFO–3, February 1969, Economic Research Service, USDA.

The Act of 1965 is an outgrowth of earlier government supply-management programs, the first of which was the feed grain program of 1961. For this reason, in evaluating the effects of government supply-management, it is appropriate to pay particular attention to what has happened since 1960 as well as to what has happened under the Act of 1965.

Net income per farm has increased substantially since 1960; however, the bulk of this increase resulted from the combined effects of a decline in the number of farms and an increase in government payments to farmers.

	1960	1968	Increase or decrease (—)	Percentage change
Number of farms	3,954,500	3,054,310	—900,190	—22.8
Net realized farm income	$11,673,000,000	$14,852,000,000	$3,179,000,000	27.2
Government payments	$693,000,000	$3,485,000,000	$2,792,000,000	402.9
Net realized income per farm	$2,952	$4,863	$1,911	64.7
Government payments per farm	$175	$1,141	$966	552.0

Net realized income per farm rose $1,911 from $2,952 in 1960 to an estimated $4,863 in 1968.

If the number of farms had remained constant, and there had been no increase in government payments, net income per farm for 1968 would have been $3,050 ($14,852 million net farm income minus the $2,792 million increase in government payments, or $12,060 million ÷ 3,954,500 farms).

Thus, the combined effects of the decline in the number of farms and the increase in government payments boosted net income per farm from $3,050 to $4,863. This means that these factors account for $1,813 (94.9 percent) of the $1,911 by which net income per farm increased between 1960 and 1968. The remaining $98 of the total increase per farm is due to other factors.

The value of the dollar has declined since 1960 and farmers who have remained on the farm have had to increase their investments substantially. As a result, a much higher net income is needed today to provide a return on increased capital investments and offset the lower value of the dollar.

We doubt that the promoters of the 1965 Act want to take credit for increases in farm income that have been brought about by a decline in the number of farmers. The unsatisfactory nature of programs which force farmers to depend on government payments for a substantial part of their income will be discussed at a later point in our statement.

While carryover stocks of feed grains, wheat and cotton have been reduced rather sharply in some recent years, we need to examine the causes of these reductions and the costs that have been incurred in achieving them.

The 1965 Act has contributed to the reduction of cotton stocks, although at a very high cost. Bad weather was also a factor.

In the case of wheat and feed grains reductions in carryover stocks have been due to expanded markets—not reduced production. Grain production actually has been higher under government supply-management programs than in the immediately preceding five years. While a substantial acreage of land has been diverted under current programs, much of this land would have produced little or no grain in the absence of these programs. Furthermore, the diversion programs have had offsetting effects. It is well known that payments received for diversion are often used to finance yield-increasing practices, especially higher fertilization rates, on land remaining in production. It is also well known that noncompliers not only sought to improve yields but also increased grain acreages in the expectation that reductions by compliers would strengthen markets.

Thus, while acreages have been cut by diversion programs, wheat and feed grain output has been higher than before these programs became operative. This is evidenced by the following comparisons of acreages and output of these grains during the years preceding and following adoptiton of the government supply-management approach.

SELECTED CORN AND WHEAT DATA—AVERAGES FOR 1956–60 AND 1961–67

Period	Harvested acreage (thousands)	Yield per acre (bushels)	Production (million bushels)	Utilization (million bushels)		
				Domestic use	Exports	Total
Corn:						
1956–60 average	67,001	51.4	3,442	3,046	227	3,273
1961–67 average	57,254	69.0	3,953	3,543	533	4,076
1961–67 compared to 1956–60	—9,747	+17.6	+511	+497	+306	+803
Wheat:						
1956–60 average	50,033	23.5	1,178	598	513	1,111
1961–67 average	49,818	25.5	1,272	640	760	1,400
1961–67 compared to 1956–60	—215	+2.0	+94	+42	+247	+289

Note particularly from the above that during the years after government supply-management type programs became operative:

Corn acreage averaged 9.7 million acres less, but corn production averaged 511 million bushels more, and

Corn utilization averaged 803 million bushels more than during the 1956–60 period.

Wheat acreage averaged 215,000 less, but wheat production averaged 94 million bushels more, and

Wheat utilization averaged 289 million bushels more than in the 1956–60 period.

The fact is that feed grain and wheat stocks have been reduced by *market growth*—not by production control under government supply-management programs. Furthermore, carryover stocks increased in 1968 due to overproduction in 1967 when corn production reached 4.8 billion bushels and wheat production totaled 1.5 billion bushels—both new all-time highs. The carryover of feed grain is expected to decline slightly in 1969; however, the wheat carryover showed a substantial further increase on July 1, 1969.

Supply-management programs have resulted in substantial increases in the annual losses realized by the Commodity Credit Corporation. CCC's 1967 realized net operating losses, which do not include the cost of the P.L. 480 program, were more than double the losses reported for fiscal 1960.

Annual net operating results (realized losses excluding valuation reserves) of the CCC on price support and related programs, fiscal years, 1955–68

Fiscal year:	*Realized losses in millions*
1955	$1,119.3
1956	1,413.7
1957	1,812.0
1958	1,647.6
1959	1,410.0
1960	1,884.5
1961	2,081.8
1962	2,799.4
1963	2,654.9
1964	3,226.8
1965	3,048.0
1966	2,984.9
1967	3,813.6
1968	3,198.2

Source: "Commodity Credit Corporation Charts Providing a Graphic Summary of Operations June 30, 1966" (table 10A), March 1967, and "Report of Financial Conditions and Operations, as of June 30, 1968," Agricultural Stabilization and Conservation Service, USDA.

While factors other than government programs were responsible for most of the reductions in commodity stocks, let us assume for the sake of discussion that the programs were responsible and then look at the fantastic per-unit costs of these reductions.

If we include only the cost of price support and diversion payments, the estimated reduction in the cotton carryover from August 1, 1966 to August 1, 1969 has cost an average of $232 per bale.

On a similar basis the cost of reducing the wheat carryover since the certificate plan went into effect with the 1964 crop has been $29.22 per bushel.

The cost of reducing the feed grain carryover since the feed grain program went into effect in 1961 has been $209 per ton, or $5.85 per bushel of corn equivalent.

ESTIMATED PER UNIT COST OF REDUCING CARRYOVER STOCKS UNDER THE PRESENT SUPPLY-MANAGEMENT PROGRAMS FOR COTTON, WHEAT, AND FEED GRAINS

UPLAND COTTON

[Million bales]

	Carryover	Reduction from previous year
Aug. 1:		
1966	16.6	----
1967	12.3	4.3
1968	6.3	6.0
1969 estimated	6.5	----

	Estimated cost of cotton program [1] (millions)	Reduction in carryover during crop year (million bales)	Cost per bale of reduction in carryover
Fiscal year:			
1967	$792.6	4.3	$184
1968	855.2	6.0	143
1969	745.0	----	----
Total	2,392.8	10.3	232

[1] Price support and diversion payments.

WHEAT

[Million bushels]

	Carryover	Change from previous year
July 1:		
1964	901.4	----
1965	817.3	−84.1
1966	535.2	−282.1
1967	425.0	−110.2
1968	539.4	+114.4
1969 estimate	794.0	+254.6

	Estimated cost of wheat program [1] (millions)	Change in carryover during year (million bushels)	Cost per bushel of reduction in carryover
Fiscal year:			
1965	$442.3	−84.1	$5.26
1966	508.8	−282.1	1.80
1967	679.0	−110.2	6.16
1968	726.4	+114.4	----
1969	782.0	+254.6	----
Total	3,138.5	−107.4	29.22

[1] Diversion payments, fiscal years 1965–67; plus certificates issued to producers, fiscal years 1965–69.

4 FEED GRAINS

[Million tons]

	Carryover	Change from previous year
Marketing year: [1]		
1961	85.0	----
1962	72.2	−12.8
1963	64.4	−7.8
1964	69.3	+4.9
1965	54.8	−14.5
1966	42.1	−12.7
1967	37.1	−5.0
1968	48.3	+11.2
1969 estimate	44.0	−4.3

See footnotes at end of table.

Crop year	Estimated cost of feed grain program [2] (millions)	Change in carryover (million tons)	Cost of reduction in carryover (Per ton)	Cost of reduction in carryover (Per bushel of corn equivalent) [3]
1961	$782	−12.8	$61	$1.71
1962	843	−7.8	108	3.02
1963	846	+4.9		
1964	1,171	−14.5	81	2.27
1965	1,382	−12.7	109	3.05
1966	1,295	−5.0	259	7.25
1967	867	+11.2		
1968	1,369	−4.3	318	8.90
Total	8,555	−41.0	209	5.85

[1] Oct. 1 for corn and sorghum grain; July 1 for oats and barley.
[2] Diversion payments, 1961–68; plus price support payments, 1963–68.
[3] 1 ton equals 35.714 bushels of corn.

Source: Cotton and wheat program costs from "Department of Agriculture Appropriations for 1970," pt. 3, hearings before a subcommittee of the House Committee on Appropriations, 91st Congress, 1st session. Feed grain program cost from "Feed Situation," FS–227, 219, 213, 203, and 200, Economic Research Service, U.S. Department of Agriculture.

2. GOVERNMENT-OWNED STOCKS ARE BAD FOR FARMERS

Under the Act of 1965 and earlier government supply-management programs the USDA has been authorized to sell CCC stocks to hold down market prices to benefit consumers and penalize producers who do not cooperate with the feed grain and wheat programs.

Actually, low market prices penalize cooperators as well as noncooperators. Low grain prices also lead to overproduction and low prices in the livestock, dairy and poultry industries. We should constantly keep in mind the fact that the fact that livestock, dairy and poultry products account for roughly 60 percent of U.S. cash farm receipts. We need to make sure that programs for other commodities do not adversely affect this large and important area of our agricultural economy.

Government sales obviously have been costly to grain farmers in terms of reduced market prices. Look at what happened in 1964: Corn production fell to the lowest level in several years due to poor crop conditions, but the upward thrust in prices normally generated by a short crop was almost entirely offset by CCC sales.

Although the 1964 crop was 535 million bushels smaller than the 1963 crop, corn prices went up only *6 cents* per bushel. By way of contrast, an 808-million-bushel drop in production in 1947 brought forth a 63-cent rise in corn prices, and a 743-million-bushel drop brought forth a 40-cent increase in prices in the depression year of 1936.

The 1966 marketing year also provides an informative contrast to 1964. Although the corn crop was slightly larger in 1966 than in 1965, CCC sales were reduced, and the farm price of corn averaged 8 cents per bushel higher in the marketing year 1966–67 than in the preceding year.

Experience with wheat has been much the same. While the 1966 wheat crop was only 4 million bushels smaller than the 1965 crop, CCC sales were reduced by 232 million bushels and the average farm price of wheat was 28 cents per bushel higher in the 1966 marketing year than in 1965.

From the standpoint of producers, government reserves of agricultural commodities constitute a device to manipulate markets politically, to coerce participaiton in government supply-management programs, and to impose price ceilings on farm products. Yet USDA officials testified in 1968 that they considered legislation to establish a government grain reserve to be a needed addition to the programs authorized by the Act of 1965.

Farm Bureau vigorously opposed proposals for a government-controlled grain reserve at hearings held by House and Senate Subcommittees in the 90th Congress. The Subcommittes very wisely did not approve these grain reserve bills.

CCC SALES OF WHEAT IN RELATION TO UTILIZATION

Marketing year beginning July 1—	Total utilization (million bushels)	CCC sales (million bushels)	CCC sales as a percentage of utilization	Season average price per bushel
1961	1,327	255	19.2	$1.83
1962	1,224	208	17.0	2.04
1963	1,444	342	23.7	1.85
1964	1,369	311	22.7	1.37
1965	1,599	379	23.7	1.35
1966	1,424	147	10.3	1.63
1967	1,409	27	1.9	1.39
1968 (estimated)	1,317	14	1.1	1.24

CCC SALES OF FEED GRAIN IN RELATION TO UTILIZATION

Marketing year[1]	Total utilization (Millions of bushels)	CCC sales (Millions of bushels)	CCC sales as a percentage of utilization	Season average price
Corn (dollars per bushel):				
1961	3,962	975	24.6	$1.10
1962	3,895	736	18.9	1.12
1963	3,848	170	4.4	1.11
1964	3,875	391	10.1	1.17
1965	4,392	398	9.1	1.16
1966	4,135	156	3.8	1.24
1967	4,422	6	.1	1.03
1968 estimated	4,613	(2)	(2)	1.06
Sorghum grain (dollars per hundredweight):				
1961	521	221	42.4	1.80
1962	516	241	46.7	1.82
1963	591	122	20.6	1.74
1964	573	144	25.1	1.88
1965	848	240	28.3	1.76
1966	862	197	22.9	1.82
1967	711	3	.4	1.77
1968 estimated	708	(2)	(2)	1.69
Oats (dollars per bushel):				
1961	1,059	7	.7	.642
1962	1,019	6	.6	.624
1963	931	3	.3	.622
1964	891	13	1.5	.631
1965	891	15	1.7	.622
1966	851	18	2.1	.665
1967	789	2	.3	.659
1968 estimated	855	.4	.04	.600
Barley (dollars per bushel):				
1961	441	40	9.1	.979
1962	410	11	2.7	.915
1963	420	30	7.1	.897
1964	430	15	3.5	.947
1965	395	11	2.7	1.02
1966	383	3	.8	1.05
1967	365	.1	.02	1.00
1968 estimated	389	.2	.06	.899

[1] Year beginning Oct. 1 for corn and sorghum grain; July 1 for oats and barley
[2] Not available.

3. THE OPERATION OF GOVERNMENT SUPPLY-MANAGEMENT PROGRAMS DEPENDS ON POLITICAL DECISIONS

This places farmers at a distinct disadvantage since nonfarm consumers outnumber farm people by 95 to 5. Political decisions must necessarily please the majority rather than the minority, and the vast majority of our citizens are nonfarm consumers. If we continue government supply-management, it is to be expected that agriculture will become a public utility—that is, an industry that is regulated for the benefit of consumers.

Another reason for avoiding reliance on political decisions is the fact that it is very easy for a single authority to make a serious mistake.

The Johnson Administration had three chances to prove the value of centralized planning in 1967, but it struck out all three times. A sharp acreage cut was ordered in cotton to reduce the surplus, but an unfavorable season brought the

crop down to less than 8 million bales, and a serious shortage of the better grades developed. As a consequence, cotton suffered a further loss of markets which producers can ill afford.

Opposite results were experienced with wheat and feed grains. The Johnson Administration overreacted to hysterical evaluations of the world food situation and encouraged farmers to expand grain production in advance of effective demand. Also, food aid shipments of wheat and flour under P.L. 480 actually were reduced during the fiscal year 1966–67. The inevitable result of these two actions was lower grain prices.

The average farm price of wheat was only $1.40 per bushel in January 1968 in comparison with $1.57 a year earlier. Corn sold for an average of $1.04 per bushel at the farm in January 1968 in comparison with $1.28 a year earlier.

In discussing the overproduction of grain that resulted from administrative decisions with respect to 1967 crops, Secretary Freeman correctly said, "No one—not myself, nor the Congress, nor the scientists and economists—had the second sight to predict this." Unfortunately, Secretary Freeman refused to recognize the fact that the market system can do a better job than any administrator in guiding production and consumption if it is allowed to do so.

Proponents of the 1965 Act argue that 1967 grain crops would have been even larger if it had not been for the wheat and feed grain programs, but this argument will not stand careful analysis. In 1967 farmers were encouraged to expand grain production by price support loans, direct payments, and the knowledge that the government wanted a bigger crop to feed a hungry world. In the absence of government acreage programs, price supports, and direct payments, farmers would have been far more cautious and far less likely to expand production in advance of effective market demand.

4. THESE PROGRAMS MAKE FARMERS DEPENDENT ON GOVERNMENT PAYMENTS FOR A SUBSTANTIAL PART OF THEIR NET INCOMES

Government payments amounted to approximately 20 percent of net farm incomes from government payments. In fact, well over 20 percent of the *total* net income from the production of feed grains, wheat, cotton, and wool now comes from government payments. In fact, well over 20 percent of the *total* receipts received by farmers from these commodities in 1967 came from payments.

CASH RECEIPTS FROM FARM MARKETINGS AND GOVERNMENT PAYMENTS, 1967

[Dollar amounts in millions]

	Cash receipts from farm marketings	Direct payments	Total receipts	Payments as percentage of total
Feed grains	[1] $3,264.1	$865.4	$4,129.5	21.0
Wheat	2,066.1	730.5	2,796.6	26.1
Cotton lint	947.5	932.1	1,879.6	49.6
Wool	74.9	29.1	104.0	28.0

[1] Corn and sorghum grain—the grains covered by the 1967 feed grain program.

Source: "Farm Income—State Estimates, 1949–67", a supplement to the July 1968 farm income situation, August 1968, Economic Research Service, USDA.

DIRECT GOVERNMENT PAYMENTS UNDER FARM PROGRAMS, 1960–68

[In millions of dollars]

	Wool	Sugar	Feed grains	Wheat	Cotton
Calendar year:					
1960	51	59	----------	----------	----------
1961	56	53	722	42	----------
1962	54	64	841	253	----------
1963	37	67	843	215	----------
1964	25	79	1,163	438	39
1965	18	75	1,391	525	70
1966	34	71	1,293	679	773
1967	29	70	865	731	932
1968	65	87	1,370	746	785
Total	369	625	8,538	3,629	2,599

	Total, under commodity programs	Total, other Government programs	Total payments under farm programs
Calendar years:			
1960	110	592	702
1961	923	570	1,493
1962	1,212	535	1,747
1963	1,162	534	1,696
1964	1,744	437	2,181
1965	2,079	384	2,463
1966	2,850	427	3,277
1967	2,627	452	3,079
1968	3,053	432	3,485
Total	15,760	4,363	20,123

Source: "Farm Income Situation," July 1968, Economic Research Service, USDA and "Agricultural Prices," January 1969, Statistical Reporting Service, USDA.

The promoters of direct payments on cotton argued that payments would benefit consumers by reducing the retail prices of cotton goods. The promised savings to consumers did not materialize. Instead of lowering prices to consumers payments resulted in higher mill margins.

The average mill margin on 20 constructions rose from 24.91 cents per pound in the crop year 1962–63, the last full year before payments, to 38.82 cents in the crop year 1966–67, the last full year for which comparable data are available.

Current information on cotton margins is not entirely comparable with the above data as USDA has increased the number of constructions used in computing margin statistics. Recent data indicate that mill margins are still well above the prepayment level.

CLOTH AND RAW COTTON PRICES AND MILL MARGINS

[Cents per pound]

Year beginning August	Average for 20 constructions		
	Unfinished cloth prices	Raw cotton prices	Mill margins
1962	60.52	35.61	24.91
1963 [1]	61.54	35.46	26.08
1964	62.98	27.23	35.75
1965	65.15	26.49	38.66
1966	64.26	25.44	38.82
	Average for expanded number of constructions		
1966	66.18	25.56	40.62
1967	66.47	30.60	35.87
1968 (August–April average)	68.26	27.26	41.00

[1] Payments to the mills began on Apr. 11, 1964; however, the U.S. Department of Agriculture made no adjustments for these payments prior to August 1964.

Source: "Cotton Situation," January 1968 and May 1969, Economic Research Service, U.S. Department of Agriculture.

Government payments are an unreliable basis for the income that is necessary for a healthy agriculture because they can be cut or limited at any time.

Cotton payments made direct to farmers from the federal Treasury totaled $932 million in 1967. This is more than the total value of all upland cotton produced in 1967 figured at the loan rate for cotton. It should be obvious that payments of this magnitude cannot possibly continue; and every effort must be made to find a different approach to the cotton problem.

The payment approach reflects a cheap food philosophy. These payments are not net additions to farm income. Basically they are compensation for government actions—such as the sale of CCC stocks and Secretary Freeman's decision to increase grain production in 1967—which reduce farm prices. The termination of such actions would make possible higher market prices.

In the case of wheat and feed grains the increase in prices necessary to offset the payments is not nearly as great as has been commonly assumed. The pay-

ment rates are substantial—particularly in the case of wheat—but they do not apply to the entire crop.

Wheat certificate payments averaged only 50 cents per bushel when spread over the entire 1966 wheat crop. Cooperators received the payment of $1.32 per bushel on 45 percent of the projected yield of their allotted acreage. This would be an average payment of 59 cents per bushel on the projected yield of cooperating farms, but nonparticipation and differences between actual and projected yields bring the average figure down to 50 cents per bushel. The average payment per bushel harvested was even lower for the 1967 crop as certificate payments were made on only 35 percent of the projected yield of the cooperator's allotted acreage.

The average farm price of wheat fell 37 cents per bushel from July 1966 to July 1967. This was due, at least in part, to Secretary Freeman's decision to encourage increased production in 1967.

Compensatory payments have been a much smaller factor in the average per-bushel returns for feed grains. They added only 11 cents per bushel to average 1966 returns from corn. This low figure reflects substantial nonparticipation and the fact that payments are not made on participants' total production. In several recent years CCC sales have depressed corn prices more than 11 cents per bushel.

It is, therefore, clear that present programs are reducing market prices for wheat and feed grains and that the direct payments are not a net addition to farm income.

PRICES AND RETURNS ON 1966 CROP WHEAT AND FEED GRAIN PRODUCTION

Commodity	Season average price	Average price support payment per unit of production	Season average price, including payment
Wheat (bushel)	$1.63	$0.50	$2.13
Corn (bushel)	1.24	.11	1.35
Barley (bushel)	1.05	.05	1.10
Sorghum grain (hundredweight)	1.82	.29	2.11
Oats (bushel)	.665	----------	.665

5. GOVERNMENT SUPPLY-MANAGEMENT PROGRAMS CREATE PRESSURE FOR INTERNATIONAL COMMODITY AGREEMENTS

Commodity agreements are the international counterpart of domestic government supply-management—a means of getting international sanction for domestic programs which interfere with international trade by subsidizing exports in some cases and restricting imports in others. It is, therefore, to be expected that such agreements will be proposed from time to time as long as we have domestic government supply-management programs.

International commodity agreements set agricultural trade aside from trade in industrial products and reduce our bargaining power in negotiations with industrial countries.

Agreements which fix prices or divide the world market on the basis of past history limit our ability to expand exports.

The International Wheat Trade Convention illustrates this point. This convention does not liberalize world trade in wheat; in fact, it tends to legitimize trade restrictions and to restrict export opportunities for United States wheat farmers.

Prior to the ratification of the Convention, Farm Bureau testified before the Senate Foreign Relations Committee that it would—

(*a*) Require the imposition of an export tax on U.S. wheat;

(*b*) Reduce U.S. wheat exports;

(*c*) Decrease—not increase—the price U.S. farmers receive for wheat; and

(d) Cause the U.S. to lose its competitive position in the world market in relation to other world wheat exporters.

All of these predictions have been proved accurate. This provides additional evidence that international commodity agreements cannot solve international trade problems.

It should be noted that the International Wheat Trade Convention is part of a so-called International Grains Arrangement. Although this Arrangement is now confined to wheat, it originally was intended to apply to all grains. The then U.S. Under Secretary of Agriculture, John Schnittker, made this clear during the negotiations when he said: "The United States is actively striving to achieve a meaningful and effective international arrangement for grains, including wheat." Commodity agreements have also been discussed for dairy products, meat, rice, soybeans, fats and oils, and cotton.

The best way to avoid international arrangements which would limit our ability to expand exports is to discontinue government supply-management programs here at home. Our goal is to increase exports of agricultural commodities to $10 billion per year. This is a good way both to increase farm income and to improve our national balance of payments.

Mr. SHUMAN. The Food and Agriculture Act of 1965 is a demonstrated failure. Despite the expenditure of billions of dollars, farm problems have not been solved, and farmers have not achieved a satisfactory level of net farm income. Almost everyone is dissatisfied with some aspect of the 1965 act. Even its strongest supporters have amendments they would like to see adopted. The need for new legislation is urgent; however, we do not think that the defects in existing programs can be corrected by patchwork revisions. A completely new approach is needed.

New legislation should be enacted this year so that farmers can plan ahead. The hour is already late. The 1971 winter wheat crop will be seeded in the fall of 1970 and farmers need to know what the 1971 program will be well ahead of planting time.

We have specific recommendations with respect to the dairy, rice, feed grain, wheat, cotton and cropland adjustment provisions of the 1965 act.

Title I of the 1965 act authorizes class I base plans for milk under Federal marketing orders.

For many years we have supported base plans developed and operated by individual dairy cooperatives. This approach permits the producer members of a cooperative to determine the type of plan that is needed to meet the production and marketing needs of their organization. Base plans have also been established under State regulatory laws.

Farm Bureau has opposed the adoption of class I base plans under Federal orders in the belief that such plans would:

(1) Restrict individual opportunity by dividing up milk markets and hampering normal adjustment within them.

(2) Put a price on the right to market.

(3) Create new pressures for a nationwide milk marketing order.

(4) Give broad discretionary power to the Secretary of Agricuture.

We believe that these objections are still valid.

Only one marketing area, the Puget Sound area of Washington State, has developed a class I base plan under the authority of the 1965 act, and the advocates of this plan have been seeking substantial amendments in the basic law.

The Puget Sound plan has not achieved the sponsors' objective of materially increasing the percentage of the producers' milk that is used for class I purposes. The USDA reported in the Federal Register for June 25, 1969, that surplus utilizations accounted for 49 percent of producer deliveries to the Puget Sound pool in 1968, and that—

This approximates the utilization of producer milk in the surplus classes under the Puget Sound order in recent years.

The average price of milk sold under the order has not been increased when adjustments are made for administered price increases that are independent of the class I base plan. A sample survey made by the Puget Sound market administrator in December 1968 found that 51 percent of the producers received a higher average price for their milk under the class I base plan, but the remaining 49 percent received a lower average price because of the class I base plan.

The principal result of the Puget Sound plan has been the creation of an opportunity for producers to buy and sell bases, which puts a price on the right to market. Incidentally, a substantial number of dairymen have sold their class I bases, have reentered the market as new producers and have continued to receive the class I price for a part of their production. In our opinion, this is a ridiculous situation.

In the light of the Puget Sound experience, title I of the 1965 act should be allowed to expire.

Title VIII of the 1965 act, which relates to rice, also should be allowed to expire. The provisions of this title are currently inoperative, and the rice program would not be affected by their expiration.

A new long-range farm program should be enacted for feed grains, wheat, cotton, and soybeans. As a supplement to this program the administration should be encouraged to withdraw from the International Wheat Trade Convention so that the depressing effect of "inverse subsidies" can be removed from wheat prices.

We recommend a 5-year program to begin January 1, 1971, and run through December 31, 1975. It would amend the Food and Agriculture Act of 1965. The program would provide for a 5-year transition period during which acreage controls, base acreages, marketing quotas, processing taxes, and direct payments for wheat, feed grains, and cotton would be phased out.

This program is now before the committee as the proposed Agricultural Adjustment Act of 1969 (H.R. 9633 by Congressman Teague of California, H.R. 11528 by Congressman Goodling of Pennsylvania, and 17 similar bills).

The Agricultural Adjustment Act of 1969 would:

(1) Limit the total funds that may be spent on all direct payments for wheat, feed grains, and cotton under the Food and Agriculture Act of 1965 to 80 percent of the amount spent on 1969 crops in 1971, 60 percent in 1972, 40 percent in 1973, and 20 percent in 1974 with no limitations on payments to individuals.

(2) Reduce the cost of wheat certificates to processors to 80 percent of the 1969 level in 1971, 60 percent in 1972, 40 percent in 1973, and 20 percent in 1974.

(3) Effective with 1975 crops discontinue all acreage allotments, base acreages, marketing quotas, processing taxes and direct payments (annual land diversion, compensatory and certificate) for wheat, feed grains, and cotton.

(4) Continue the Cropland Adjustment provisions of the Act of 1965 with amendments:

A. To require that programs be operated on a competitive bid basis with emphasis on whole farms; and

B. To direct the Secretary of Agriculture to retire at least 10 million acres per year in 1971, 1972, 1973, 1974, and 1975.

The Secretary would announce in advance the maximum acreage to be contracted for each year. If accepted bids do not exhaust this acreage, higher bidders could be offered the opportunity to negotiate contracts at the accepted bid level.

(5) Provide that loan rate for wheat, feed grains, cotton, and soybeans shall be set at not more than 85 percent of the previous 3-year-average price beginning with the 1971 crop year.

(6) Prohibit the sale of CCC stocks at less than 150 percent of the current loan rate plus carrying charges, except when sales are offset by equivalent purchases in the open market.

(7) In addition to and conditional on the adoption of items 1 through 4, authorize the Secretary of Agriculture to offer a special transitional program in 1971, 1972, 1973, 1974, and 1975, which would be open to any farmer who has had average gross annual sales of farm products of not more than $5,000 and off-farm income of not more than $2,000 per year for husband and wife for the immediately preceding 3 years. Such farmers would be eligible to receive one or more of the following:

A. Compensation for acreage allotments and base acreages surrendered to the Secretary for permanent cancellation. This would apply to all commodities having acreage allotments or base acreages. Such compensation would be in addition to land retirement payments under the cropland adjustment program and would also be available to eligible farmers who wish to surrender their acreage allotments or base acreages without participating in the cropland adjustment program;

B. Retraining grants of not to exceed $1,000;

C. Adjustment assistance of not to exceed $2,500 per year for 2 years and;

D. Loans under existing credit programs to further facilities the transition of eligible farmers to more gainful employment.

(8) This proposed legislation would authorize the appropriations of such funds as may be necessary to carry out the programs enumerated above.

The various parts of this eight-point program are closely interrelated.

The transition to the market system would be gradual. Substantial payments would be made during the transition period to help farmers make needed adjustments. The cost of wheat certificates to processors would be phased out at the same rate as payments to farmers.

The acreage retired from production under the cropland adjustment program would be increased as existing programs are phased out. Increases in the acreage retired under the CAP program would tend to offset reductions in the acreage diverted under annual diversion programs.

Much of the land now being diverted under the current annual retirement program is not top quality land. Also, present programs that divert acreage on the part-farm basis encourage the heavy use of fertilizer and other "land substitutes" and thus guarantee increased per acre yields. The retirement of whole farms under an expanded cropland adjustment program would be a far more effective means of bringing about needed adjustment in land use.

At least 10 million acres would be retired under long-term contracts each year for 5 years beginning in 1971; however, this part of the

program would be subject to review each year and the acreage to be retired could be increased if necessary to facilitate the transition to the market system.

In addition, Farm Bureau is supporting the Senate amendment to the pending agricultural appropriation act which would permit the Secretary to start expanding the cropland adjustment program in 1970.

The use of a bid procedure to select the land that is to be retired would hold down Government costs and insure the retirement of the land that farmers themselves most want to retire. The existing authority of the Secretary to limit the percentage of the toal eligibility acreage that may be retired in any county or local community to avoid adverse effects on local economies would be continued.

In contrast to the present programs of diverting a limited percentage of individual farm cropland from specific crops on an annual basis, our proposed expanded cropland adjustment program—with emphasis on whole farms—would more economically divert surplus cropland to noncrop uses.

The retirement of whole farms would result in the retirement of some nonland resources and eliminate the increase in per-acre yields which results when resources formerly used for "diverted acres" are shifted to land that remains in production on the same farm.

The objective of the proposal to base loan rates for feed grains, wheat, cotton, and soybeans on the prices actually prevailing in the market in the immediately preceding 3 years is to stop the movement of feed grains, cotton, wheat, and soybeans into Government hands. Producers would continue to have money available at harvesttime through nonrecourse loans; however, Government loans would be used to encourage orderly marketing rather than to fix prices. Few, if any, of the commodities placed under this type of loan would be turned over to the CCC under normal circumstances.

To insure the success of the proposed change in loan policy, the Congress should continue to reject proposals to authorize the establishment of Government reserves of farm commodities. Government reserves are not needed for the protection of consumers. They are primarily a device for holding down farm prices.

If the Agricultural Adjustment Act of 1969 were in effect now, the maximum 1969 loan rates for the affected commodities would be approximately as follows:

The table there indicates 3-year average price, and indicated maximum loan rate. For wheat the 3-year average price is $1.46, and the indicated maximum loan rate is $1.24. The other commodities are all comparable comparisons.

Simultaneously with the proposed change in loan policy the minimum prices at which CCC stocks can be released would be increased substantially to protect the market against the dumping of stocks accumulated under past programs as well as any stocks that may be acquired in the future.

For example, under current conditions, if loan rates were set at 85 percent of the 3-year average market prices shown above, the AAA of 1969 would prohibit CCC sales at less than the following prices: Wheat, $1.86; corn, $1.47; rye, $1.32; barley, $1.31; oats, $0.83; sorghum, $2.30; soybeans, $3.30; cotton, $0.3149 per pound.

The acreage that can be planted to cotton for export outside the present program would be increased in 1971 and 1972, and the penalties on excess cotton production would be repealed effective with the 1973 crop. These changes would permit cotton producers who want to produce more cotton to expand their production, provided they waive all cotton payments.

The special transitional program provided by the Agricultural Adjustment Act of 1969 for low-income farmers would help farmers who do not have the resources needed for a successful farming operation to make a transition to more gainful employment. This program would be entirely voluntary. Producers who wish to participate would have a number of alternatives. This gives the program the flexibility that is needed to solve individual problems.

At the end of the proposed phaseout of acreage allotments, marketing quotas, base acreages, certificates, and Government payments for feed grains, wheat, and cotton each producer would be free to plan his wheat, feed grain, cotton, and soybean production so as to make the best uses of his resources in the light of the market outlook. Thus, the way would be clear for farmers to earn and get higher incomes in the marketplace.

In short, Farm Bureau is recommending a broad-based program to help individual farmers make needed adjustments, increase prices, expand markets, cut costs, and thus provide the basis for increased net farm income.

Mr. Chairman, if I might, I would like to call on for our first supplemental statements, Mr. Stevens, president of the Mississippi Farm Bureau Federation and also a member of the Farm Bureau's Directors and Executive Committee.

Mr. Stevens.

Mr. ABERNETHY. Mr. Chairman, I would like to have the privilege of welcoming to this committee room Mr. Stevens, the president of our State Farm Bureau in Mississippi. For 14 years he was my constituent, and, I am also delighted to say, my supporter and very valuable supporter. Now he is a constituent of Mr. Montgomery. Mr. Stevens is highly regarded in farming and business circles throughout my State. It is a great pleasure, in which I am sure Mr. Montgomery joins, to extend this welcome, Mr. Stevens.

STATEMENT OF BOSWELL STEVENS, PRESIDENT, MISSISSIPPI FARM BUREAU FEDERATION, JACKSON, MISS.

Mr. STEVENS. Mr. Chairman, I am Boswell Stevens, president of the Mississippi Farm Bureau Federation. We are grateful to the committee for the opportunity to briefly express some opinions of our 74,661 families who are the members of the Mississippi Farm Bureau Federation.

For more than 30 years, we have been trying to solve the farmer's problems by the legislative route and, apparently, there hasn't been any longtime success.

Possibly we should confine our statement to cotton. Our people are very much interested in the future of cotton. We are most concerned that we are continuing to lose both our domestic and export markets.

Legislation has been enacted which seemed to say that cotton isn't worth over 21 cents per pound and, even at this price, there seems little demand at home or abroad. Most cotton producers, whether they are farmers from Georgia or California, say they can't produce cotton on the 20 cents per pound. I don't think we can under present conditions.

Next, we don't think that the Congress will continue to appropriate the vast sums of money necessary to continue payments as under the present legislation. It appears that we must have time to start a phase-out program and must have funds to have a crash program to reduce cost of production, if possible. With the continued increase in cost of labor, machinery, insecticides, herbicides, et cetera, can this be done—can research to reduce cost keep up with spiraling increases in production cost?

Farmers are of the opinion that the only present solution is to increase production per acre. If this is true, reduction of domestic and foreign markets can mean that there is only one solution—that is to reduce the number of acres planted.

A program to lease entire farms at reasonable rentals over a period of years seems to be one solution. There are elderly farmers that want to live on their farms because they and their families have always lived there. They must try to produce some crop to help the family living even though not profitable. They would welcome an opportunity to lease. Some young or younger farmers do own a farm, but their units are not large enough to be operated profitably to purchase additional acreage. The men might be encouraged to train themselves for other occupations.

Mr. Chairman, we are simply saying this is the policy adopted by the delegates and the American Farm Bureau in December of 1968. Mr. Shuman, our president, has very briefly stated the discussion and the feeling of the farmers who represent these 49 States and Puerto Rico, and we support the position of our president.

The CHAIRMAN. Thank you, Mr. Stevens.

Mr. SHUMAN. Next, Mr. Kuhfuss, president of the Illinois Agricultural Association, which is the State member of the Farm Bureau in Illinois.

STATEMENT OF WILLIAM J. KUHFUSS, PRESIDENT, ILLINOIS AGRICULTURAL ASSOCIATION, BLOOMINGTON, ILL.

Mr. KUHFUSS. Thank you.

Mr. Chairman, members of the committee, I am William J. Kuhfuss, president of the Illinois Agricultural Association, the statewide Farm Bureau organization in Illinois. We are a voluntary membership organization with a membership of 191,403 as of June 30, 1969. We are a member of the American Farm Bureau Federation.

I am extremely pleased to have this opportunity to support the proposed Agricultural Adjustment Act of 1969. We lend our support to the features of this proposal as they basically support the principles developed and discussed by Farm Bureau members in Illinois. Prior to the IAA annual meeting last November, many of our county Farm Bureau leaders held meetings specifically on the subject of long-range farm programs. These meetings were not instigated by the leadership

of the IAA but by county leaders who wanted to join together for a detailed look at farm programs. Experts from several of our land grant colleges were brought into these discussions. Recommendations from these meetings were brought through the regular policy developing efforts of Farm Bureau to the IAA annual meeting. After a thorough and high-quality discussion, the nearly 480 delegates overwhelmingly called for an overall, voluntary land retirement program to retire both whole farm units and part farms. These delegates called for price supports to be related to average market prices with definite restrictions on the Commodity Credit Corporation to avoid actions that would depress market prices. Thus, you can see that there is real grassroots support in Illin is for the concepts advanced by this proposal.

An overall land retirement program would avoid a feature of the current farm program most often criticized by Illinois farmers—the basing of participation upon individual crop production in some base period. This has created inequities among farmers, has inhibited the acceptance of desirable changes and has caused some producers to continue production programs more designed to maintain an allotment or an acreage base than to meet current needs or production patterns.

A long-term land retirement program can assist in an orderly, overall adjustment of both land and nonland resources used in agriculture. It can contribute to basic long-term adjustments, whereas annual retirement programs contribute little, if any, to basic adjustments in long-term land use. An overall land retirement program will permit farmers flexibility to produce the crops most suited to their operations and as directed by market needs.

While we recognize that no one program can solve all the problems of American farmers, we believe a land retirement program such as we have proposed, with price supports based on market prices, with additional restrictions on Commodity Credit Corporation sales, and with continued efforts to expand markets for agricultural products, can contribute to improved net income for America's commercial farmers.

Nearly one-half of Illinois farms sold less than $10,000 of farm products in 1964. These farms accounted for but 12 percent of the total Illinois agricultural output. The average sales of these farms was less than $4,000. We recognize that many of the problems faced by these farmers cannot be solved by a commodity or adjustment program. Thus, we support efforts to retrain and provide adjustment assistance to permit many of these farmers an opportunity to supplement their farm income from nonfarm sources.

Let me close by repeating that I appreciate this opportunity to appear before you in support of this proposal. We urge you to give it your serious consideration and support.

The CHAIRMAN. Thank you, Mr. Kuhfuss.

Mr. SHUMAN. Mr. Chairman, I would like to call on Mr. Allan Grant, president of the California Farm Bureau Federation, and member of the board of directors.

Mr. TEAGUE. Mr. Chairman.

The CHAIRMAN. Mr. Teague

Mr. TEAGUE On behalf of Mr. Mathias and Mr. Sisk, who can't be here because he is on the Rules Committee meeting today on a very important matter, but on behalf of all three of us, I would like to welcome you to this hearing this morning. All of us know Mr. Grant is one of the outstanding farm leaders in the State of California and in the entire West, for that matter. We are glad to have you here.

STATEMENT OF ALLAN GRANT, PRESIDENT, CALIFORNIA FARM BUREAU FEDERATION, BERKELEY, CALIF.

Mr. GRANT. Mr. Chairman, members of the committee, my name is Allan Grant. I am president of the 60,000-member California Farm Bureau Federation. I am here to speak briefly in behalf of farm program legislation as proposed by the American Farm Bureau Federation.

Changing times mean change in direction in many cases. Agriculture is a major segment of our economy. But change in direction necessary to continue agriculture in that position means that it must stand on its own feet, must move away from smothering governmental protectionism twoard realistic, nonpolitical assistance where and when needed.

Since the beginning, Government schemes for agriculture have not succeeded. Our current programs are failures. Any program which ignores the basic laws of economics in the future will fail. Similar to certain urban segments of our population, certain areas and numbers of farmers must be recognized, and dealt with, in the concept of requiring social attention. This is becoming more vital. This, the American Farm Bureau Federation proposal does.

Current trends, and existing programs, suggest that there can well be fewer farmers and too much production in the future. However, if growers are allowed to compete in the marketplace, both domestic and foreign, this in itself will bring a degree of stability to the industry, and prices will assure production, as it is needed, on a realistic basis. Agriculture must be returned to a competitive enterprise position. This cannot be done overnight. But it must not take too long.

Growers must have the freedom to manage their own businesses and make their own futures. If agriculture produces more than the market requires, farmers must be able to take advantage of programs such as that offered in the American Farm Bureau proposal—production phaseouts, and programs of grower retraining, for example.

If there is a major role Government can play, it lies in the policy field surrounding the trading of American goods in foreign countries. Foreign sales can well mean the difference between a dormant and a healthy, growing U.S. agriculture.

In California, agriculture is not dependent on government programs to any major degree. Some farmers do receive large payments, but relatively few of our over 200 crops are supported in any manner. However, our cotton program is a near-Frankenstein that could almost destroy our agricultural economy. Due to this program, thousands of acres and too many of our farms have been dedicated to the production of cotton, either as a sole crop or as one which pays many of the bills. Yet, when considering potential farm program changes,

it is difficult for growers to give up government payments. Also, many people concerned with our total State agriculture, worry about what might happen if acres go out of cotton and into other crops. We want to stay in the cotton business. We produce a great deal of saleable cotton per acre. We know that we either compete with imported cotton, with domestic cotton from other areas of the United States, and with synthetics, or sooner or later we will have to go out of the cotton business. But we cannot properly compete under present programs.

It is our sincere belief that a radical change in farm policy is inevitable. Now is the time to move. The American Farm Bureau proposal is based on practical principles. It offers an excellent vehicle for moving agriculture into a position in which it can meet the challenges of change, can shift production up or down as necessary.

We strongly support, as a long step in the right direction, farm program legislation now before this committee as the proposed Agricultural Adjustment Act of 1969 (H.R. 9633 by Congressman Teague of California, H.R. 11528 by Congressman Goodling of Pennsylvania, and a number of similar bills).

There is only one more thing I want to say while I am here. It is perhaps not the place to say it, but I say to you because of the boycott of grapes in California, which could mean any other kind of crops throughout the United States, we do need Federal legislation to solve this problem.

The CHAIRMAN. Thank you, Mr. Grant.

Mr. SHUMAN. J. Merrill Anderson, president of the Iowa Farm Bureau Federation, and a member of the AFBF.

Mr. MAYNE. Mr. Chairman, it is a real pleasure to welcome Merrill Anderson here today and to introduce him to my colleagues on the committee. Mr. Anderson doesn't happen to reside in the Sixth Congressional District which I represent, but is widely known in the district and throughout the entire Midwest as an outstanding farm leader. He is in his 6th year as president of the Iowa Farm Bureau Federation.

Mr. Anderson.

STATEMENT OF J. MERRILL ANDERSON, PRESIDENT, IOWA FARM BUREAU FEDERATION, DES MOINES, IOWA

Mr. ANDERSON. Mr. Chairman, Congressman Mayne, I am here to testify on behalf of the Iowa Farm Bureau Federation, 108,000 members, in support of the testimony of Mr. Shuman and the American Farm Bureau Federation.

The current cost-price squeeze threatens the continuation of many of the family-type commercial farms of which Iowa agriculture is predominantly composed. We in Farm Bureau believe that a major objective of agricultural programs should be to increase farm income with a minimum of Government regulation. Such legislation should assist farmers efforts to keep production in balance with demand and not attempt to control prices. Programs to assist farmers whose operations are too small to provide adequate income are also necessary, if we are to solve the overall farm problem. However, only a small percentage of Iowa farmers are in this category.

The current 1-year program will not prevent surpluses and low-feed grain prices. The present cheap wheat situation seriously threatens corn prices as livestock producers turn to wheat as feed. We need to move, gradually, to more effective long-term retirement programs.

Congress, farmers, and the public want programs which will improve farm income at less Government cost. The Center for Agricultural and Economic Development, Iowa State University, Ames, Iowa, has analyzed the long-term land retirement program. In its study CAED 34, "Analysis of Some Farm Program Alternatives for the Future," it states:

> The same level of prices assumed in this study could be attained under a long-term rental or easement program at a savings in governmental costs of $1.5 billion or more as compared to continuation of current programs. In comparing long-term land retirement with other alternatives, the study concludes, "Long-term rental or easement programs would have a much lower government cost; and, if concentrated on a regional basis, would bring adjustments in cropland use consistent with demand and modern technology.

I appreciate the opportunity to highlight the need for long-term land retirement.

I bring with me a few copies of this report which I will leave here in case some of the members of the committee might not be familiar with this report.

Thank you very much.

The CHAIRMAN. Thank you, Mr. Anderson.

Mr. SHUMAN. I would like to call on Mr. Robert Delano, president of the Virginia Farm Bureau Federation, to present the next statement.

Mr. ABBITT. I would like to, on behalf of Mr. Wampler and myself, welcome Mr. Delano. While he is not actually residing at the present time in my district, he is a statewide operator. He is highly respected by all of our farmers and others who are interested in the welfare of Virginia and the Nation. I am pleased to welcome you here.

Mr. WAMPLER. Will the gentleman yield?

My friendship with Bob Delano extends back over 20 years ago when we were students at Virginia Tech. Mr. Chairman, his credentials are impressive, and I know of no one more knowledgeable about Virginia agriculture. Mr. Delano, we want to welcome you here.

STATEMENT OF ROBERT B. DELANO, PRESIDENT, VIRGINIA FARM BUREAU FEDERATION, INC., RICHMOND, VA.

Mr. DELANO. Thank you, Mr. Chairman. The gentlemen are very kind.

My name is Robert B. Delano and I operate a grain and livestock farm in the Eighth Congressional District of Virginia located near the town of Warsaw. I also serve as president of the Virginia Farm Bureau Federation.

Virginia farmers voted for a change in farm policy last year. They are dissatisfied with the present programs for wheat and feed grains. They believe the gradual elimination of the present wheat and feed grain programs will provide the necessary adjustment period for most prices to adjust to demand.

We also need time to provide an adjustment period for the noncommercial farmer to seek other employment.

In the day of volume production, most farmers in Virginia have not participated in these programs, but have been punished economically because of the very existence of such programs.

Virginia farmers are against the present wheat and feed grain programs because Virginia is a feed-deficit State and must import grain that could be raised to support our dynamic livestock industry. We believe the time has come to make the decision to change directions and support these amendments to the Food and Agriculture Act of 1965.

Thank you, sir.

The CHAIRMAN. Thank you, Mr. Delano.

Mr. SHUMAN. Thank you, Bob.

I would like next to call on Mr. Elton Smith, president of the Michigan Farm Bureau Federation.

STATEMENT OF ELTON R. SMITH, PRESIDENT, MICHIGAN FARM BUREAU, LANSING, MICH.

Mr. SMITH. Mr. Chairman and members of the committee, I am Elton Smith, president of the Michigan Farm Bureau. I am glad to be able to represent the American Farm Bureau Federation and the farm families of Michigan Farm Bureau. More than 54,000 families in our State have voluntarily joined this organization. Through our policy development procedure, members of county Farm Bureaus have a good opportunity to voice their suggestions on the position Farm Bureau should take. At annual meetings in Michigan last year, nearly every one of the 71 county Farm Bureaus expressed some opinion on needed farm program changes. Most counties expressed a need to move away from the present type of farm program that has failed to accomplish the needed objectives.

Farm Bureau members recognize that we cannot abandon overnight a program which has been built into our entire structure of farm economics. Farmers do not want to eliminate all farm programs.

They asked for more reliable market information.

They asked for fair trade policies on farm imports and exports. Huron County Farm Bureau, a leader in agricultural production in our State, said: "American farmers want and need more world trade."

Farmers believe they are entitled to economic protections and aids similar to those that are available to other economic groups.

A number of counties call for bargaining power sufficient to enable farmers' marketing organizations to perform effectively.

There is a recognition of need for research in the development of new markets, new products and continued research in the over-all problems of a dynamic agriculture.

Farmers believe that Government has a role to play in maintenance of quality and grade standards necessary to assure their customers uniformly high quality products.

Many county farm bureaus urged an adequate land retirement program. Mecosta County said:

> We need such a program that would encourage whole farms to be taken out of production, which would help in the resource adjustment in agriculture.

There has been great disappointment in Michigan with the International Grains Agreement approved by the Senate last year. Promises from Washington of higher prices and orderly marketing to result from this international agreement have not been realized. Instead, the International Grains Agreement and the Food and Agriculture Act of 1965, working together, have brought farm prices of affected commodities to the lowest levels in many, many years. Telfarm records at Michigan State University show Michigan grain farmers operated at a net loss this year.

And the price alone does not tell the story. Export shipments of Soft White and Red wheat (the specialty type grown in our State) have declined drastically. And total U.S. exports have dropped from 761 million bushels last year to a USDA estimated 535 million in the year ending June 30, 1969.

It is clear that the commodities least affected by Government programs are those commodities which are most nearly reflecting a living wage to farm families. Recognizing tihs, many Michigan counties last year opposed extension of the act of 1965 and urged a move toward less dependence on Government controls. Saginaw County Farm Bureau said:

> This should include a practical land retirement program * * * which should be temporary and voluntary, provide for competitive bids and take cropland out of production, with emphasis on whole farms.

Following the county farm bureau annual meetings, the delegate body of nearly 600 voting members at the Michigan Farm Bureau convention developed policy statements representing the thinking of the county farm bureaus and forwarded them to our national convention at Kansas City. There our recommendations were incorporated in the farm bureau policy statement which has resulted in the development of farm bureau's proposal for a new approach in farm legislation, aiming toward a 5-year transitional program.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Smith.

Mr. SHUMAN. I would like to call on Mr. John Pitzer, president of the Pennsylvania Farmers' Association and a member, State organization of the American Farm Bureau Federation.

Mr. GOODLING. Mr. Chairman.

The CHAIRMAN. Mr. Goodling.

Mr. GOODLING. Mr. Chairman, I would like to welcome one of my constituents to this hearing. In a sense we are competitors, because we are both fruitgrowers. John and I have been associated with the Farm Bureau for many years. I say we are both competitors, but he is bigger. He also makes money on his farm and I don't. John, we are happy to have you here.

STATEMENT OF JOHN R. PITZER, PRESIDENT, PENNSYLVANIA FARMERS' ASSOCIATION, CAMP HILL, PA.

Mr. PITZER. Thank you, Mr. Goodling.

Mr. Chairman, we appreciate the opportunity to present the views of the Pennsylvania Farmers' Association on new farm program legislation, being proposed by the American Farm Bureau Federation, of which we are an affiliate. We have received bipartisan support

of seven Pennsylvania Congressmen and Senator Hugh Scott who have introduced the Agricultural Adjustment Act of 1969.

The Pennsylvania Farmers' Association is a general farm organization with more than 11,500 member families. Most of our members are dairymen, but we also represent all other types of farming—livestock, grain, fruits, and vegetables.

Agriculture in Pennsylvania is second only to steel as a contributor to the economy of the Commonwealth. Most of our farms are not the large, spacious farming operations generally depicted in the Midwest and West. Many of our farms are small family operations numbering 75,000 according to an estimate by the Pennsylvania Department of Agriculture. It has been estimated that at least 25,000 of these farms are classified as marginal, commercial operations by various governmental agencies.

The Pennsylvania Farmers' Association would like to take a new approach to farm programs, because our farmer members are being hurt by the Food and Agriculture Act of 1965.

Pennsylvania agriculture, along with other Northeastern States, has a unique problem, we are a grain-deficient State. A large amount of our grain supply must be shipped into the State for feed and manufacturing of foodstuffs. Also, production of wheat and feed grains have been dropping at a drastic rate. Since 1950, for example, production acreage devoted to wheat has dropped more than 50 percent from 863,000 acres to 394,000 acres.

Because farms are small, the farmer must utilize every available acre for production purposes to raise the crops needed in his farming operation. Participation in the present Government program would hamper his already declining supply of wheat and feed grains; thus, forcing the farmer to purchase more grains from outside the State.

Another factor enters the picture when Pennsylvania milling and pretzel industry are considered. The Commonwealth produces more than 50 percent of all pretzels in the United States with the bulk, if not all, of the wheat coming from local farms.

The national retail pretzel business amounts to $125 million to $130 million annually with $75 million to $80 million being generated in Pennsylvania. This is a large industry which will be seriously hurt if present trends are not changed to move in a different direction.

A representative of this industry expressed grave concern about the future of the Pennsylvania pretzel industry, if production of wheat continues to decline as it has in the last 10 to 20 years.

It is necessary to have the local wheat because of texture and taste of the "heavy pretzel" which is distributed nationally. Many of the large food manufacturers have attempted to duplicate the flour produced in Pennsylvania, but their efforts have been in vain.

When farmers are forced to take the feed grain price of $1.11 per bushel—1968 average price in Pennsylvania—because they do not participate in the Government program, they are inclined to feed it to livestock, or stop growing wheat and switch to a more profitable crop.

Certainly the low price of wheat is to the advantage of the pretzel industry, but what good is a low price, if wheat is not available.

Pennsylvania has more flour mills than any other State, and officials of the Pennsylvania Millers and Feed Dealers Association are expressing the same fears that haunt the pretzel industry.

These officials are concerned about the climbing freight costs for shipping grain from the Midwest and West. Since May 1967, the Interstate Commerce Commission, under vigorous protest from this organization, has authorized additional freight rate increases which have cost the agriculture industry in the Northeast more than $2 million per year.

Nationally farmers receive an average of more than 20 percent of their total income from Government programs, while in Pennsylvania less than 7 percent of the farmers' income is derived from this source.

The Pennsylvania Farmers' Association is concerned with the total cost-price squeeze being hurled at the farmers, because of the inequities of the present program and its failure to help raise farm income.

We give our full support to the proposed Agricultural Adjustment Act of 1969.

I thank you.

The CHAIRMAN. Thank you very much.

Mr. SHUMAN. I would like to call on Mr. Floyd Hawkins, president of the Arizona Farm Bureau Federation, for a supplemental statement.

STATEMENT OF FLOYD HAWKINS, PRESIDENT, ARIZONA FARM BUREAU FEDERATION, PHOENIX, ARIZ.

Mr. HAWKINS. Mr. Chairman, members of the committee, I am Floyd Hawkins, president of the Arizona Farm Bureau Federation, and member of the board of directors of the American Farm Bureau Federation. I am pleased to have the opportunity to appear on behalf of the Farm Bureau's agricultural program which has been set forth by the Farm Bureau membership through our policy development process and was adopted by the voting delegate body at the last annual meeting of the American Farm Bureau Federation in Kansas City in December 1968.

The Farm Bureau program for agriculture is based upon a 5-year transitional period, which would allow farmers to adjust their operations to production for sales in the marketplace and to make agriculture less dependent upon the Treasury of the United States for adequate income.

I believe that this program would be far less costly to the Federal Government. Farmers' income has not reached the level of other industries during the time present Government farm programs have been in operation; and to me, this points up the failure of past programs.

One of the real important phases of the proposed legislation is that the Secretary would be required to retire at least 10 million acres of production per year through the 5-year transitional period. I feel that this is a most necessary aspect of the legislation. Another very important part of this legislation is to authorize the Secretary of Agriculture to offer a special transitional program in the 5 years referred to, which would be open to any farmer who has average gross annual sales of farm products of not more than $5,000 and off-farm

income of not more than $2,000 per year for husband and wife for the immediately preceding 3 years.

In my opinion, Mr. Chairman, it is becoming increasingly difficult for operators of small farms to have a profitable operation. This act would be a great service to the small operator, by giving him a choice of staying on the farm or being retrained for other work. It aids the commercial farmer also, by allowing him to produce for a free market. And by free, I mean a market operating on supply and demand without support from Government funds.

I hope you will give this your serious consideration. I personally feel that the time has come when we must adopt farm legislation that changes the direction in farm programs from a wholly controlled agriculture to programs that allow the market system to function.

Thank you very much.

The CHAIRMAN. Thank you very much.

Mr. SHUMAN. I would like to call for our final statement, Mr. Ray Frisbie, president of the Kansas Farm Bureau Federation.

Mr. SEBELIUS. Mr. Chairman.

The CHAIRMAN. Yes.

Mr. SEBELIUS. I would like to, on behalf of the committee, welcome Mr. Frisbie to testify before us. He is one of my constituents and lives on a farm in McDonald, Kans., about 80 miles from my town, which makes us next-door neighbors by our standards. He has been a member of the Kansas Wheat Commission, and we are glad to have him here this morning.

STATEMENT OF RAY E. FRISBIE, PRESIDENT, KANSAS FARM BUREAU, MANHATTAN, KANS.

Mr. FRISBIE. Thank you, Mr. Congressman and Mr. Chairman.

I want to thank you for the opportunity to present the following comments on new farm program legislation.

I am president of Kansas Farm Bureau which presently has 84,700 member families, a large percentage of which grows either wheat or feed grains as a major crop.

In addition, I personally own and operate a wheat and livestock farm with two sons and a son-in-law, in the northwest corner of our State. So I am real conscious of our problems in agriculture.

The past 3 years have provided me the opportunity to visit with hundreds of farmers in all sections of Kansas. As a result of this experience, it is my firm conviction that a vast majority of Kansas farmers want a change from the present farm program.

I would summarize their various reasons for wanting a change about this way:

(1) If you give the 1965 act credit for being an influence on agriculture, practically all commodities which come under the act are in trouble; hence, its influence has been negative.

(2) The stated purpose of the act was to control production and improve net farm income. It has failed on both counts.

(3) Many inequities exist within the program.

(4) The markets in all the commodities affected have been disrupted.

(5) In many instances we are forcing producers to plant the crops we are trying to control.

In visiting with these farmers I find such frustrated and helpless feeling on their part that many of them feel it useless to convey their feelings to their Congressman.

They all realize we are going down the wrong road, but they also know that you cannot suddenly "jerk the rug" out from under them with one fell swoop without disastrous results. For example, farmers in Kansas generally know as well as anyone that wheat certificate payments have been capitalized into farming operations and to discontinue them abruptly could cause havoc.

Therefore, it is our firm conviction that the proposed Agricultural Adjustment Act of 1969, as introduced in H.R. 9633 by Congressman Teague of California, and several other similar bills now before your committee, is the best proposal for a change of direction in the farm program that could correct the conditions mentioned above with the least amount of disruption in agriculture.

Thank you very kindly.

The CHAIRMAN. Thank you very much.

Mr. Shuman, do you have anything further?

Mr. SHUMAN. Mr. Chairman, this completes our formal statement. I have with me Mr. Marvin McLain, legislative director of the American Farm Bureau. We will be glad to answer any questions and will be glad if you or members of the committee wish to direct questions to any of us.

The CHAIRMAN. Thank you very much.

I would like to suggest, Mr. Shuman, that while I do not view this matter just as you do, we do appreciate your suggestions. After all, I can't condemn a man who comes before me and suggests something, even though I may disagree with him. It is the folks who complain and offer no suggestions that I think are the ones that ought to be criticized. Their effort is not being very helpful in the program.

Mr. SHUMAN. Thank you, Mr. Chairman.

The CHAIRMAN. Now, there is one slight item here—I know it is rather minor, but I think the message ought to be cleared up—you reiterated several times your feeling that Government stocks are bad for farmers. I think I have made that same statement around here a good many times. In fact, I found myself in complete disagreement with some of my colleagues on that matter, because I have felt that Government stocks always resulted in depressing the market. Everybody knows they are there and everybody knows they can be turned loose.

But as I understood it, you proposed now to take the Government stocks in existence—they are quite high in wheat, not so high in cotton as they once were—and freeze them in Government hands, never to be released until they brought 150 percent of the loan price at the time at which they were borrowed, plus the storage charges. It seems to me that they would never be released. Can you conceive of us getting enough for wheat, for instance, to pay for the 150 percent of the loan plus all the storage charges that accumulated over several years?

Mr. SHUMAN. Yes; I think it is entirely possible, Mr. Chairman, that the price of wheat might go to 150 percent of the loan rate, particularly in the recent years; and most of it came in in the last 3 to 5 years, most of the present stock has. I think it is entirely possible, be-

cause when the taxes, the processors' tax, a domestic use tax, and the export tax are removed, the price of wheat is going to go up substantially. While it won't go to 150 percent perhaps with those two actions, I think it is entirely possible it would move out.

Furthermore, we would not prohibit the use of this accumulated wheat if disaster strikes in some part of the world if our Government, our Congress decides to make food aid to relieve starving available. We do not prohibit or do not say that we cannot use it for these purposes.

The CHAIRMAN. I understand that. My only point is it seemed when you add those storage charges it doesn't take a year to get the commodity so far ahead of the cost of any comparable commodity that it will just stay in Government hands. I assume, of course, the Government will sell a number of bushels and buy a number back and it wouldn't keep the same wheat there; but if they had a billion bushels of wheat and we have this 3-year storage charge, I don't think we can ever hope to sell it.

Mr. SHUMAN. One situation that would develop under our program, that is the different classes and grades of wheat would tend to seek and find their price at which they would move. Some of this wheat—in fact, a great deal of it in Government storage—is of the quality and the type that would be salable for feed use; some of it perhaps at superior cost.

The CHAIRMAN. That is not 150 percent of the loan value at which you took it in plus the storage charges. You are not going to move that into livestock feed and pay all those charges.

Mr. SHUMAN. No; I think there would be a period in which we would have to gain expense, and if it was found that this wheat was bottled up forever, we would have to seek ways to dispose of it.

The CHAIRMAN. And I think cotton is even more difficult to handle than wheat, except that we don't have as much of it on hand at the present time as we have of wheat, because it is obvious when you take that cotton in at 22 cents, 24 cents—I believe it is about 24 now, isn't it—you take it in at anywhere at that figure and then add 50 percent to that, you have already got 35 cents for cotton, and then you add 2 or 3 years' carrying charges and you have 45-cent cotton. Obviously you can't sell it. It will never be sold.

Mr. SHUMAN. Mr. Chairman, under the present program in effect we have the same thing. In other words, our proposal does not change the situation particularly, because we have wheat quantities, quantities of wheat that have been accumulating for years, and some of it has been in the storage, the same wheat, for a number of years. So we are not changing this situation at the present time.

The CHAIRMAN. We don't have any law that says you can't move it until you get150 percent plus storage charges.

Mr. SHUMAN. Yes; but the only chance of us getting—making a transition to the market system and getting satisfactory prices is if we lock this up so it can't be fed back, at least on the domestic market.

The CHAIRMAN. Now you are talking about the proposition that you can lock it up and not affect the domestic market. I don't think you can.

Mr. SHUMAN. It will have an effect, but as long as the legislation directs the Secretary to not release it below a certain release price, the market doesn't operate under the threat of it being done summarily.

The CHAIRMAN. Mr. Shuman, that is what every one of your rivals have said when they have advocated that. They have said just what you said right now. Maybe they are right. I didn't think they were. You now are trying to convince me that they are right.

Mr. SHUMAN. Well, they are not always wrong in everything. Actually, Mr. Chairman, in order to make the transition to the market system, it is necessary to recognize that these quantities of cotton and wheat, particularly—and you are correct, they are the most serious—have been produced under stimulation of another program and that you cannot make a transition in the market price without tremendous danger of destroying market prices unless they are locked up at least for a considerable period of time. It may be that they will have to be locked up for a number of years and fed out gradually as you find situations where they can be used without disrupting the market. I think that we recognize this as a costly procedure, but it is again emphasized that it is no more costly than what we have been doing. We have had them locked up some time, for 20 years.

The CHAIRMAN. I won't pursue that any further.

I would like to ask Mr. Stevens—Mr. Stevens, you are, of course, familiar with cotton grown in Mexico. Does the Mexican grower get as large returns total—I am not talking about price—as large returns, including Government payments, as the American grower for his cotton?

Mr. STEVENS. With the Government payment?

The CHAIRMAN. Yes; with the Government payment.

Mr. STEVENS. No; I don't think so. In my opinion, I am not familiar with exactly what they are getting, but I certainly wouldn't think so.

The CHAIRMAN. Well, I think that is correct.

Now, I would like to ask Mr. Frisbie—you are, of course, familiar with, at least somewhat familiar with, the Canadian system of marketing wheat. Does the Canadian grower get as large a return total from the market and government, from all other sources? Does he get as much for his wheat as the American does?

Mr. FRISBIE. I think probably that he does.

The CHAIRMAN. You think he does. All right. I don't think he does, but that, of course, is a question of facts.

Just what——

Mr. FRISBIE. I am more interested in what I get.

The CHAIRMAN. What?

Mr. FRISBIE. I am much more interested in what I get.

The CHAIRMAN. I know you are interested in what you get. What do you get?

Mr. FRISBIE. 97 cents a bushel.

The CHAIRMAN. No, that is not what you are gettting. I said all your returns.

Mr. FRISBIE. 97 cents at the market I am getting.

The CHAIRMAN. I understand 97 cents in the market. That is not all you get, is it?

Mr. FRISBIE. No, it depends a lot on what it yields.

The CHAIRMAN. Of course, it depends on the yield. But I think this is something that contributes nothing to the solution of these problems to refuse to recognize facts. You may be correct about the Canadian prices. We will find out about that. But I do know that you are

human. I think you, yourself, discussed the certificates. You do get payments from certificates, don't you?

Mr. FRISBIE. Yes, I brought that out very plainly.

The CHAIRMAN. But you didn't bring it out when I asked you the question as to what your total return is, not simply from the Government, from all sources, and I asked you from all sources what is your total return, from all sources, on the wheat.

Mr. FRISBIE. I misunderstood your question. I thought you were talking about the market.

The CHAIRMAN. No, I am not talking about the market.

Mr. FRISBIE. Again, when I talk about total returns on my wheat in any one crop year, it depends very much on the yield, but the certificates I mentioned are a built-in capital into our system in the wheat area, which is a very important factor when we are talking about changing programs.

The CHAIRMAN. And you do receive a substantial part of your income from those?

Mr. FRISBIE. That is correct.

The CHAIRMAN. Now, let's go back and maybe you misunderstood me in the first place, then, when I asked you about whether the Canadian wheatgrower receives more from all sources or whether the American wheatgrower receives the most from all sources for his wheat.

Mr. FRISBIE. Well, again I can't answer your question just blanketwise. It varies so much over the year.

The CHAIRMAN. All right. Let's talk about this year.

Mr. FRISBIE. Well, I am sorry I can't tell you. I would just guess that probably the American producer receives most without knowing it.

The CHAIRMAN. I think there is no question about that.

Now, neither Canada nor Mexico has a support system, do they? Canada has a system of selling a certain amount of wheat——

Mr. FRISBIE. I would say they had a government program. You almost have to say this.

The CHAIRMAN. But they don't restrict the amount of wheat a man can grow. They restrict the amount he can sell through that device, don't they?

Mr. FRISBIE. Yes, I think this is true.

The CHAIRMAN. But not the amount he can grow?

Mr. FRISBIE. I believe that is correct.

The CHAIRMAN. And the Mexicans don't restrict the amount they can grow?

Mr. FRISBIE. No, and I understand they are growing quite a bit on some of these acres. Maybe this would solve our wheat problem, getting some wheat that would yield about 150 bushels to the acre.

The CHAIRMAN. We have grown wheat at 182 bushels an acre.

Mr. FRISBIE. We haven't done this in Kansas, but maybe we will.

The CHAIRMAN. It has been done in the United States.

Mr. FRISBIE. That is right.

The CHAIRMAN. I am sure Canada can do as well.

Mr. FRISBIE. We are going to try.

The CHAIRMAN. Well, thank you, gentlemen.

Mr. Abernethy.

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Mr. ABERNETHY. Yes, Mr. Chairman. I would like to ask one or two questions of Mr. Shuman.

Mr. Shuman, on page 5 of your statement, item (4), "Continue the Cropland Adjustment provisions of the Act of 1965 with amendments." You set forth two amendments which will require that programs be operated on a competitive bid basis with emphasis on whole farms. Maybe you can explain to me a little further the mechanics, please.

Mr. SHUMAN. There has been some experience in using the competitive-bid basis.

Mr. ABERNETHY. In what crops?

Mr. SHUMAN. Conservation retirement. So our suggestion implies the use of the bid basis where the farmer would be invited to offer to the county committee his acreage, his farm or part of a farm, whichever he wanted to offer, stating the bid, the amount of money that he would offer to take for the land retirement.

Mr. ABERNETHY. Would this be on a permanent basis? I am sure it wouldn't be permanent. It would be over a period of years. Approximately how many?

Mr. SHUMAN. It would be for the term of contract that was either specified by the Secretary, or if there was—there could be an option of 3 to 5 years, perhaps.

Mr. ABERNETHY. Then in subsection B you propose that the Secretary of Agriculture retire at least 10 million acres per year. Could you say, sir, what crops?

Mr. SHUMAN. Well, any crops, any land that had been in production. This is not confined to land which has been in the production of wheat or feed grain or cotton. This would be cropland.

Mr. ABERNETHY. You don't anticipate the retirement of this acreage would be acreage that as of the announcement of the program would have been in production of wheat, feed grains, or cotton or soybeans?

Mr. SHUMAN. Well, yes, I think most of it would have been in these crops, because these are the crops where there have been specific commodity retirement acres taken out of a specific commodity. In effect, our suggestion is a substitute for the land retirement primarily to attract these people who have land taken out of production, but not confined to that. The basis on which the bids would be accepted to complete the description of it, the basis on which the bids would be accepted by the county committee would be related to their productivity. In other words, where they can get the most retirement, the most reduction and production per dollar, and these productivity figures are available in the county offices.

Mr. ABERNETHY. Is it the design of the Farm Bureau or the opinion of the Farm Bureau, I might say, that at the end of the year 1975—I believe that is your phaseout year—that there would be no program of any kind other than the land retirement program; is that right?

Mr. SHUMAN. That is right, for these commodities.

Mr. ABERNETHY. All right. Now, what, if anything, would be substituted for the price of the program, or would there be any kind of price supporting program?

Mr. SHUMAN. There would be no price supporting program—excuse me—that is right, the price supporting program that we have

provided in this act here would be not to exceed 85 percent of the 3-year market price average. That would presumably continue. The other price supporting programs——

Mr. ABERNETHY. That would continue after 1975?

Mr. SHUMAN. Yes.

Mr. ABERNETHY. On unlimited production?

Mr. SHUMAN. That is right.

Mr. ABERNETHY. Unlimited production.

Mr. SHUMAN. The present price supports, commodity, would have been phased out.

Mr. ABERNETHY. Somewhere in this statement, I believe it is on page 4, down at the bottom of the page, limit the total funds that may be spent on all direct payments for wheat, feed grains, and cotton under the Food and Agriculture Act of 1965 to 80 percent of the amount spent on 1969 crops in 1971, 60 percent in 1972, 40 percent in 1973, and 20 percent in 1974. Now, I want to see if I understand that. Total the amount of payments that have been made in the year preceding the year that the program goes into effect, and if those payments amounted to X dollars, we will set up a budget of 80 percent of that for the following year; is that right?

Mr. SHUMAN. That is correct.

Mr. ABERNETHY. And 60 percent for the next year?

Mr. SHUMAN. That is right.

Mr. ABERNETHY. 60 percent of that which that particular farmer had recived on that particular farm; is that the mechanics of it?

Mr. SHUMAN. No, these percentages would apply to the total funds made available for the Secretary to use in the——

Mr. ABERNETHY. I understand that, but what would be the mechanics of the distribution? Which farmer would get how much?

Mr. SHUMAN. Our legislation leaves to the Secretary of Agriculture the procedure, the exact administrative procedure in phasing these out. Actually, what we are proposing is that there still be left for him at the end of the first year—well, at the end of the first year, 80, the second year 60, and so on down the line of the funds that are available to use in direct payments in such a manner as he would determine are equitable and meets the intention of the program.

The CHAIRMAN. After 1975, what would be the program deferment?

Mr. SHUMAN. After 1975 there might be some continuation of the existing contracts. In other words, contracts entered into in 1974 might have some years to run. So there will be some of these contracts in effect. There would be the price support of the 3 year, not to exceed the 85 percent of the 3-year market price average, and there would continue to be the restriction on the sale back of commodities. There would not be any crop, specific commodity control program. There would not be any specific commodity price supports. No direct payments on a commodity basis.

Mr. ABERNETHY. You have all those crops just mentioned on 85 percent of the average market price for the 3 preceding years; is that it?

Mr. SHUMAN. Yes, sir.

Mr. ABERNETHY. What about the specialty crops such as fruits and vegetables, large quantities of which are frequently purchased by the

Commodity Credit Corp. They have been distributed to various sundry institutions, including food gift programs.

Mr. SHUMAN. This legislation would not apply to any crops except the wheat, feed grains, cotton, and soybeans. So there will be no change in any programs devoted to those crops. So the same authority would exist.

Mr. ABERNETHY. I am certainly not asking that you would convey any confidential information, but what has been the attitude of the Department of Agriculture regarding the program, if you have discussed same with them?

Mr. SHUMAN. We have discussed it with the staff members and the Secretary of the Department of Agriculture on several occasions and explained our ideas. They have been interested. They have asked questions. We have received—we have not asked for nor have we received any commitment from this Department of Agriculture.

Mr. ABERNETHY. I want to assure you that I am not prying on those matters, nor to suggest I am trying to find out what direction the Department is going. I asked the question only because as a man of long experience and associated legislation here on the hill, farm legislation, you are well aware of the fact that the farm bill and no other bill can pass unless it has the eventual approval of the executive as well as the legislative.

Mr. SHUMAN. We sincerely hope that the Department of Agriculture will see fit to approve our bill, but we have no commitment from them.

Mr. ABERNETHY. Do you anticipate further conferences with the Department?

Mr. SHUMAN. Yes, in fact we have an appointment for this group this afternoon with Secretary Hardin and members of his staff.

Mr. ABERNETHY. Do you have a commitment.

Mr. SHUMAN. We will try to get there first with the mostest.

Mr. ABERNETHY. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Teague.

Mr. TEAGUE. Just this, Mr. Chairman. I commend our witnesses this morning for bringing to us what I think is a very constructive suggestion. They know that members of this committee know that I am a proponent of this approach. I think it will be fitting, however, if I leave it for today and do not take up any more time. I will leave the remaining time to those with more questions, with more doubts of this program than I have.

The CHAIRMAN. Mr. Purcell.

Mr. PURCELL. I have one or two, Mr. Chairman.

First, for the record, I would like to ask Mr. Frisbie, and then also Mr. Hawkins, if you—maybe I didn't hear, but did you say in your statement how many members the Kansas and Arizona Farm Bureau has? Do you know how many you have, Mr. Frisbie?

Mr. FRISBIE. Yes, we have an alltime high. Our membership year closed July 1, and it is 86,700 members.

Mr. PURCELL. How many?

Mr. FRISBIE. 86,700 member families.

Mr. PURCELL. All right, sir.

Now then, Mr. Hawkins, how many did you have?

Mr. HAWKINS. Mr. Chairman, Mr. Purcell, the Arizona Farm Bureau membership year closes September 1. At the present time we

have something over 4,100 members. I can't tell you exactly. It is 4,115. We hope to wind up with about 4,200. We are a small State in membership. We have some pretty good operators out there and they support the farm bureau quite well.

Mr. PURCELL. Well, all the other statements give, I think, as Mr. Shuman's did, they led off with telling us how many members the respective farm bureau had. This is the only change I have noticed in the proposal this year as compared with others. I didn't want to get these vital statistics not put in here.

Mr. Frisbie, you are on the Kansas Wheat Commission, as I understand. I am sorry you have to come back and forth. You are on the Kansas Wheat Commission?

Mr. FRISBIE. No; I served three terms.

Mr. PURCELL. You have been on it?

Mr. FRISBIE. Yes.

Mr. PURCELL. Do you find, at least the Kansas Wheat Commission, to be a worthwhile effort? Do you feel that this is a way of helping the wheatgrowers?

Mr. FRISBIE. Well, Congressmen, I would say that I think they made a sincere effort to help in wheat problems. My only concern is that we appropriate over—I don't say appropriate. I should say we collect over $400,000 in our State through the wheat commission. Half of this, approximately, or $200,000, is used in the Great Plains wheat, which I am sure you are familiar with. The other $200,000 is spent mostly within our State in trying to improve domestic consumption of wheat.

My concern is that we probably would be much better off if we would use this $200,000 in trying to get people to increase their livestock operation through their wheat usage, because certainly if you want to get in real trouble in any grains is to try to get people to eat the grain instead of meat. I am sure you are familiar with the fact that it takes 8 pounds of grain to produce a pound of meat. This 8 pounds converted into human food will feed approximately 124 people one healthful serving, while the same amount in meat would be two to three real nutritious servings.

Mr. PURCELL. Do you feel that the farmer is cooperating and under some kind of supervision, hopefully not Federal, to try to increase the use of this product either in sales abroad or in domestic uses? If every State had a given commodity with coordination in moving forward in trying to develop its use, would this not have the effect of being able to sell more of the commodity?

Mr. FRISBIE. I would truthfully say the Great Plains wheat part of it has been an effective program in getting wheat increased in foreign countries. Sometimes it is taken over by other countries in the market, but I think we have been effective. If I didn't think there was some disagreement, I don't believe I would have served to start with. I do think we need a change of direction as far as our local effort is concerned.

Mr. PURCELL. Mr. Shuman, would you give us your judgment, then, on this approach to the development of any product?

Mr. SHUMAN. I don't think there is any question but what there is need for research, promotion, and advertising programs for most of

our agricultural commodities. Certainly those that go rather directly into human consumption. But I am also strongly of the opinion that these promotion efforts are largely weighted, if you have programs or combinations or what have you, that restrict or manipulate market prices in such a way as to result in making the product noncompetitive. You have got to be competitive as far as wanting to create a desire. Of course, promotion helps a great deal in the desire for the product. But promotion, in my opinion, cannot—no amount of promotion, no amount of research, no amount of advertising can overcome the handicap of an unwise Government program which prices commodity without regard to the market. That is what we have been doing with cotton and wheat. We have been pricing it without regard to the market.

Mr. PURCELL. Then you think it ought to be cheaper to go on the world market or what?

Mr. SHUMAN. No; I think the commodities need to be in a position to compete. That may not always mean cheaper in case of wheat. Many varieties and many grades and qualities of wheat might even be considerably higher than at the present time. But prices must be free to change in response to competitive situations, and when we fix a price, a guarantee ahead of time what it is going to be, you guarantee excess production and you also premiumize the seeking for alternate sources of supply. This is what we have been doing under the present program.

Mr. PURCELL. Do you basically stand for the producers of a given product trying to promote the use of what product?

Mr. SHUMAN. Yes, sir; we are very strongly in favor of voluntary programs. We are opposed to Government compulsory checkoff programs.

Mr. PURCELL. Even at a State level?

Mr. SHUMAN. We take no position on State promotion programs. And as far as American Farm Bureau is concerned——

Mr. PURCELL. Are you aware that your State farm bureaus do oppose many States that are trying to get a thing like a wheat commission authorized?

Mr. SHUMAN. Some have and some have not. We have some States where the State farm bureau has supported the State authorization for a deduction and some States where they have opposed.

Mr. PURCELL. So you would say that you won't be for it unless your State organization insists; is that right?

Mr. SHUMAN. As far as the State program is concerned, it is entirely in their hands and we take no position either way.

Mr. PURCELL. Now, on page 7 you say, "Government reserves are not needed for the protection of consumers."

I want to be sure we understand each other. You would assume that if we ever reached the point of Utopia that we really had only enough supply to satisfy the demand, that this would take care of itself?

Mr. SHUMAN. Yes, sir; I think we have adequate reserve capacity to produce all of the food and fiber that is needed in this country, and our productivity soils and our livestock and our channels of trade, we have an adequate protection for consumers against shortage under

a market based agriculture, and we do not need a government health reserve.

Mr. PURCELL. In the meantime you do not want a reserve? You don't want to call these commodities anything except a drag on the market, and to create something that will prevent it from getting on the market and consider them not there until some other act, as in Mr. Poage's statement, might come up and maybe we could dispose of it?

Mr. SHUMAN. Actually these would constitute a reserve if the demand was sufficient to cause the price to go to 150 percent of the support level that brought them in. I don't think this is impossible. I think that this could occur. I think it could occur perhaps before too long in several commodities, that the price might go to this level and then we would feel that this is the time to start feeding them back on the market.

Mr. PURCELL. One other question. On page 8, just above the second chart, you are talking about the example that you made of 85 percent of the 3-year average market prices shown above, the AAA of 1969 would prohibit—what does AAA stand for?

Mr. SHUMAN. That is an abbreviation. We probably should have spelled it out. The Agricultural Adjustment Act of 1969.

Mr. PURCELL. I see.

Mr. SHUMAN. I stumbled over that, too. I am versed in letters and I am sorry we abbreviated. We should have spelled it out.

Mr. PURCELL. Mr. Shuman, lately most of us on this committee took a trip to the Panhandle of Texas, and there in the first time in my brief history we saw a statement presented on two occasions by a representative chosen by the farm bureau, Farmers Union, and the National Farmers Organization, and to me it was rather consoling to see these people in the same room without audible cursing of each other. They had even agreed on the statement. Now, I have not heard of this attitude drifting up in a national level of any of these organizations. Are you aware of any effort that you are connected with in trying to cooperate with other farm organizations in this State?

Mr. SHUMAN. Yes; we have worked very closely with all the organizations you mentioned and others in support for legislation where we find our policies are in accord. We have been almost exactly together on trade legislation and in efforts to expand trade. We have had considerable support from several of these organizations in our attempts to pass legislation to encourage and to give a favorable climate for market, the bargaining.

Mr. PURCELL. In each instance these people were rather insistent we keep the certificate program. I don't guess you can endorse an effort of that kind?

Mr. SHUMAN. No; our policies as adopted by the delegates say that we should phase this program out.

Mr. PURCELL. All right, sir.

Mr. Frisbie, in your statement—and I was not given the privilege of seeing it—you said something to the effect that all farmers, and you are talking about Kansas farmers, I guess—know that we are going down the wrong road. Is this in substance your statement?

Mr. FRISBIE. I would say so.

Mr. PURCELL. Do you mean by that that all farmers in Kansas are opposed to the present wheat certificate program?

Mr. FRISBIE. I think I followed that up by pretty good discussion of the place that certificates are held in. Even the most avid supporters that I have talked to of not doing away with certificates realize that the present conditions of the wheat industry in our State certainly needs to take a change, because they are going out of business pretty fast. I would hasten to add, Congressman, that there are people in our State, there are producers that can live with this program, but there are many of them that are going out of business pretty fast.

Mr. PURCELL. I see. I have been pretty much all over the country, and everywhere I have gone I have had Farm Bureau members tell me, many of them, that whatever you do, don't do away with the program, improve it if you can, but don't do away with it. It is somewhat confusing to have you national leaders come up and say we are going down the wrong road and give me the impression that all farmers that you are aware of are opposed to it.

Mr. FRISBIE. Well, I said here that we all realize that we have been going down the wrong road. I didn't say they all wanted to get rid of the certificates, but I said the vast majority do and they understand it.

Mr. PURCELL. That is your opinion of the farmers in Kansas?

Mr. FRISBIE. That is right. I am saying this presents a transition, that it would be necessary—this is what their concern is, that you jerk certificates and have nothing left.

Mr. PURCELL. Are you in the program?

Mr. FRISBIE. Yes, sir; I couldn't operate in wheat without being.

Mr. PURCELL. I will ask the same question that Mr. Poage asked you, then, considering everything you get, what did you get for your wheat this year?

Mr. FRISBIE. I haven't figured it up. We just finished harvest. I would get much less this year per bushel than in the last 2 years because my yield is much higher.

Mr. PURCELL. You wouldn't have gotten any more per bushel because your yield is high.

Mr. FRISBIE. Oh, yes; my average price is much different when my yield is high, because——

Mr. PURCELL. With your position in this organization, you are telling me you don't know how much wheat you made or how much money you made?

Mr. FRISBIE. Well, it is pretty hard to tell, just to single out. But I am answering you this way. Your question was how much did I get this year per bushel, and my answer was we just finished harvesting, I haven't had time to get back out there. But the greater the yield—we are talking about the total price that you have asked about with the certificates figure, and the greater the yield the less the total average price per bushel.

Mr. PURCELL. I asked you what you made. Now, do you know how much Government payment you are going to get?

Mr. FRISBIE. I really frankly don't.

Mr. PURCELL. And you don't know how much——

Mr. FRISBIE. It was just announced 2 weeks ago what the payment is going to be.

Mr. PURCELL. But you don't know what your Government payment is or how much you got for your wheat?

Mr. FRISBIE. I will shortly.

Mr. PURCELL. You don't, as you sit here today?

Mr. FRISBIE. No, I don't, because I just finished harvesting.

Mr. PURCELL. When?

Mr. FRISBIE. About 2 weeks ago, and I haven't even been home since.

Mr. PURCELL. So in 2 weeks you haven't had the need of or taken the time to figure out whether you made money, lost money, or broke even; right?

Mr. FRISBIE. Well, I don't know until——

Mr. PURCELL. Last year, did you do your bookkeeping on that?

Mr. FRISBIE. Yes, sir.

Mr. PURCELL. What did you make last year?

Mr. FRISBIE. In my operation we don't specifically divide up the costs of the total equipment against wheat and livestock. In our livestock operation it is larger than the wheat operation. If you average those costs, it is pretty hard to just tie it down.

Mr. PURCELL. Can you tell me what you got at the elevator, then, for wheat last year?

Mr. FRISBIE. We didn't sell a bushel of wheat last year.

Mr. PURCELL. What, did you put it all in loan?

Mr. FRISBIE. Yes.

Mr. PURCELL. What in loan?

Mr. FRISBIE. About $1.12 a bushel.

Mr. PURCELL. How much was the——

Mr. FRISBIE. Farm store.

Mr. PURCELL. How much was your Government payment last year?

Mr. FRISBIE. How much was the total Government payment?

Mr. PURCELL. Well, any figure you will give me at this stage.

Mr. FRISBIE. What kind of a figure do you want? Do you want it for bushel, Government payment?

Mr. PURCELL. Well, in order to not confuse me any more, if you got a Government check; how much was it for?

Mr. FRISBIE. I will tell you if you are confused you should try to go to my count ASC office.

Mr. PURCELL. I have done that, too, but right now I am just asking you what was your Government check for, not about the ASC office or what other operation.

Mr. FRISBIE. Our Government check in the wheat program was in the neighborhood—and this represents three things, I have a son-in-law and two sons—and our check was about 10,000—four including myself.

Mr. PURCELL. You don't have any idea how many bushels you had?

Mr. FRISBIE. Yes; we had a real short crop last year. It was in the neighborhood of 10,000 bushels. This is rent and all.

Mr. PURCELL. So last year you got about a dollar a bushel from the Government?

Mr. FRISBIE. That is right.

Mr. PURCELL. And add $1 a bushel to $1.12, and you got about $2.12 for wheat?

Mr. FRISBIE. Yes; but we lost over half our wheat.

Mr. PURCELL. A figure base to start with, $2.12 a bushel for this terrible program.

Mr. FRISBIE. Well, I will guarantee you we didn't make a dime on wheat last year.

Mr. PURCELL. Well, OK, but if it hadn't been for the program you would have been $10,000 worse off than you were?

Mr. FRISBIE. That is right, under the conditions existing, I will agree 100 percent.

Mr. PURCELL. At least you and I agree you got $2.12 from the program, and this program did keep you a little out of the poverty area. It gave you $10,000.

Mr. FRISBIE. I would have been in the poverty area——

Mr. PURCELL. But you were prevented from that tragedy by the Government program?

Mr. FRISBIE. No; by livestock.

Mr. PURCELL. With $10,000 you can't even claim poverty, if you got $10,000 from any source.

Mr. FRISBIE. I can when I have got over $20,000 operating expense and without the program, of course, Congressman, you and I don't know but the price might have been better.

Mr. PURCELL. It might have been better and it might have been worse.

Mr. FRISBIE. That is right. It is purely speculation. The only thing we do know what we have now certainly must not be working, putting as many wheat farmers out of business as are in the State. You understand, in our State, in my section of the State we can plant about in the neighborhood of 45 acres per quarter section of our small farm ground.

Mr. PURCELL. Of course, when you say it won't work, you say that this is terrible, it is sort of to me like because doctors can't cure everybody's ailments that they ought to stop doctoring people. They might have been worse off without any doctoring or worse off without this program.

Mr. FRISBIE. And it might have been better. All we are saying, we think it needs a change. We think this is——

Mr. PURCELL. Thank you, Mr. Chairman.

Mr. BELCHER. Will the gentleman yield?

The taxpayers paid you $1 a bushel and the consumers paid you $1.12; is that correct?

Mr. FRISBIE. I don't really figure it that way. I guess you could, but as I recall, when the 1965 act was passed, we changed the supports from approximately $1.80 a bushel to $1.25 a bushel, and the market has been that way about ever since. So we have lost about 60 cents a bushel on a support, so I don't know whether the taxpayer is paying it or whether the producer.

Mr. BELCHER. Well, that $10,000 came exactly out of the U.S. Treasury and that Treasury money is put up by the taxpayers of this country.

Mr. FRISBIE. That is right.

Mr. BELCHER. And the $1.12 you got, that was put up by the people that ate the wheat.

Mr. FRISBIE. That is right, but I think you missed my point. When we got this certificate we relinquished about 60 cents.

Mr. BELCHER. I don't know anything about that.

Mr. FRISBIE. Well, I know that happened.

Mr. BELCHER. I am not arguing about the fact that you shouldn't have gotten the $10,000, but this program paid you $10,000 out of taxpayers' money.

Mr. FRISBIE. Well, Congressman, excuse me, but I think you have kind of missed what I tried to say here. When we got the wheat certificate or the provision that gave me $10,000, we lost 60 cents a bushel in support price, so the producer——

Mr. BELCHER. The taxpayers paid you $10,000?

Mr. FRISBIE. That is right.

Mr. BELCHER. That is right.

Mr. FRISBIE. Over and above what we were getting here.

Mr. BELCHER. No, not over and above anything. You got a check for $10,000 put up by the taxpayers of this country.

Mr. FRISBIE. And when we got that we sacrificed 60 cents a bushel support.

Mr. BELCHER. You might have sacrificed $10,000, but still the taxpayers put up a program that causes you to sacrifice $10,000 at the same time the taxpayers have to give you $10,000. I agree with you, maybe it is not a good program.

Mr. PURCELL. Mr. Chairman—excuse me.

Mr. BELCHER. Yes.

Mr PURCELL. This brings on one more tremor on my part.

When you lost that 60 cents a bushel support price, that was all Government money, that is support price loan that you put in there; is this not true?

Mr. FRISBIE. If it is, it was never put in the market price.

Mr. PURCELL. All right. When you got the support, you put it in the loan. Your support price was 60 cents higher than it had been under the certificate?

Mr. FRISBIE. That is right.

Mr. PURCELL. That is all certificate money, this $10,000?

Mr. FRISBIE. Yes; it was.

Mr. PURCELL. My arithmetic shows me $6,000 of that $10,000 has been paid by the users of your wheat and it was not paid by the taxpayers.

Mr. FRISBIE. Well, who are the users of wheat?

Mr. PURCELL. People that grind it up and eat it.

Mr. FRISBIE. Aren't they taxpayers?

Mr. PURCELL. They are taxpayers, but they buy their food over and above paying for their taxes, at least where I come from. So it looks to me like the Government has been saving 60 cents a bushel on your operation, plus $6,000 out of your $10,000.

Mr. FRISBIE. Well, Congressman, don't the users of this wheat, whether millers or grinders, whatever, if they pay for this over and above the list they still pass along, isn't this right, to the taxpayer, the consumer?

Mr. PURCELL. Pass along.

Mr. FRISBIE. Yes. I am saying they pass it to the consumer in the price of bread.

Mr. PURCELL. Yes, sir; and the price of wheat is cheaper now than we were buying certificates.

Mr. FRISBIE. That is right, that is what we are complaining about, and that is why we would like to see it changed.

Mr. PURCELL. All right.

The CHAIRMAN. Mr. Goodling.

Mr. GOODLING. Thank you, Mr. Chairman.

Just very briefly, Mr. Shuman, I want to give the other people a chance to ask some questions. We talk about major farm commodities. A few minor commodities have given me concern. I would like to briefly tell you my story and ask you for comment. Some of my southern friends aren't going to like this.

I am thinking of peanuts. I follow the Departments daily summary as they come out. I find the Commodity Credit Corporation is selling surplus peanuts and lose from $3 to $4 million each month. They have being doing this since the first of the year.

Another thing that I am thinking of is tung oil. When you mention tung oil the average person listens and says, what is tung oil? It is only produced in one or two States. But the Commodity Credit Corporation is losing over $1 million each month selling surplus tung oil. To my way of thinking this is not good business. I would like to know your thinking.

Mr. SHUMAN. Certainly I agree with you and Farm Bureau's objective is to phase out these Government programs that attempt to control production and don't, that attempt to fix prices that are reasonable at fair price, profitable price, and don't. Our objective is to phase them all out, all of the control and price support and payment on commodity programs, to phase them out.

In this proposed Agricultural Act of 1969 we deal only with feed grains, wheat, cotton, and soybeans. This means that we have picked out the major disruption and distorting crop programs and we have not dwelt specifically with these other commodities. I think that without question all Government efforts to manipulate price, to control production, have resulted in a net loss to farmers over a period of time. There may have been times in the operation of these programs where you had temporary advantage, but overall they have resulted in a loss rather than a gain. That applies with every program with very little, if any, exceptions.

Now, we are concerned with how we get out of this trap that we find ourselves in. Two-thirds of agricultural products have never had these programs. That is two-thirds which is in far better shape than the one-third that has had Government programs. That is where most of the sickness is. What we want to do is to restore the degree and extent of health to the market for all of these commodities that now exist for the two-thirds that have never had this disruptive and distortion type of program.

Mr. GOODLING. Just one brief observation. You mentioned soybeans. We had a surplus of 150 million bushels of soybeans in 1968, anticipated surplus this year, 1969, is going to be 300 million bushels. So we are in deep trouble with soybeans.

Mr. SHUMAN. That is correct, and the reason is quite obvious that we have this situation and that was that the price support was raised to a level which was too high and it grew in additional thousands and hundreds of thousands of acres of land in the production of soybeans,

some of which was cleared at a very high cost, much of which would never have gone in the production of any crop if it hadn't been for the pool that underlies price support cost.

The CHAIRMAN. Thank you, Mr. Goodling.

Mr. O'Neal.

Mr. O'NEAL. Mr. Shuman, on page 1, you say, "Government supply-management has not worked." Do you think that there is no kind of supply-management that will work, man cannot devise a supply-management plan?

Mr. SHUMAN. Well, in 35 years we have never discovered any supply-management scheme that Government could use, that was feasible for the Goverment to use to control agricultural production. It is a period at times that these plans worked for awhile, but overall, they have not worked and surpluses have developed in every case.

Now, of course, there is one kind of supply-management that would work if you wanted to apply dictorial methods and that would be to get a rigid quota on the number of pounds of commodity the farmer could produce. There has never been any indication in—either by farmers or in the Congress, that any such rigid control on the amount to be marketable would be acceptable.

Mr. O'NEAL. Are you familiar with the tobacco program?

Mr. SHUMAN. Yes; and also with the huge surplus accumulated in the tobacco program. The only reason it has been able to exist all this time is because of the relatively small acreage and relatively small total.

Mr. O'NEAL. Didn't the huge surplus come before the acreage-poundage program was adopted?

Mr. SHUMAN. Oh, I think—most of it did, yes; the acreage-poundage, as I indicated, if you are going to control production it has to be on the basis of rigid control of the amount permitted in pounds.

Mr. O'NEAL. But the tobacco people did vote upon themselves the poundage program.

Mr. SHUMAN. That is true.

Mr. O'NEAL. I thought I understood you to say that no farmers would ever do this.

Mr. SHUMAN. I should qualify by saying no farmers producing any crop of any extent would do it. The only reason tobacco farmers can do it is tobacco has become a sideline crop. They can do it. Tobacco couldn't accept poundage control for the bulk of this production.

Mr. O'NEAL. Can you tell us what you think would have happened or who would be farming today in feed grains and wheat and cotton if we had not had Government supply-management?

Mr. SHUMAN. If we had not had Government supply-management I think the very—largely the same farmers would be producing the bulk of the products. I don't think that there would be any greater egress from agriculture than there have been under the programs. In fact, it might not have been as rapid. I believe that the average price received by farmers for most of their products over a period of years would have been higher, considerably higher than it has been under Government programs.

Mr. O'NEAL. Do you mean that those who had less-productive land would have been phased out long ago?

Mr. SHUMAN. I think the adjustment in the use of the land would have taken place more naturally and that land which is still being under the present Government programs, the farmer is forced to continue to produce these crops in order to get his payments. So they have tended to keep in production, for instance, cotton products on certain farms that would probably go out of cotton production.

Mr. O'NEAL. They have tended to keep the little farmer on the farm.

Mr. SHUMAN. Not necessarily, because the big farmer has been able to take advantage of the Government control programs much more easily because he is getting the capital necessary to increase his purchases of land and to increase his use of fertilizer.

Mr. O'NEAL. I agree with that, Mr. Shuman, but hasn't it tended to keep the little farmer on the farm?

Mr. SHUMAN. I don't believe so. I believe the exit from agriculture at around 300,000 a year—it has been the same through the last—well, for the last 16 years. It has been approximately the same. I think that the rate of exit from agriculture is perhaps even greater under these programs than it would have been without the programs, because certainly they have limited the opportunity of the small farmer to increase his production. History has been the basis on which these programs were determined. So a man that wanted to expand wouldn't unless he wanted to buy land.

Mr. O'NEAL. Well, if it hasn't given him a living, has it given him a living of sorts?

Mr. SHUMAN. Payments, of course, have kept some people existing, but they have shut off opportunity, and I don't think that there have been any net benefits even for the small operator.

Mr. O'NEAL. Don't you think if we had not any government supply, the trend would have been for the most efficient farmers on the most productive land to be the only ones to stay in business?

Mr. SHUMAN. That trend has been taking place with the programs.

Mr. O'NEAL. Wouldn't it have been much more rapid?

Mr. SHUMAN. No, I don't think so, not necessarily. I think the payments have kept some people in, but they have attracted other people to spend huge amounts of money in consolidation of acreage. I think there have been——

Mr. O'NEAL. No further questions.

The CHAIRMAN. Mr. Miller.

Mr. MILLER. Yes.

Mr. Shuman, I noticed in the testimony that we had from a gentleman from Pennsylvania, he mentioned that there are 75,000 small family farm operations, according to an estimate of the Pennsylvania Department of Agriculture. An estimated 25,000 were classified as marginal, commercial operations by various governmental agencies. In other words, about 50,000 successful making money, and 25 not. We have the additional testimony on page 3, where you are talking about the milk class I base plan; 51 percent of the producers receive a higher average price for their milk under the class I base plan, but the remaining 49 percent received a lower average price because of the class I base plan.

Now, I know we are talking wheat and corn, but it seems like so many times we hear this same thing over and over. I am wondering,

without the program as you see it, do you think that it would be possible for the one-third of those people who have small farms in Pennsylvania to be able to come out better, or would the 50,000 farm-owners widen the profit differential?

Mr. SHUMAN. Our program proposes to separate the problems of the part-time subsistence low-income farmer from those of the commercial or essentially full-time farmer. We have got this special provision that would be available for grants and loans of assistance for retraining or for relocation or outright purchase of the allotments of the small farmer if he desires to go into some other occupation, or if he desires to continue in agriculture these programs of assistance would be available for him to increase his ability in agriculture or to make additional investments to stay in agriculture.

I don't believe that our program would materially change the rate of exit from agriculture. It might be different people would stay. There are people undoubtedly at the present time staying in agriculture because of the payments, and there are undoubtedly some people who are being forced out because the larger—people with large amounts of capital can move in and take over more readily. I don't think there will be a material difference.

Mr. MILLER. You brought up the retraining grants not to exceed $1,000, and the adjustment and assistance not to exceed $2,500 per year over 2 years. Have you had an opportunity to put this total picture together and compare the cost of the program today as to what your program would cost if we were to change over immediately?

Mr. SHUMAN. We have had several discussions of it, and I think it is almost necessary to do it from a discussion and estimate viewpoint rather than put a slide rule on it, because we don't know for sure. We have been given quite a bit of authority. We don't know for sure how some parts would be administered at this stage. It is our judgment that the first year would probably cost almost as much as is now being spent under the current program. But this year, due to this phaseout procedure, each year that it would drop substantially to where in the fifth year the cost would probably, we think, be a third to 20 percent of the present program.

The CHAIRMAN. Thank you, Mr. Miller.

It is now 12 o'clock, and the committee has matters that must be discussed. We hate to close without making the rounds, but it becomes impossible.

We are very much obliged to all of you for your presentation.

The committee will please remain.

(Whereupon, at 12 noon, the hearing was concluded and the committee preceeded with other business.)

GENERAL FARM PROGRAM AND FOOD STAMP PROGRAM

WEDNESDAY, AUGUST 6, 1969

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to recess at 10 a.m., in room 1301, Longworth House Office Building, the Honorable W. R. Poage (chairman), presiding.

Present: Representatives Poage, Stubblefield, Purcell, O'Neal, de la Garza, Vigorito, Jones of North Carolina, Montgomery, Alexander, Burlison, Lowenstein, Rarick, Jones of Tennessee, Melcher, Belcher, Teague, May, Wampler, Goodling, Mayne, Zwach, Kleppe, Price, Myers, Sebelius and Resident Commissioner Córdova.

Also present: Christine S. Gallagher, chief clerk; William C. Black, general counsel; Hyde H. Murray, associate counsel; and John A. Knebel, assistant counsel; and L. T. Easley, staff consultant.

The CHAIRMAN. The committee will please come to order.

We are meeting for the further consideration of the legislation on general farm and food stamp programs.

Today we will hear from the National Farmers Union, Tony Dechant, president, is the first witness. I know he has a number of presidents of local Farmer Unions and I presume that you will be calling on some of these. We will be glad to have you make any statement you care to, Mr. Dechant, and call on any of those who are with you in any order that you care to.

So we will turn it over to you.

STATEMENT OF TONY DECHANT, PRESIDENT, FARMERS UNION

Mr. DECHANT. Thank you, Mr. Chairman, and members of the committee.

First, I want to commend the chairman for his leadership in seeking to make permanent existing commodity programs authorized under the Food and Agriculture Act of 1965 and to make permanent a food stamp program without limitation as to the funds that may be expended. In our testimony today, we will be asking for improving amendments to H.R. 12430.

Farmers Union is a full participant in a coalition of 18 general farm, commodity, and cooperative organizations that last met here in Washington on July 7 and 8. This coalition was unanimous in its rejection of a massive cropland retirement program as a substitute for

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commodity programs in operation for dairy, feed grains, wheat, cotton, and wool. The improving amendments that we will set forth during this hearing have been discussed by the coalition. However, in some instances our recommendations will be somewhat different than the position of other organizations making up the coalition.

Farmers Union policy recognizes that a stable agriculture serves the interest not only of farmers, but the Nation. Stability is possible only if we maintain stable agricultural markets through a workable system of supply-management. A mandatory program would be the cheapest and most effective one. It would make possible absolute management of supply. It would prevent noncompliers from reducing the effectiveness of the efforts of those who join to maintain the stability of our food and fiber production establishment. There is growing interest on the part of farmers in a mandatory program. If, however, farmers are not ready to approve mandatory participation then we believe it is essential that an effective alternative be adopted. There is no acceptable alternative to supply-management itself.

We believe the long-range problems of agriculture demand a system of bargaining. We support legislation with would give farmers choices of bargaining methods—either direct commodity by commodity bargaining, or regional commodity bargaining similar to Federal marketing orders now operating for milk.

We emphasize the interdependence of all farmers in America. This concept is supported by the broad range of general farm and specialized commodity groups that have joined in the coalition I mentioned a moment ago.

It is not acceptable in America for one group to profit at the expense of another. Dairy farmers cannot remain prosperous when bankruptcy stalks beef cattle producers. Soybean farmers cannot maintain a profitable position at the expense of cottonseed producers. Indeed, our proposal for bargaining is predicated on an enlargement of this idea, that America cannot remain prosperous if farmers are at the mercy of others in the economy—whether they be consumers or members of the agribusiness community.

Mr. Chairman, it is our purpose here today to comment on various titles of the 1965 act. We believe it is a good law. We would like to see it strengthened. Its most important aspect is that, while putting major responsibility on the shoulders of the Secretary of Agriculture to maintain a stable farm economy, it provides him with machinery to do it. This machinery has never been used as effectively as it could be. But if used effectively, it can regulate production to prevent prices from falling to disastrous lows, and it can keep the farm program from being prohibitively expensive to the Nation's taxpayers. The supply-management devices for voluntary programs include acreage diversion payments, direct payments and processor certificates. For mandatory programs mechanisms include acreage allotments, marketing quotas, direct payments, and penalties for non-compliance. The cropland adjustment program is a broad approach to supply-management. Most of these levers will be denied to the Secretary if the commodity programs in the 1965 act are allowed to expire.

I have with me today a number of my associates—members of the board of directors of Farmers Union—who will assist in the presen-

tation of our testimony. However, before presenting them to the committee, we should like to briefly answer the question; What kind of programs would be available to farmers in the absence of legislative action for the 1971 crop year and beyond?

Under law in effect prior to 1965, the Secretary of Agriculture would determine whether the suply of wheat is excessive. If he found it to be so he would proclaim a marketing quota program subject to a grower referendum. Based on an approved national marketing quota, individual farm quotas would be established in terms of acreage allotments.

If marketing quotas are approved for wheat, penalties for overproduction would apply for failure to make mandatory diversion. The wheat marketing certificate program would be in effect. The Secretary would set the rate for domestic certificates plus the loan at not less than 65 percent nor more than 90 percent of parity. We would have variable export certificates, as at present. Processors would be required to pay the full value of domestic certificates. There would be no diversion payments.

If, on the other hand, marketing quotas were disapproved, price supports through loans and purchases to producers who comply with their allotment at 50 percent of parity would be available. There would, of course, be no quotas, penalties, wheat certificates, nor diversion payments.

If, as the law permits, marketing quotas were not proclaimed and put to a vote, the price support through loans or purchases to producers who comply with their allotment would be 75 to 90 percent of parity, the maximum level depending on the supply percentage. Again, of course, there would be no marketing quotas, penalties, certificates, nor diversion payments. There would be no authority to substitute wheat for feed grains.

If we do not extend the 1965 act for feed grains, there would be no diversion or direct price support payments. The price support through loans or purchases for corn would be not less than 50 percent nor more than 90 percent of parity. The Secretary would determine the level in order not to result in increased CCC stocks of corn. Price support for other feed grains would be set at a level which is fair and reasonable in relation to the level for corn.

For cotton, the old law provides that the Secretary determine and announce whether the total supply would exceed normal. If so, he would proclaim a marketing quota program subject to grower referendum. Such quotas would be established in terms of acreage allotments.

If marketing quotas are proclaimed and approved by two-thirds or more of the farmers voting on a referendum, marketing quotas would go in effect, of course. There would be no diversion or price support payments. Price support to producers who comply would be through loans or purchases at no less than 65 percent or more than 90 percent of parity as determined by the Secretary of Agriculture. The law provides no authority to make cotton available to domestic mills at the world price if such price were lower than the legal minimum price for unrestricted use.

If cotton marketing quotas were disapproved in the referendum, the price support through loans or purchases to producers who comply

with their allotments would be at 50 percent of parity. There would be no diversion of price support payments.

If the Secretary did not proclaim marketing quotas, price support would be at 65 to 90 percent of parity—as determined by the Secretary. Compliance with allotments would be required as a condition of eligibility for price support. There would be no diversion or direct price support payments.

Under the law there is no authority to sell, lease, or transfer cotton allotments.

For wool, the old law provides for price support through loans or purchases at the discretion of the Secretary at not more than 90 percent of parity. There would be no direct price support payments.

Finally, there is no authority in prior law to conduct a cropland adjustment program.

Mr. Chairman, the issue before the House Agriculture Committee as it conducts these important hearings on extension of the 1965 Food and Agriculture Act is whether the welfare of rural America shall be subject to the collective judgment of the Congress, or turned over to the administrative judgment of a U.S. Department of Agriculture that is denied effective machinery for supply management.

I do not have to tell you that the old law is singularly long on responsibility for the Secretary of Agriculture, but it is short on the leverage required to do the job. The Secretary's job is difficult enough because he is beset on all sides by political forces that seem quite willing to make peons of American farmers. He doesn't want this, of course. America—with its cities already too full, and consumers dependent on agriculture for plentiful food and fiber—would not tolerate it.

Farmers Union convention delegates expressed the view that if the Food and Agriculture Act of 1965 is sufficiently strengthened it would afford farm families a means to increase farm income and the means to bring production in line with demand for commodities concerned. In recommending permanent extension of the present program, we do not mean to imply that we favor extension of the provisions of the act without periodic review by Congress of the needed improvements to be made. If, for example, producers' attitudes toward mandatory commodity programs shift to such a degree that in the view of the committee a return to such programs would be feasible, opportunity should be provided.

Extension of the 1965 Food and Agriculture Act will not solve all the problems of agriculture. On the other hand, failure to extend the wheat, feed grains, cotton, and dairy programs to act provides would result in a loss in net farm income of over $5 billion a year—reversing the progress made since the beginning of the post decade when net farm income was around $11 billion a year.

With the recommendations that my associates will make to this committee, we believe the Food and Agriculture Act will better serve farm families and will be a step toward correcting the inequities between agriculture and other sectors of our economy.

Now, Mr. Chairman, if I may, I would like to ask my associate, the president of the Wisconsin Farmers Union and active dairy farmers, Mr. Gilbert Rohde, to present our views in regard to the dairy provisions of H.R. 12430.

The CHAIRMAN. We thank you very much, Mr. Dechant, and we will be glad to hear from Mr. Rohde. We welcome your expression, Mr. Rohde.

STATEMENT OF GILBERT C. ROHDE, PRESIDENT, WISCONSIN FARMERS UNION

Mr. ROHDE. Thank you, Mr. Chairman, members of the committee.

In March of this year, delegates to the annual convention of National Farmers Union at Hot Springs, Ark., adopted a program of action which included specific recommendations concerning the dairy industry. Since these recommendations constitute our organization's dairy policy in broad outline, I wish to incorporate them into the record of this hearing and refer to them again as they relate to the testimony we are giving here today.

NATIONAL FARMERS UNION DAIRY RECOMMENDATIONS

To enable dairy farmers to secure adequate income in order to stay in production and to substantially strengthen the entire dairy industry, we urge the following:

1. Action by the Secretary of Agriculture to set the support price of manufacturing milk at the highest support level—90 percent of parity—permitted under present authority or at about $4.56 a hundredweight.

2. Congressional action to support dairy prices at 100 percent of parity using direct payments to producers in conjunction with supply management, a family farm cutoff and the present support program to accomplish this end.

3. Passage of the Dairy Import Act by Congress to put legislative limits on dairy imports.

4. Passage of legislation to insure that imported dairy products and derivatives of milk will meet health and sanitary requirements comparable to those imposed by the Food and Drug Administration and the U.S. Public Health Service on dairy products produced in the United States.

5. Legislation to require manufacturers of filled milk to pay class I prices for the skim milk and reconstituted nonfat powder used in their products and to require distributors of imitation milk to label all ingredients on the containers.

6. Legislation to eliminate the artificial, interstate barriers to the free flow of quality dairy products between markets by establishing uniform sanitation standards and practices in the production, transportation, processing, and sale of fluid milk products shipped in interstate commerce.

7. Establishment of a Federal marketing order for manufacturing milk.

8. Extension of authority to permit fluid milk sheds to set up class I base plans; however, with greater restrictions regarding bases for new producers than at present.

9. Establishment of permanent legislation authorizing indemnity payments to dairy farmers who have lost a market for their milk due to contamination of their product by insecticides.

10. Consolidation of bargaining efforts of milk producer cooperatives in order to obtain fairer prices for producer members.

At this point I would like to briefly summarize the economic situation as it affects dairy farmers. Since 1965 when our increased involvement in the Vietnam war set inflationary forces in motion throughout the economy, dairy farmers have been engaged in a continuous tugfest with the Secretary of Agriculture in attempts to raise milk prices both in Federal order and manufacturing milk areas. Rising wholesale and consumer prices have put the squeeze on dairy producers. The parity index of prices paid by farmers rose 20 percent between June 1964 and June 1969. In the past year alone, from June 1968 to June 1969 the index of prices paid by farmers rose about 5½ percent.

The cost-price squeeze has convinced many dairy farmers to stop milking cows. Total U.S. milk production dropped to 117.3 billion pounds in 1968 and it is expected to fall to around 115.5 billion pounds this year.

Our organization was one of the first to recommend that the Secretary of Agriculture set the support level of manufacturing milk at 90 percent of parity—the highest level permitted by law. The Secretary chose to continue supports at $4.28 per hundredweight which figures out to about 82 percent of parity according to the U.S. Department's Dairy Situation Report issued in July. When Secretary of Agriculture Freeman set the $4.28 support level in March, 1968, it represented 90 percent of the parity price. Inflationary pressures since then in the things the dairy farmer must buy have reduced the $4.28 support price to about 82 percent of parity. This downward trend in the parity ratio underlines the wisdom of National Farmers Union's decision to urge the Secretary to use his authority to the fullest in setting the price support level for manufacturing milk.

I wish to call your attention to the recommendation by National Farmers Union that congressional action be taken to support dairy prices at 100 percent of parity using direct payments to producers in conjunction with supply management, a family farm cutoff and the present support program to accomplish this end. It is my personal view that such legislation, supporting dairy prices at a full parity level, would provide the same beneficial stability to dairying that a cost of living formula does in the case of certain industrial workers. A direct payment approach would also deal effectively with some of the problems plaguing the dairy industry because of the world dairy situation. There is a growing surplus of dairy products, much of which has been stimulated by direct Government subsidies to producers in other countries. Direct payments to our producers would help the U.S. dairy industry meet this price competition from overseas.

Recently, the directors of Wisconsin Farmers Union officially endorsed the general provisions of the comprehensive farm bill agreed upon by a coalition of 18 general farm, commodity and cooperative associations, including National Farmers Union, which met here in Washington, D.C., July 7 and 8. These provisions included amendments to the dairy title of the Food and Agriculture Act of 1965. One of these provisions is to incorporate the Meeds amendments to the class I base plan in the new legislation. It should be stressed that Farmers Union has generally supported the class I base plan provided new pro-

ducers could come under the program on an equitable basis with old producers.

Farmers Union was instrumental in having the authorization for the establishment of a Federal marketing order for manufacturing milk written into the Agricultural Act of 1965. It is imperative that this authorization be included in any new comprehensive farm legislation passed by Congress.

Currently, the pricing of milk in the manufacturing sector of the dairy industry is characterized by outmoded values leading to gross inequities. The typical manufacturing milk producer in Wisconsin is producing a product which generally differs from class I milk in name only. More stringent sanitation standards imposed by milk plants and public authorities has narrowed the gap between grade B and grade A milk until the difference in quality between the two grades is largely nonexistent.

Despite the fact he is producing a comparable product, the manufacutring milk producer last year received on the average about $1.50 per hundredweight less for his milk than he would have if his milk had gone exclusively into fluid consumption. Even under the national blend price for all milk he would have received over $1 per hundredweight more for his milk.

This is not fair pricing. The geography of the manufacturing milk producer's location and the inequitable system of milk pricing prevents this dairy producer from sharing as he should in the rewards for his labor and investment. It appears to us that this situation can only be rectified through the inclusion of producers of manufacturing milk in our pricing system under Federal orders where economic formulas fair to all dairy producers can be developed.

In conclusion, I wish to emphasize that we are not here today to spell out the specifics for either the class I base plan amendments or a manufacturing milk order. What is most important at this stage is that there is legal authorization for the class I base plan with the Meeds amendments, including the authorization for a Federal marketing order for manufacturing milk.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Rohde.

Mr. DECHANT. Mr. Chairman, I would then like to ask the president of the Rocky Mountain Farmers Union, which includes Wyoming, Colorado, and New Mexico, to discuss the cropland adjustment program. We have Charles Hanavan, who is a wheat producer in eastern Colorado.

The CHAIRMAN. Mr. Hanavan, we are glad to hear from you.

STATEMENT OF CHARLES HANAVAN, NATIONAL FARMERS UNION EXECUTIVE COMMITTEE

Mr. HANAVAN. Thank you, Mr. Chairman, and members of the committee.

There have been proponents of a massive cropland retirement program since the days Ezra Taft Benson was Secretary of Agriculture. The fact that such a program has never won the approval of Congress can not be credited solely to the opposition of most of the farm orga-

nizations of the Nation. The major opposition to such a program has come from small town businessmen who see in such a program a further economic deterioration of rural America—loss of farms and farmers and stepped-up migration from the farm to the city.

It has been my observation also that city Members of Congress who recognize the problem of farm to city migration also oppose such a program.

The 18-member Farm Coalition Committee was unanimous in its opposition of this program as a substitute for supply-management programs authorized in the Food and Agriculture Act of 1965.

The bill introduced in the House of Representatives on March 17, by Congressman Paul Finley of Illinois provides that beginning in 1971, acreage controls, base acreages, the wheat certificate and direct payments to wheat, feed grain and cotton producers will be phased out at the rate of 20 percent a year until eliminated.

Beginning in the 1971 crop year, loan rates on wheat, feed grains, cotton, and soybeans would be set at not more than 85 percent of the previous 3-year average prices. The cost of wheat certificates to processors would be lowered to 80 percent of the 1969 level in 1971, 60 percent in 1972, 40 percent in 1973, 20 percent in 1974, and none in 1975.

Land retirement would be on a competitive bid basis at the rate of 10 million acres per year for each of the years 1971, 1972, 1973, 1974, and 1975 with emphasis on retiring entire farms.

The bill provides for a land retirement program. But it is obvious that the principal purpose of the legislation is to eliminate all effective adjustment programs relating to wheat, feed grains, and cotton. This has been the objective of one farm organization for years, although so far an unsuccessful one. In the past the effort has been to eliminate these programs in one fell swoop. Now the idea is to stretch the procedure over a 5-year period. Former chairman of this committee, Clifford Hope, likened it to "cutting off a dog's caudal appendage at the rate of an inch at a time."

A major weakness is that the program is not pointed at the problem of managing supply of the commodities covered by the 1965 act. It is aimed instead at idling cropland generally without regard to specific use. Such circuitous approach is inefficient, awkward and costly. It would be costly to the government because it would add to program outlays.

In brief, substitution of the cropland retirement plan for current commodity programs does not seem to have any clear-cut advantages and poses problems of prime importance to farm families. Concern of farmers is properly expressed by the questions: How would such a program help attain the goal of (1) strengthening income, (2) eliminating surpluses and (3) maintaining supply-demand balance?

There is also serious question as to whether the retirement of 50 million acres over a 5-year period as called for by the bill would be sufficient. Total production of most crops has increased in recent years and direct supply-management measures will continue to be needed.

Under such a program the less productive acres would go out of production first. This would probably mean that some of the more arid areas of the West would within a few years be depleted of their farm and rural residents and businesses.

The latest study just recently completed by the Economic Research Service of the U.S. Department of Agriculture reveals the following: "Productive potential would be very large even after retirement of 70 million acres."

A general retirement of 70 million acres is estimated to result in increased production and decreased net farm income.

Should this occur, the study goes on to say, the operation of a general cropland retirement program would intensify the adjustment problems of more farm people.

However, the study finds a small program could be a valuable supplement to present programs for individual crops.

Mr. Chairman, I want to direct your attention to this because the present legislation has a cropland retirement program—the CAP.

This program has not been able to demonstrate its true value as a supplement to our annual program because it has not been funded sufficiently. Yet in the consideration and writing of this particular legislation, the experiences gained from the conservation reserve program were fully considered. It limits the amount of cropland in any one county or community it gets at the heart of the crop surplus problem by requiring retirement of one or more allotment or base crops. It gives authority to the Secretary of Agriculture to allow some selectivity of participants. These are some of the more important provisions of the present act.

This program, had it been adequately funded, may very well have helped eliminate the distressing problems we find today with wheat and feed grains and most likely would have reduced annual program costs, since some surplus acreage could have gone into a 5- to 10-year retirement program at less annual cost per acre.

So rather than again start in a different direction with new and questionable farm legislation, why not improve on the programs and experience we have at hand.

Mr. Chairman, neither Farmers Union nor the Farm Coalition Committee opposes a cropland adjustment program such as is authorized in the 1965 Food and Agriculture Act provided it is operated in conjunction with commodity programs authorized by the act. We would not object therefore to the removal of limitation on appropriations that the act provides. This would permit the Executive and the Legislative branches of Government to determine at what level the cropland adjustment program should be operated.

On behalf of the members of Rocky Mountain Farmers Union, we commend the Farmer Coalition Committee for making such a recommendation and are pleased to give the proposal the endorsement of our organization.

Thank you.

The CHAIRMAN. We thank you very much, Mr. Hanavan.

Mr. DECHANT. Mr. Chairman, I would then like to ask a constituent of your district to present the views of our organization in regard to cotton, the president of the Texas Farmers Union, Jay Naman.

The CHAIRMAN. I will not introduce Jay Naman, because I think everybody knows him, but I do want to simply welcome him to this committee. He is my constituent, he is my neighbor, and he is my friend. We are glad to have you here, Mr. Naman. We always are.

We believe that he has a fine grasp of the problems in our part of the country and I think he can express them.

STATEMENT OF JAY NAMAN, PRESIDENT, TEXAS FARMERS UNION

Mr. NAMAN. Thank you, Mr. Chairman, and members of the committee.

I appreciate that kind introduction, Mr. Chairman.

While agreeing to give further consideration to the cotton program, the Farm Coalition Committee has tentatively agreed to recommend extension of the cotton program authorized by the 1965 Food and Agriculture Act. Farmers Union is in agreement with this recommendation.

My statement here is in two parts: First part of some general observations on the cotton program, and then I take the opportunity to take issue or at least Farmers Union does, with some proposed changes, rather radical changes in the program.

The cotton farmers' weak position in the marketplace is dramatized by the fact that although the raw cotton markets were at historic lows in the early spring, the mill margin, which is the spread between the raw cotton and gray goods, was at the highest level in history. In other words, cotton farmers are so weak in the marketplace that they are forced by the milling industry to sell their production at less than the production costs. This they are able to do because of the one-price policy of present law which is supplemented by direct payments to producers. But in contrast, the textile industry administers a price which continues to go up in spite of the reduced price of the raw product, thereby adding to the cotton milling industry profits.

There is considerable slippage between the mill and the farmer as well as between the mill and consumer. The effect of payments has not been reflected in increased prices to the farmer, nor have they resulted in lower prices to consumers.

But the fact remains that cotton farmers badly need the supply-management program and direct payments made possible by the action of this committee and the Congress.

Various ideas are being promoted to assure more production of cheaper cotton. One of these thinly disguished proposals suggests that the production payments be spread over a farmer's planted acreage rather than being restricted to his share of the domestic market. This device would force a farmer to plant his entire acreage to get all of his payments and would proportionately reduce the per acre payments which he receives. This trade-promoted device would thwart supply-management and stimulate the production of more bales to further depress the market.

Another illogical notion which is being given widespread notoriety is that the restrictions on transfer, lease and sale should be relaxed to "permit farmers who want to grow cotton to grow it." Unrestricted transfers would simply move all cotton production to California and the reclamation areas of Arizona. Since we have no problems with shortages, production of cotton should remain in the traditional growing areas. It is uneconomical to move an agricultural industry from one area to another along with all of the people and services that make up the industry. If anything, the rules on transfer of allotments by lease

or sale along with the county referendums and restrictions against transfers across State lines should be strengthened.

The present cotton legislation, if adequately funded and properly administered, is as near an ideal commodity program as ever conceived. It would operate better if the Secretary of Agriculture would exercise his prerogative to restrict production through a mandatory diversion and increase the payments for voluntary diversion to a level to get more compliance. The production payments on that cotton which is consumed domesticaly should be increased to the maximum authorized under the law.

Mr. Chairman, Farmers Union wishes to express our appreciation to you for the contribution that you made to the development of the present cotton program. We hope that the committee will accept our recommendation to extend it.

The CHAIRMAN. Thank you very much, Mr. Naman.

Mr. DECHANT. Mr. Chairman, I would like next to present a man who will discuss the wheat provisions. He is a wheat and livestock rancher from Montana. In fact, he left the harvest field in Montana earlier this week to come and make this appearance. His name is Gordon Twedt, president of the Montana Farmers Union.

The CHAIRMAN. Now, our newest member, Mr. Melcher, would like to introduce Mr. Twedt to us.

Mr. MELCHER. Thank you, Mr. Chairman. I would like to welcome Gordon Twedt and introduce him to the members of the committee that may not know him.

Gordon and I served in the legislature together. He is a long-term legislator, and former minority leader of the Montana House of Representatives. He is also a family farmer, as Mr. Dechant has described, and from Hall County, a part of the great triangle area, one of the great producing areas of the Nation.

He is a grassroots man of agriculture, a true leader, and I am proud to present him to all of you.

STATEMENT OF GORDON TWEDT, PRESIDENT, MONTANA FARMERS UNION

Mr. TWEDT. First of all, thank you, Mr. Chairman, for permitting my good friend and colleague, Congressman Melcher, to say his very, very kind words. I would have expected it from him. He is built that way.

Mr. Chairman, members of the committee, I would like to say something off the record.

(Discussion off the record.)

Mr. TWEDT. To get to the testimony, Mr. Chairman, and members of the committee, there are some differences, minor differences, between the Farmers Union's policy on wheat and the recommendations of the Farm Coalition Committee. But since this 18-organization committee did agree on improving amendments to the wheat program, I shall limit my remarks to setting forth the recommendations of the coalition committee, insofar as we feel that we can make further improvements and we intend to make suggestions for further improvements in the present wheat legislation.

But first of all, I would like to correct the one sentence where it says I shall limit my remarks to setting forth the recommendations of the coalition committee. Because of the suggestions of the committee and yielding to temptation in my presentation I shall include a couple of other recommendations.

But first of all, the important part of this recommendation are the four points set forth by the Farm Coalition Committee and which we are extremely proud and happy to support fully. No. 1 is that we recommend an export certificate that wheat accompanied by export certificate should be supported at between 65 percent of parity which is $1.08 a bushel and $0.90 a bushel and $2.49 a bushel. This is probably the major recommendation.

Secondly, that the national average support price loan value of $1.25 per bushel at harvest time rather than at loan maturity time. Here, of course, we are referring to those loans that are in commercial storage.

Third, we recommend that no reduction of project yield for any farm by over 5 percent of the preceding year by reason of national disaster.

No. 4, that the payment of at least 50 percent of the value of the domestic and export marketing certificates be paid at the time of program signup.

There are no proposed changes in the domestic certificate, the substitution clause, the overseeding privilege, or any other of the 1965 Farm Act provisions pertaining to wheat.

In way of explanation and justification for these four proposed changes, I will comment briefly:

1. *Export certificate.*—Despite desirable features of the wheat portion of the 1965 Farm Act, the commercial wheat farm economy is deteriorating rapidly. The domestic certificate assuring 100 percent of parity on domestically consumed wheat has been an important bulwark against the cost-price squeeze the farmer is suffering. However, even the domestic certificate has been unable to hold wheat returns at a survival level. In the 3 years since the certificate program went into effect, the blend price for compliers—national average market price per bushel plus returns for certificates—has been: 1966, $2.22; 1967, $1.87; 1968, $1.79. In addition to this disastrous drop in blend price, the wheat farmer has had his allotment cut 32 percent and has seen his input costs raise by 15 percent.

Large wheat stocks throughout the world have depressed prices to or below loan level. Relief is desperately needed.

We are requesting, therefore, an export certificate which would, in effect, make a three-price program for wheat.

Using this year's parity price and also this year's domestic certificate percentages, a complying farmer would receive:

Domestic: $2.77 per bushel for 43 percent of his normal yield;

Export: $1.80 per bushel for 40 percent of his normal yield (if minimum 65 percent of parity was used);

Noncertificated: $1.25 per bushel for 17 percent of his normal yield.

The blend price to farmers would be $2.12 per bushel for the normal yield on allotted acres.

2. *National average support price loan value of $1.25 per bushel at harvest time rather than at loan maturity time.*—It is now the practice

to subtract 10 cents per bushel storage cost from the support loan price if the wheat is in commercial storage. We urge that the full loan rate be paid when the wheat is put into storage at harvest time and then make the farmer responsible for paying his own storage liability when his wheat is either sold or turned over to the Commodity Credit Corporation. This would have the effect of setting the market price floor, which is dependent on the loan level, 10 cents higher at harvest time.

3. *Reduction of projected yield by natural disaster.*—There is presently no protection from having a very low per-acre yield caused by fire, hail, flood or other natural disaster, used as part of formula setting a farm's projected yield. This, of course, can drastically reduce the number of domestic certificates a farm is eligible for. We ask that a limit of 5 percent be set as the most a projected yield might be reduced as the result of any one bad year due to natural disaster.

4. *Advance payment.*—This request is based on the fact that the program is immediately benefited by the farmer indicating his intention to comply. A precedent in other commodities is also available. Obviously, need is the third factor—farmers need opearting money at time of signup, and high interest commercial loans are the only alternative.

Mr. Chairman and members of the committee, with your permission and at the risk of being a bit provincial, perhaps; may I in closing submit as briefly as possible one more recommendation.

It is not a new recommendation, as I submitted this same recommendation to the Secretary of Agriculture at his meeting in Pullman, Wash., on April 23 of this year.

It is being suggested here again as a resolution adopted by eight farm groups, as we met in Helena, Mont., Congressman John Melcher, that last July 17 and therein their recommendation. We request that there be an adjustment in loan rates to fully reflect the $1.25 figure on wheat. We suggest that this may be done by one or a combination of the following changes in the method of setting various loan rate levels from point to point in the United States.

No. 1, that the $1.25 loan rate at all locations regardless of the distance from the so-called "terminals."

Secondly, that there be an adjustment of the loan rate to reflect the actual value on the quality of wheat rather than on "the dominant wheat class produced in the area tributary to an individual terminal market." Terminal markets—I am thinking of east coast market, the gulf market, and the Portland market and the wheat that is produced in the area tributary to these markets.

Third, by varying the value of the wheat certificates to fully reflect the 100 percent of parity. Obviously, the wheat certificate at the present time is on domestic wheat. By varying quality of the wheat to fully reflect the $1.25 so-called national average rather than $1.06 loan value at one area, $1.46, for example, in another area.

Finally, in closing, Mr. Chairman, we recognize that the price cutting now going on with respect to the International Grains Arrangement is not a matter than can be corrected through legislative action at this time. However, we want to clearly record our continued support for a workable IGA and to urge the committee to lend its support toward this objective.

We note with dismay a recent USDA announcement cutting by 12 cents a bushel the price of Hard Red Winter wheat at gulf and east coast ports. This is expected to bring the price as low as 17 to 18 cents per bushel below the IGA minimum of $1.73 per bushel. This is a senseless cut since apparently other countries are still underbidding our exporters.

Farmers have the most at stake in the failure of IGA-member governments to abide by the price schedules set out in the arrangement.

We can see no advantage to anyone. For example, devaluating our wheat stocks is a loss to the Government. And we question the claim of some exporters that the cut will facilitate greater exports.

Thank you, members of the committee.

The CHAIRMAN. Thank you very much, Mr. Twedt.

Mr. DECHANT. Mr. Chairman, we would like now to discuss the feed grain provisions of H.R. 12430. I would like to ask two gentlemen to come to the table, the president of the South Dakota Farmers Union, Ben Radcliffe, and the president of the Iowa Farmers Union, Sydney Gross. Mr. Radcliffe will present the statement.

The CHAIRMAN. Glad to have you both.

STATEMENT OF BEN RADCLIFFE, PRESIDENT, SOUTH DAKOTA FARMERS UNION; ACCOMPANIED BY SYDNEY GROSS, PRESIDENT, IOWA FARMERS UNION

Mr. RADCLIFFE. Mr. Chairman, members of the committee, as President Dechant has indicated, I have beside me Mr. Gross, president of the Iowa Farmers Union, who will be seated beside me to answer any questions that may follow this presentation at any time during the forenoon.

Our organization recognizes that the economic welfare of both feed grains and livestock producers are irrevocably tied together.

In many Western States, such as South Dakota, livestock now accounts for a bigger percentage of income than any other commodity. It is difficult to view the feed grains program separately because it relates directly to the livestock sector of agriculture in an economic sense.

We fully recognize the assistance to livesock producers and feeders that the feed grains program has provided, particularly in regard to stabilizing the price of feed.

The Nation's farmers badly need legislation giving them stronger supply control as well as bargaining power rights such as labor possesses. However, the worsening of the price-cost squeeze brought on by increasing prices for almost everything that farmers buy calls for immediate improving amendments to increase the income of feed grain porducers and to underpin recent increases in cattle and hog prices. Therefore, we recommend that title III of the 1965 act be amended to:

1. Increase the price support loan rate on corn to $1.15 per bushel, with the loan rate on grain sorghum increased in the same ratio to $1.57 per hundredweight.

2. We further recommend that the payment for corn and grain sorghum be increased to reflect full 90 percent of parity price and that the payment be made on the full amount of the projected yield on base acres.

If these changes were made, the payment for corn would be increased 10 cents per bushel to 40 cents, bringing the price on the projected yield on corn base acres, together with $1.15 loan to $1.55 per bushel.

In the same ratio, the payment on grain sorghum would be increased 18 cents per hundredweight to 71 cents, bringing the price on the projected yield on grain sorghum base acres, together with the $1.75 loan, to $2.46 per hundredweight. Corresponding price support loan benefits would accrue to the benefit of producers of barley, oats and rye and would raise the income of the producers of these commodities.

We should also like to recommend that in no event should the farm-projected yield for any crop of feed grains for any year be reduced by more than 5 percent below what it was for the immediate preceding crop if the actual yield from such farm was reduced as the result of drought, flood, or other natural disaster.

In closing, Mr. Chairman, in behalf of the feed grain producing members of Farmers Union, we would like to express our support of the Farm Coalition Committee and to stress at this point that these suggested amendments have the full support of this coalition as well as Farmers Union.

The CHAIRMAN. Thank you very much.

Mr. MAYNE. Mr. Chairman?

The CHAIRMAN. Yes.

Mr. MAYNE. I would like to welcome Mr. Gross here today. Apparently he is not going to speak right now, but he has certainly proved to be a very effective and articulate spokesman for the Farmers Union in Iowa and the Midwest. He does not happen to reside in the Sixth District of Iowa, but I have had the pleasure of meeting with him frequently since coming to the Congress and we have considerable correspondence. I can certainly testify that he is one of the most responsible and effective farm leaders in the Midwest. It is a real pleasure to welcome you here today, Sid.

The CHAIRMAN. Is he a nephew or colleague?

Mr. MAYNE. He is closer kin than that, his brother——

The CHAIRMAN. His brother.

Mr. DECHANT. Mr. Chairman, the man who will make recommendations in regard to soybeans and flaxseed is the president of the Indiana Farmers Union, a dairy and grain farmer, Harold Wright.

The CHAIRMAN. Glad to hear from you, Mr. Wright.

STATEMENT OF HAROLD WRIGHT, PRESIDENT, INDIANA FARMERS UNION

Mr. WRIGHT. Mr. Chairman, members of the committee, I would like very much to comment on the action of the Farm Coalition Committee in recommending a program of acreage diversion for soybeans and flaxseed when oversupply threatens to weaken market prices.

Secretary of Agriculture Hardin conceded that the cut in soybean price support from $2.50 to $2.25 would not result in reducing production. As a result of the exceptionally large crop in 1968 further pressure from the trade developed. Their objective was to seek overseas sales

of the additional production. This was a major contributing factor in the Secretary's decision to reduce soybean price support. Some would argue that it was the only factor that prompted the cut.

Soybean growers want to grow and market as many soybeans as possible as long as they are receiving a fair price. The processors and exporters of soybeans receive a profit on each unit of their sales. They will take no less profit when farmers are receiving $2.25 per bushel than they did when farmers were receiving $2.50 a bushel.

In order to stave off a cut in price support this year Farmers Union recommended to the Secretary that he use the authority in existing law to deny price support to producers who were unwilling to reduce their soybean acreage by 7 percent and who did not participate in the wheat and feed grain program.

Our review of existing law at that time revealed that the Secretary had no authority to formulate and administer an acreage diversion program for soybeans or flaxseed. It is our recommendation to this committee, therefore, that the Food and Agriculture Act of 1965 be amended to authorize the Secretary of Agriculture to administer an acreage diversion program for any year that the combined stocks, including meal and oil bushel equivalent—CCC-owned farm resale and commercial—exceeds 150 million bushels as of August 31 or 15 percent of the previous year's utilization, whichever is less. Such a provision would provide that an acreage diversion program would be in operation only if it is needed. The Secretary should be authorized to make acreage diversion payments comparable to feed grain program payments so as to reduce acres by such an amount as will result in holding flaxseed and soybean stocks for the succeeding year to within the above limits.

The amendment to the 1965 act should authorize the Secretary to establish the procedure for individual farm diversion, including the setting of base periods, relating to acreage, yield, and other productivity factors as necessary to maintain production within the limits set forth above.

We recommend that the amendment also provide that in any year when an acreage diversion program is in operation the Secretary shall set the price support level for program participants at not less than 75 percent of parity price.

Mr. Chairman, we have prepared legal language such as we feel would be necessary to authorize such a program and it will be made available to the committee and its staff by the Washington office staff of Farmers Union.

The CHAIRMAN. Thank you very much, Mr. Wright.

Mr. DECHANT. Mr. Chairman, I would now like to call on the president of the Utah-Idaho Farmers Union in reference to wool and livestock marketing amendments to H.R. 12430.

STATEMENT OF ROY L. HOLMAN, PRESIDENT, UTAH-IDAHO FARMERS UNION

Mr. HOLMAN. In the area of the country that I represent the production of wool is an important farm enterprise. In Utah alone payments under the wool program amounted to $2½ million. Without this program most of our sheepmen would quickly be forced out of business. The Wool Act was incorporated into the Food and Agricul-

ture Act of 1965, and since it expires next year with the other commodity programs, we urge the committee to make it a permanent legislative program as H.R. 12430 provides. In this connection, I should like to set forth other Farmers Union recommendations in regard to livestock marketing:

1. We favor legislation to prohibit feeding of livestock by meatpackers, feed companies, and retail chainstores.

2. We urge, as we do for other commodities, that wool incentive payments be adjusted to reflect 100 percent of parity price to the producer.

3. We urge the Secretary of Agriculture to institute livestock committees which are representative of family farmers and ranchers.

4. We urge passage of legislation which would require bonding of packers; however, we do feel that the regulations should not be so stringent that it discourages the smaller buyers.

I have been at auctions where the buyers were so few that it becomes a matter of you take your turn, I will take mine, and this is very discouraging to those bringing their livestock to the auction.

The Secretary of Agriculture should have the authority to prevent irreparable damage, provide severe penalties for those refusing to compensate producers, and clarify the jurisdiction in regard to the packers and stockyards authority relating to food chains.

5. We are concerned over the recent grazing fee increase imposed by the Department of Agriculture and the Department of Interior. The livestock industry feels that this is an unjustified additional cost of production. We strongly urge that any further increases be held in abeyance pending completion of the recommendations of the Public Land Law Review Commission on grazing fees. We urge that due consideration be given to the record established by those testifying at the grazing fee hearings held before the Public Lands Subcommittee of the Senate and House Interior Committees earlier this year.

I realize, Mr. Chairman, that tax laws are written by other committees of Congress than this committee. We enlist your support and your efforts, however, to end so-called tax-loss farming, removing the loopholes that attract into farming those with large incomes from other sources.

In closing, Mr. Chairman, I should like to stress that Farmers Union members in Utah and Idaho strongly concur with the leadership of Farmers Union in the participation of our organization in the Farm Coalition Committee that met recently here in Washington.

Thank you very much.

The CHAIRMAN. Thank you very much, Mr. Holman.

Mr. DECHANT. Mr. Chairman, I would like now, with your permission, to present recommendations that a consumers protection reserve be authorized. To make the recommendation is the president of our Nebraska Farmers Union, Mr. Elton Berck.

The CHAIRMAN. Mr. Berck.

STATEMENT OF ELTON BERCK, PRESIDENT, NEBRASKA FARMERS UNION

Mr. BERCK. Thank you, Mr. Chairman.

Mr. Chairman, and members of the committee, I would like to give the committee full assurance that the measures proposed by the coali-

tion has the full support of the Nebraska Union organization. It agrees in all areas with principles adopted by delegates to the State convention over a period of years.

As an amendment to H.R. 12430 Farmers Union recommends that a consumer protection reserve be authorized. We believe it should be the policy of the Congress to establish and to maintain reserves of storable agricultural commodities adequate to meet any foreseeable food and fiber shortage which might arise in the Nation as a consequence of any natural disaster, adverse food production conditions, military actions, or other causes and to assist other nations of the world in any food or fiber emergency. It should further be the policy of Congress to establish such reserves in years of surplus production and to maintain them to the maximum extent practicable in the control of producers to assure their segregation from the commercial market so that existence of the reserves will not adversely affect the level of market prices.

We should add parenthetically that Farmers Union has joined with other producer groups in recent months in expressing a mutual concern about the announced decision of the Department of Agriculture to make drastic cuts in loan funds available for purchase of on-farm grain storage facilities.

The decision created an additional obstacle in that grain conditioning equipment formerly eligible for loan has been deleted from the later regulation. This decision has a long-range effect in the maintenance of condition in grain stored over a period of time. For the short range it reveals a lack of perception regarding today's harvesting techniques since feed grains and wheat now move from the field into storage in a volume and at a rate of harvest that demands drying facilities at bin site for safe storage.

This decision by the U.S. Department of Agriculture so alarmed grain producers in our own predominantly agricultural State of Nebraska that the State legislature in 80th session assembled, adopted a resolution which I have submitted to the clerk of your committee for the files.

In S. 2488, introduced June 25, U.S. Senators Curtis and Hruska from Nebraska joined with others in proposing that the Commodity Credit Corporation be authorized to insure loans made to farmers for the construction or purchase of grain storage facilities.

It is a matter of urgent necessity that this measure receive prompt approval in both House and Senate.

During 1968 there was much discussion concerning a procedure for establishing a food and fiber reserve. A number of the general farm and commodity organizations who are active in the present Farm Coalition Committee drafted a proposal. This same proposal was given support by this Farm Coalition Committee which met in Washington, July 7 and 8.

The proposal provides for the reserve to be maintained in parts by (1) reseal on farms, (2) farmer-contract, and (3) CCC publicly owned.

1. *Reseal on farms.*—Reserves would be established as follows: Wheat, 150 million bushels; feed grains, 7½ million tons; and soybeans, 20 million bushels.

2. *Farmer-contract.*—Reserves would be established as follows: Wheat, 150 million bushels; feed grains, 7½ million tons; and soybeans, 20 million bushels.

3. *CCC publicly owned.*—Reserves would be established as follows: Wheat, 200 million bushels; feed grains, 15 million tons; soybeans, 35 million bushels; and cotton, 3 million bales.

This would provide a total reserve of 500 million bushels of wheat, 30 million bushels of feed grains and 75 million bushels of soybeans and 3 million bales of cotton. In order to insure that the CCC reserve stock of these commodities will be insulated from the market, the proposal provides release prices as follows:

For wheat.—When CCC stocks are below the above level of 200 million bushels, the minimum resale price would be 100 percent of the current parity price adjusted for class, grade and location, less the current cost of the marketing certificate charged to processors. Currently, this would mean about a $2 per bushel resale price.

For feed grains.—When CCC stocks are below the level of 15 million tons, the resale price would be the parity price adjusted for class, grade, and location, less the current price support payment rate. Currently this would mean about a $1.40 per bushel resale price.

For soybeans.—When CCC stocks are below 35 million bushels the parity price would prevail.

For cotton.—When Commodity Credit Corporation stocks are below 3 million bales, the minimum price would be 100 percent of the current parity price adjusted for the class, grade, and location.

For the farm reseal and farmer-contract portion of the reserve, there would be no minimum release price, producers option as to sale would prevail at the date of release of the reserve commodities.

Provision would be made for rotating stocks and for emergency release in the event of need caused by natural disaster, low production, or military requirements.

We commend the proposal to the committee as an amendment to H.R. 12430. A brief summary of the program is before you and legal language to authorize such a program will be made available to the committee and staff by our Washington office staff.

In closing and with reference to the overriding question facing your honorable body concerning extension and improvement of present Federal farm legislation, permit me to observe that farmers, ranchers and livestock producers and chambers of commerce in Nebraska are of like mind concerning certain current proposals aimed at massive land retirement or leasing programs as a measure to control supply of farm products and enhance producer income.

Nebraska, as you know, is a State in which agricultural income largely comes from the sale of livestock products. This proposal is viewed as a grave threat for our livestock industry and the entire economy.

Mr. Chairman, thank you.

The CHAIRMAN. Thank you very much.

Mr. DECHANT. Mr. Chairman, following the action of the House in approving the Conte-Findley amendment in 1968, which the Farmers Union opposed, our delegates this year, in convention at Hot Springs, Ark., attempted to deal with the problem in such a way that would not disrupt the farm programs. I know that it is a controversial subject.

There were many delegates at our convention who disagreed or had various degrees of disagreement. But I think it was the general consensus that if we have to look forward to a dose of medicine, one of these times here in the Congress, that at least we should have a hand in writing the prescription. It was with this that the delegates took an action relating to payment limitations.

I would like now to call on the director of our legislative services here in Washington, Reuben L. Johnson, to present this portion of our statement.

The CHAIRMAN. Mr. Johnson, we are always glad to have you.

STATEMENT OF REUBEN L. JOHNSON, DIRECTOR OF LEGISLATIVE SERVICES, NATIONAL FARMERS UNION

Mr. JOHNSON. Mr. Chairman, and members of the committee, I will only attempt to describe the graduated-payment formula, which our delegates approved. The recommended formula would affect only certificate, diverted acreage, and direct payments applicable to wheat, feed grains, and cotton, or a combination of these programs. They prescribed that the graduated formula would apply to farm operators as defined by the Agricultural Stabilization and Conservation Service, with interest of tenants fully protected.

Up to $25,000, the producer would receive 100 percent; between $25,000 and $35,000, the producer would receive 75 percent or $7,500; between $35,000 and $45,000, the producer would receive 50 percent or $5,000; making the maximum limitation which would apply at the $45,000 level, $37,500.

In approving the graduated formula, the delegates realized that many Members of Congress support the concept of some form of payment limitation. It was their hope that, by giving direction to the Congress, we could keep farm programs operating successfully, specifically in relation to supply management. For example, they considered the graduated formula as much preferred over the flat-payment limitation of $20,000 which was approved recently in the House of Representatives.

In coming to a decision on the payment-limitation issue the delegates were making an attempt to urge Members of the House and Senate to vote positively and constructively to make farm programs serve the Nation bettr. They in effect object to payment-limitation amendments which are offered as a harassment to present farm programs, are completely negative, and would disrupt and erode these programs.

The CHAIRMAN. Thank you, Mr. Johnson.

Mr. DECHANT. Mr. Chairman, a key issue in agriculture remains on the bargaining front, and I would like now to ask the president of the Minnesota Farmers Union and also the national vice president, Ed Christianson, to present the views of our organization relating to long-range farm legislation.

The CHAIRMAN. I think we all know Mr. Christianson, and are delighted to have him here.

Mr. Zwach asked to introduce him. Do you see Mr. Zwach this morning? Well, we all know Mr. Christianson, and we take notice of Mr. Zwach's desire to introduce him.

We will be glad to hear from you.

STATEMENT OF EDWIN CHRISTIANSON, VICE PRESIDENT, NATIONAL FARMERS UNION

Mr. CHRISTIANSON. Mr. Chairman and members of the committee, we are grateful for this opportunity to appear before you at a time when you have made a beginning in resolving the basic policy direction in agricultural programs.

Never has there been a clearer choice between proposals to proceed from where we are to more effective farm programs on one hand and a retreat in to chaos and bankruptcy for farmers by elimination of the farm program as some have proposed.

We commend the committee for having undertaken these hearings and particularly we wish to single out the chairman for his leadership in bringing forward a bill which can serve as the framework for improved farm and food stamp legislation.

I am happy to be associated in the recommendations being offered by President Dechant and the State Farmers Union presidents here today. My responsibility in this Farmers Union presentation today is to deal with measures which are needed to give farmers a greater element of market power.

Bargaining power is not a new subject in agriculture nor in farm legislation. In our organization, the effort to improve the economic position of the farmer in the market goes back more than 60 years and it took a variety of forms—establishment of farm cooperatives at both the local and regional levels, obtaining of a place for co-ops on the terminal markets and commodity exchanges, development of commodity loan programs, provisions for acreage allotment and marketing quotas, encouragement of on-the-farm storage, provisions for acreage diversion and conservation programs, authority for producer payments, creation of Federal marketing orders and agreements—all these have been part of the campaign for a farm economic stability—all of these programs and tools have been and are elements of market power for farmers.

When a producer does not have to sell in a distressed market—because the loan and storage programs give him a ready alternative—then he has the beginning of bargaining power. Or when either surplus capacity or farm surpluses themselves are diverted by Government programs, this also is bargaining power for producers. Or when minimum prices to be paid by handlers are prescribed under a marketing order, this, too, is an element in bargaining power. Or when farm storage or extended reseal opportunities enable producers to hold grain under their control, this also is bargaining power.

However, the development of enabling legislation for effective and direct bargaining with handlers on prices has never been successfully achieved on a broad base. Some limited bargaining takes place under the Federal marketing orders, but the establishment of a broader and more effective mechanism has been a frustrating process and an elusive goal.

The effort for such legislation can be traced back to veto of a forerunner of the Capper-Volstead law by President Taft in 1913, by the watering down of the Capper-Volstead law itself before passage in 1922, by the refusal of Congress in the mid-1920's to approve a law for a comprehensive farm cooperative marketing system, by the refusal again 10 years later to approve a system of licenses and marketing

agreements and the approval of only a limited system for specified commodities and restricted geographical areas under the Marketing Agreement Act of 1937, the failure to give serious consideration to the National Agricultural Relations Act in 1945, the Family Farm Program Development Act in 1959 and the Agricultural Enabling Amendments Act of 1961, and finally in 1967 and 1968 to seeing the Agricultural Fair Practices Act, S. 109, almost turned against farmers and farm co-ops before final revision and approval.

Certainly, the record of this history proves that it is difficult to obtain this very important "missing link" in the programs needed by farmers.

In the last Congress, Farmers Union strongly supported all three titles of the National Agricultural Bargaining Act, introduced in the U.S. Senate by Senator Walter F. Mondale and many other Members of the Senate, and by Representative Arnold Olsen and other Members of the House. Title III has since been taken care of by the passage of S. 109 to an extent.

At our 1969 national convention of the Farmers Union in March at Hot Springs, Ark., our delegates spelled out their views on agricultural bargaining and related points.

We have attached to this statement a copy of these particular resolutions and believe they speak for themselves in regard to the bargaining legislation introduced in this Congress. We ask that you make these statements part of this testimony.

In closing, we wish to make these general observations on farm bargaining measures:

1. We regard bargaining authority as a vital supplement to existing farm programs, but not as a total replacement of them. Farmers could no more hope to operate through bargaining alone than labor would be willing to rely on bargaining alone and waive all wage and hour legislation and regulations for the economic protection and safety of workers.

2. Any successful bargaining must be preceded by effective supply management so that alternate sources of supply are not available to handlers through unrestricted domestic production, through farming operations by the handlers themselves or through imports.

3. Bargaining legislation should contain the mechanisms and procedures for producers to initiate bargaining systems and to keep these operations responsive to the wishes of the majority of producers through producer-elected committees or boards.

4. While the bargaining enabling authority should be available across the board to all commodities, major as well as secondary, it is logical that the emphasis be placed first on areas where there is an initial framework for bargaining techniques—and that would be under the Federal marketing orders and marketing agreements. These Federal orders and agreements should be made available to all commodities. Orders and agreements should no longer be limited to the smallest practicable geographical area but should be encouraged on a regional or national basis.

5. Federal market orders should include authority for supply control and management by producers.

6. The parity income objective of the marketing order law should be restated and reaffirmed by Congress so that administrators do not ignore it as the basic purpose of the law.

7. Any bargaining program, to be effective, must require handlers to bargain in good faith. Labor's bargaining laws were relatively ineffective until the legislation of the 1930's requiring employers to bargain in good faith.

8. Prices agreed upon by producer and handlers under the terms of a nationwide bargaining system for a particular commodity should be recognized in law as the legal minimum at which public trading may take place.

We thank you for the opportunity to submit these recommendations and urge you to include market order or bargaining provisions in the context of a comprehensive farm bill.

Certainly, again, let me thank you, Mr. Chairman, and the committee for the opportunity that we have as a team here, a Farmers Union team, to submit these recommendations to you.

The CHAIRMAN. We are always glad to have you, Mr. Christianson.

Mr. DECHANT. Mr. Chairman, I would like next to call on the president of the Virginia Farmers Union to make some comments on peanuts. Jack Hall of Virginia.

Mr. WAMPLER. Mr. Chairman.

The CHAIRMAN. Mr. Wampler.

Mr. WAMPLER. Mr. Hall is not a constituent of mine; however, he has appeared before this committee on other occasions. He is extremely knowledgeable of peanuts, and I believe he is a constituent of Congressman Abbitt. He is from the same section of Virginia and certainly I welcome him to the committee.

The CHAIRMAN. Glad to have you.

STATEMENT OF JACK HALL, PRESIDENT, VIRGINIA FARMERS UNION, WINDSOR, VA.

Mr. HALL. Mr. Chairman, Mr. Wampler, I certainly appreciate the introduction.

I know that under this legislation today consideration of peanuts are not included. However, peanut growers would like to go on record as approving the action of the coalition committee.

Peanut growers believe that effective results can best be obtained through programs tailored to fit individual commodity problems, including supply management appropriate to control excessive overproduction. We would like to associate ourselves with the position taken by Farmers Union to extend and approve the Agricultural Act of 1965.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Hall.

Mr. DECHANT. Our last witness, Mr. Chairman, will present our views relating to the food stamp program, the president of the Arkansas Farmers Union. He has had considerable experience in recent years in the field of dealing with programs to bring income to underprivileged people in his State.

I would like now to introduce Lewis J. Johnson.

Mr. ALEXANDER. Mr. Chairman.

The CHAIRMAN. Yes, Mr. Alexander.

Mr. ALEXANDER. I would like to take this opportunity, also, to introduce Mr. Lewis "Red" Johnson from Arkansas. Mr. Johnson and I

have been friends for a number of years. I am pleased to have him here from Arkansas to testify before the Agriculture Committee.

He has dedicated his life work to the plight of the farmer and the underprivileged in Arkansas.

Mr. Johnson, I welcome you here to Washington and to the Agriculture Committee.

STATEMENT OF LEWIS J. JOHNSON, PRESIDENT, ARKANSAS FARMERS UNION, LITTLE ROCK, ARK.

Mr. JOHNSON. Thank you, Mr. Alexander.

Mr. Chairman and members of the committee, let me say on behalf of Arkansas we are proud to send to you this fine young man from Arkansas, to serve on your committee. You are going to find him a great young man, and we are pleased to send him here.

Thank you, Bill.

Mr. ALEXANDER. We got together on that pretty good, didn't we?

Mr. JOHNSON. Mr. Chairman, if I may digress just a moment; inadvertently we forgot to mention rice in our overall program, so we don't have a written statement filed, but I would like to say this is our position on rice:

As you know, we grow a lot of it in Arkansas. I don't have the time to brag on Arkansas that I would love to have. But we grow a lot of rice and rotate rice and catfish farming. The rice program, as it is, is very effective. We don't want you to change it, just let it go as it is and keep increasing the acreage allotment and give us a realistic price support and export subsidy. Let's help these other hungry people.

So we are in pretty good shape, Mr. Chairman, on rice.

Now, if I may, Mr. Chairman, I would like to have this statement filed as it is, and I would just like to briefly visit with you members of the committee.

The CHAIRMAN. Without objection that will be placed in the files of the committee.

Mr. JOHNSON. We are talking about, on this food stamp program, we are talking about people, we are talking about helping the less privileged people from the storehouse of abundance that our farm people have been able to produce under the program that this committee has provided us.

It is always a pleasure to come before this committee, even though we realize you know a lot more than we do. We like to come up and visit with you.

I might have been in Texas, myself, if I could have read, Mr. Chairman, but since I couldn't read I stayed in Arkansas. I want to say to you that we have a deep appreciation for you and for your ability and for your feeling for rural people. We want to thank you for the introduction of H.R. 12430, which extends permanently the food stamp program, with an open end authorization.

We want to make the same recommendations that we did over in the Senate. We happen to believe, Mr. Chairman—and we don't play politics. But we like to help our neighbor that helps us, our city Congressmen that help us, we like to help them. Not all of the food stamp money goes into the city. A lot of it goes into our rural areas, and many who have gone into the cities are, our less fortunate farmers

that had to leave the farm several years ago. We must help take care of them in the city. But we like to help our city Congressmen. I want to say that. That is just good neighborliness, that is all that is, not politics.

We are glad that you are removing that limitation of $340 million. Here we are talking about feeding our own people.

Mr. Chairman, when I was a boy, well, I had an uncle named Uncle Charley. We said, "You know Uncle Charley, he is lazy and sorry. He won't work." Well, what happens? We found out Uncle Charley had tuberculosis. He wasn't able to work. Uncle Charley wasn't sorry or lazy.

When we talk about helping needy people too often we say they are sorry, and we oughtn't to feed them—without knowing all the facts.

We have become accustomed to that thinking and tradition. But we are talking about human beings, people that are less fortunate than we are.

So we recommend that the Secretary make a study of this and that he come up with a minimum level that will qualify a family for free food stamps.

Mr. Chairman, I don't like to give anybody something that won't work for it if he is able. And yet if you have a hungry family, and we have got a warehouse or storehouse or our kitchen full of food, you and I are not going to say they have got to pay for food before I give them any of it. We oughtn't to do our needy citizens of this great Nation this way.

Once again, I want to remind you we are dealing with, in most cases, good solid citizens that have families.

How would you feel, Mr. Congressman, if you had to feed a family with eight children, on $40 a week?

Mr. MYERS. I would find a job.

Mr. JOHNSON. He had a job, Mr. Chairman, the best job he could find.

Now, these are some of the people that we are talking about. He is holding the best job that he is able to hold, but he is a less fortunate person.

Now, then, we recommend, Mr. Chairman, that besides giving these that need it free food stamps, that in some way we have the food stamp and the food distribution program going along side by side, both of them in the same county.

Now, we would also like to say let's get away from just giving him a limited amount, that he can get with his food stamps. Let him buy some soap or wash powders, let him buy some toothpaste or toilet articles. Don't confine him to just a specific thing. You say well, we shouldn't do that, but I want to say that the overall picture in helping our economy will be the same.

We recommend to you, Mr. Chairman, that if you want to get away from the stamps—we print a lot of money up here and we got postmen that carry the mail. Let's set it up and make it easy for them to get money or stamps: let's mail it to them direct.

Let's don't make it hard for them to come in from way out in the county in to county seat and get it. Let's don't say if you haven't got all your money to buy all your stamps you are not going to get any. Let's don't say if you haven't got cooking facilities, you can't have any.

Let me give you this one other case, Mr. Chairman, and I will hurry along. This is Julius Robinson, a farmer, who lived out in the rural area and raised a family of six. He worked in the timber every summer and every fall after his crops were laid by.

He sent all of his children to high school and two of them to college. Now, when he became 65 workmen's compensation no longer covered him, so he couldn't work.

Now, his wife took cancer and he spent all his savings that he had saved. Welfare would not take him because he had a little home.

The food stamp program would not take him because he had a little home.

Now, these are discrepancies in these programs that ought to be ironed out. Thank goodness they had a green thumb program that he came on that helped him out. That is one of your Federal programs that you have supported to help older people.

Now, I want to say to you we are proud to come before this committee and give you some of their ideas. We realize you know so much more than we do, but we feel that we are in constant touch with these people in our rural areas and we would like to come and visit with you about it.

Thank you very much.

The CHAIRMAN. Thank you very much, Mr. Johnson.

Mr. DECHANT. Mr. Chairman, that concludes our formal presentation. We would be delighted to try and answer any questions that you or the members of your committee have.

The CHAIRMAN. We are very much obliged to you, Mr. Dechant, for a real comprehensive and enlightening presentation. I think it was a good one and well presented.

Our committee just yesterday had some discussion on this matter of questioning the witnesses. We have now just one-fourth of the allotted time for questions, and while I have a whole page of notes here of questions to ask each one of these individuals, I think I am going to waive this time and try to get down the line.

Mr. Belcher, do you have any questions?

Mr. BELCHER. I will waive mine, too.

The CHAIRMAN. Mr. Stubblefield?

Mr. STUBBLEFIELD. No questions.

The CHAIRMAN. Mrs. May.

Mrs. MAY. Just one comment.

I would like to say to our last witness that the family you just mentioned, who couldn't get food stamp money because they owned a home, there must be something wrong with the way the State or county is administering the law. Owning a home does not make it impossible for a family to get food stamp coupons.

I was going to say, if it is a needy case, you ought to have it investigated, because that should not rule him out for food stamps.

Mrs. JOHNSON. Thank you, ma'am.

May I add one more thing: We certainly would hope that in no case would a local official or a State official deprive a needy family from getting food contributions or food stamps.

Mrs. MAY. I think you will find the rules under food stamps are very flexible in this way. Thousands of people qualify and get food stamps who have their own homes.

The CHAIRMAN. Thank you.

Mr. Purcell.

Mr. PURCELL. I will limit myself to 1 minute, Mr. Chairman.

I will just say, Mr. Dechant and the other people who gave statements, although I may not agree with everything you said, that I compliment you on trying to work with other organizations. I have always felt when our country was in real need we could bury some of our difficulties somewhere other than in the other man's head with a hatchet, and I think we are in that condition now as far as farmers are concerned. I congratulate you on waiving some of your desires and cooperating with other farmers and other farm organizations.

Mr. DECHANT. Thank you, Mr. Purcell. I want to say that in many, many cases we had to take a step back from the policy position that our delegates adopted in order to present a unified front, in order to have 18 organizations present a coalition program. But we think it is so important, because the alternative is an undesirable massive land retirement program or no program.

In other words, if we are unable to extend the farm program we may find ourselves with no program, and in my testimony I outlined how ineffective that would be, because it would put a burden on the Secretary of Agriculture and no machinery to deal with supply management.

Mr. PURCELL. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. O'Neal.

Mr. O'NEAL. I will yield time.

The CHAIRMAN. Mr. Miller.

Mr. MILLER. Yes. Mr. Christianson, on page 3 of your statement, No. 2, where it states any successful bargaining must be preceded by effective supply management so that alternate sources of supply are not available to handlers through unrestricted domestic production, and so forth. Have you taken into consideration the synthetic materials that are now on the market? Will we be forcing them on the market more so by the price arrangements which will come from this marketing?

Mr. CHRISTIANSON. Well, Mr. Congressman, I could not believe, or we do not believe that we will. When we talk about supply management we, of course, take into consideration the supply necessary to meet the demand, and by carefully allocating this I do not believe we will leave a loophole for the synthetics and substitutes that come in.

Mr. MILLER. Inasmuch as we have substitutes for cotton, now, we have the synthetics, and their price is down, it seems they would be able to take a wider share of the market. Do you think that would not prevail?

Mr. CHRISTIANSON. No; I believe from the talk of supply management that we are talking about, an ample supply of cotton in which to supply the markets, you see.

Mr. MILLER. I see. Then on page 4, under 8, you have "prices agreed upon by producers and handlers under the terms of a nationwide bargaining system for a particular commodity should be recognized in law as the legal minimum." Now, with prices fluctuating as they are, do you have some method as to how this would originate?

Mr. CHRISTIANSON. Yes. Under a program for any particular commodity group they would sit down with the processors and handlers and arrive at a minimum price. We ask that when that minimum price is arrived at that that then be the very minimum that any trading in that commodity would be done. In other words, the establishment of a minimum price between the bargaining group and the handler would constitute the minimum price in which that product would be traded.

Mr. MILLER. If that price was high enough, the consumer would not purchase that. Would we then build up a backlog of that particular commodity?

Mr. CHRISTIANSON. Yes; this is true, although we doubt that a price would be negotiated higher than the consumer would purchase, because I believe that the negotiated price would take into consideration the consumer's position as well as the producer's.

Mr. MILLER. Thank you.

I yield back, Mr. Chairman.

The CHAIRMAN. Mr. de la Garza.

Mr. DE LA GARZA. No questions, Mr. Chairman.

The CHAIRMAN. Mr. Mayne.

Mr. MAYNE. I have a question for Mr. Holman, Mr. Chairman.

Mr. Holman, you testified that your organization is in favor of requiring bonding of packers. I have introduced a bill which would require bonding of all packers, regardless of their size or their purported financial condition.

Now, you also said, however, that the regulations should not be so stringent that it discourages small buyers. Were you talking about small packers there?

Mr. HOLMAN. No; not necessarily. In our area——

Mr. MAYNE. Are you talking about small packers at all?

Mr. HOLMAN. No; what I had in mind was the independent buyers, the small purchaser who goes maybe to the farms, you see, and buys livestock, and then in exchange, in turn, takes them to a local auction or to a packer and resells.

Mr. MAYNE. Well, then, you would have no objection to requiring the bonding of the small packer?

Mr. HOLMAN. Certainly not.

Mr. MAYNE. I have been getting complaints about requiring bonding of the large packers who presumably are stable, but it seems to me still that they should be required to furnish a bond, as much as the small one.

Mr. HOLMAN. I would think so.

Mr. MAYNE. Thank you.

The CHAIRMAN. Thank you.

Mr. Vigorito.

Mr. VIGORITO. Mr. Holman, again, would you explain and give me the reason why the legislation to prohibit feeding of livestock by meatpackers, feed companies, and retail chain stores is recommended?

Mr. HOLMAN. Well, I think the problem there is that these particular people could take advantage of the lower price or the higher price and put their livestock on the market to their great advantage and to the disadvantage of the local farmer, the local rancher. This was the thinking there, and they are in a position to do that.

Of course, if they have their own livestock on hand——

Mr. VIGORITO. Is that being done now to any great extent?
Mr. HOLMAN. I am sure it is.
Mr. VIGORITO. Thank you.
That is all, Mr. Chairman.
The CHAIRMAN. Thank you, Mr. Vigorito.
Mr. Kleppe.
Mr. KLEPPE. Thank you, Mr. Chairman.
Mr. Twedt, you made some observations about the IGA. You indicated your continuing support for it, and you registered your dismay with a recent USDA announcement cutting by 12 cents per bushel the price of Hard Red Winter wheat at gulf and east coast ports. You also know that our wheat exports are down. It seems to me that there is a little confusion here. Have you got any specific ideas as to what we might do? Do you recommend going so far as adopting sanctions against these countries that break the IGA agreement?
It hasn't been working, this is the reason for my question.
Mr. TWEDT. Your point is well taken, and your concern parallels ours. We spent quite some time yesterday, Congressman Kleppe, visiting with the people in the Department and talking quite frankly about the position we find ourselves in in IGA. We came to the conclusion—I think we all agreed to it—that retaliation would lead to nothing but everyone concerned in IGA losing.
If we began a price-cutting, throat-cutting program, it is a battle that nobody can win. We talked about the other countries that are members of IGA that pay a higher subsidy to their producers than we do here in the United States. We, as producers, are deeply concerned about the future price effect to the producer by virtue of the United States lowering the IGA price below the $1.73 per bushel on ordinary Hard Red Winter wheat at the gulf.
Retaliation is a two-way street. We do not want to be accused of being the ones that are going to break the IGA agreement. We think the other countries have something at stake, and we are hopeful that it will be possible for them to come to our way of thinking, as far as supply-management is concerned, rather than to dump all of this on the market.
Mr. KLEPPE. I certainly agree with you completely. The only thing is if we lose these export markets it is always the wheat producer that ends up losing. These are the ones we are primarily concerned about.
Just exactly what direction we are going to take was an observation I was trying to get from you, because what seems to me to be a little bit of a confusing thing here, you support the IGA and you and I both want these countries to abide by it as well as ourselves, and yet we cut the price 12 cents a bushel, and you are saying that the wheat producer ultimately loses, and yet we are going to stock up additional bushels of wheat if we don't do something about it. This is our problem.
Mr. TWEDT. This is the problem that we are faced with. The other countries are not going to gain by it.
Now, we are a little bit upset, and the people who sat at the bargaining, in London, and talked about this—it was indicated by the people representing our Nation here that we did not want to be the only ones that were going to continually cut back production and perhaps we have to make some adjustments, too, but certainly we feel that the

failure to support a program which we for many, many years have historically supported is not the answer.

We think there are reasonable people involved in the wheat production and importing and exporting in other countries.

Mr. KLEPPE. Thank you very much.

Mr. DECHANT. May I also respond to Mr. Kleppe? I think it is very important that the administration take a rather firm position with the participating exporting nations. Earlier this year when Prime Minister Trudeau came to the United States he and President Nixon issued a very strong statement supporting the IGA and indicating that the prices should be strengthened. In other words, the policy, the official policy of the U.S. Government and Canada 2 or 3 months ago was to strengthen the IGA.

The Canadians have not engaged in this price cutting. At least they have held the line better than anyone else. I think it is incumbent on this Government to serve notice to the Australians, for example, and——

Mr. KLEPPE. And France.

Mr. DECHANT. And France, that they will have to come to grips with supply management. We can't cut acreage and production only to have Australia pick it up.

Mr. KLEPPE. I understand there has been some forceful language along these lines.

Mr. DECHANT. The only point I am trying to make is that I think if to start visiting, at the ministerial level, with other nations and to start visiting, at the Ministerial level, with the other nations and urge and insist that the provisions be observed, because there is just no sense in starting to cut. The key question is you cut 12 cents the first time and you don't move it to the export market, so then you cut 12 cents more. Where does it stop?

If we are going to rely on our traders to say that now it is cut low enough for us to sell, we are never going to reach that point, and the other nations are going to sit and wait for us to cut further.

Mr. KLEPPE. Thank you.

I have one more question of Mr. Dechant. You made some interesting observations about the payment limitation. Certainly you know—and you know so very well—that some of our State organizations have adopted different resolutions.

For example, in North Dakota the Farmers Union adopted a resolution on $15,000 maximum payment of limitations. I suspect at your convention you had a great deal of conversation and disagreement on this subject, didn't you?

Mr. DECHANT. Mr. Kleppe, that could be the understatement of the day.

Mr. KLEPPE. I only recite this because I am sure you men know the differences as to why some of us did what we did. Very specifically, your organization had passed a resolution and publicized it very well, carried the message very well for a $15,000 limitation. This is why it is kind of interesting to me to see what your representation is.

Mr. DECHANT. Mr. Kleppe, I take great pride in the fact that the Farmers Union is a responsible organization. When we came to a showdown in Hot Springs, Ark., in spite of the fact that a very large number of the delegation from some of the Midwest States wanted

much lower cuts, the matter of maintaining the farm program was uppermost in their minds. Everyone believed and felt it was important not to impair the effective operations of the farm programs.

It was with this in mind that the delegates from your State, North Dakota, moved their sights up very considerably when they went for a graduated formula, moving up as high as $37,500.

Mr. KLEPPE. I haven't been advised yet, but they did?

Mr. DECHANT. It was a compromise, but the compromise was geared to trying to keep the programs operating at a high degree of effectiveness. We are conscious of the fact that if you have a flat limitation—and we opposed the $20,000 flat amendment—you might make the farm program inoperative. In other words, you don't get the supply management.

Mr. KLEPPE. This is exactly the point I made to Farmers Union back in North Dakota when they took this position in this resolution that basically they are in favor of the farm program and very likely this decision could work to their disadvantage. I am pleased to hear you say they have raised their sights, because I am one for the farm program.

I think the need is not only necessary, I think it is mandatory. From that standpoint this payment limitation question is a most serious one. But we cannot evade the question that is before us in the House, as we know what has happened here. If we haven't got the votes to do what we would like to do we are whistling "Dixie." Of course, this is the over all problem, why we have got to get together at all levels of the farming community, this committee and the Agriculture Department, and the whole works. If we don't get together we are going to get no place. We are going to die individually instead of collectively.

Thank you very much.

The CHAIRMAN. Thank you, Mr. Kleppe.

I notice our colleague, Mr. Jones, has the Governor of North Carolina here, and at least I would like to have him introduced to our group.

Mr. JONES. Thank you, Mr. Chairman, very much, indeed.

It is an honor to introduce to the committee, as well as the guests, the very outstanding and able Governor of North Carolina, the Honorable Robert Scott.

Before I present him I think you would be interested to know that his father, for many years, was Commissioner of Agriculture of the State of North Carolina; later ran successfully for the governorship of the great State, and finally was elected to the U.S. Senate.

During his short term in the Senate, which was ended by a premature death, he contributed much to the present concept of agricultural programs that we now enjoy, and certainly the son is following in the footsteps very ably, of an illustrious father.

So it is with a great deal of pride that I present to this committee the Honorable Robert Scott, Governor of the State of North Carolina. [Applause.]

The CHAIRMAN. We are delighted to have you, Governor Scott. We know of your interest in agriculture. It was my pleasure to know your father. I served with him here, and I knew him when he was commissioner and when he was Governor and when he was Senator. We are pleased that the great tradition carries on in the North State. We are pleased that you have come to visit us.

We think Governor Scott is an outstanding friend of agriculture from the State which some of us are sometimes embarrassed to confess has more farmers than any other State in the Nation. Too often we get to talking about the size of our farms. North Carolina has the farmers.

Mr. LOWENSTEIN. Mr. Chairman, I just want to join in welcoming Governor Scott as an old friend and join the chairman in recalling the contribution of Senator Scott to this great country. Governor Scott's father was one of the genuinely great men from North Carolina to serve in the Congress in my lifetime. It is a privilege to have you here and remember for just a few minutes how deeply indebted we are, and what a great loss it was to all of us that your father didn't live to serve much longer than he did in the Congress.

The CHAIRMAN. Now, Walter, you are going to have to give up your time, because we are perhaps——

Mr. JONES. We have 5 minutes. Thank you.

The CHAIRMAN. Mr. Alexander.

Mr. ALEXANDER. Mr. Chairman, time doesn't permit all of us to go into the number of subjects that have been discussed here today, and in deference to time I will waive the balance of my time by simply thanking Mr. Dechant and his associates for the fine presentation he made here today, and I look forward to a continuing line of communication with you and your associates and members in order to fully explore the context of your statements and testimony today.

Thank you very much.

Mr. DECHANT. Thank you very much.

The CHAIRMAN. Mr. Price.

Mr. PRICE. Mr. Chairman, I would like to ask the gentlemen a couple of questions.

Mr. Dechant, would your organization be willing to work together with other farm organizations in hammering out a program that farm organizations and commodity organizations of this Nation would agree to?

Mr. DECHANT. By all means, Mr. Price. In fact, we started in January putting together the beginnings of a coalition, and in February John Scott, the master of the National Grange, called a meeting of some 20 farm organizations and commodity groups, and this included all of the general farm organizations. We spent an entire day exploring possibilities for putting together a common front and considering legislation. At that time there were a number of items that we were in agreement on. There were also some that there was some disagreement on.

Then in the spring, here in Washington, on July 7th and 8th, to be exact, 18 farmer organizations and commodity groups spent 2 days putting together a statement which we hope might end up in a bill on which we can be agreed.

The thrust of our testimony today, with the exception of the bargaining positions that were outlined by our vice president, Ed Christianson, and with the exception of the presentation by Mr. Johnson on payment limitations, was, for the most part, the result of the coalition of 18 organizations.

Mr. PRICE. Yes. The reason I asked this question is in my district there have been six counties, and I have encouraged them to meet together and try to come up with some kind of a common goal.

The chairman and Mr. Belcher were surprised that they did agree on 12 points. I think if we are ever going to have an agricultural program the leaderships of farm organizations are going to have to try to get together themselves. It is very difficult for us as members, when one organization comes in and wants one program, and another comes in and wants another program, and we have six different versions and ideas, and we are left with the problem of trying to do this.

Now, the second question, you talk about mandatory programs. The USDA has a program in which a person can allow ground to be broken out in Nevada, Utah, and other parts of the country with no limitation, and can use Federal moneys to plan the irrigation systems.

Are you in agreement with this, or not, as an organization?

Mr. DECHANT. We should never discourage movement of farmers in any area. For example, following World War II we made it possible for veterans to move into Idaho and into the potato business under a program that was geared to family farmers. Let me say I think this is the key, whether a program is geared to family-farm production.

For example, our organization has a long and consistent record of support of the 160-acre limitation which is the family-farm reclamation law. We are sometimes shot at for our position on that. We think it is a fine program.

Mr. PRICE. Right. I would like to expedite this. I only have a few minutes' time, and I would like to give these other gentlemen their time.

My point is we are opening up areas out there with no limitation which, as you know, produces probably a small amount of grain, but still it is opening up areas with no limits. I have people in my part of the country plowing up 15 section ranches, and putting it in wheat production. You have the same thing with rice in south Texas. Do you think that farm organizations have done as good a job as they could in merchandising? Congressman Belcher brought out, a very good point on our recent trip, that he didn't feel we were doing enough merchandising of our products. We spend too much time, perhaps, trying to grow a better seed and fertilizing. Maybe we haven't turned our attention enough to merchandising what is grown.

By this I mean we let the Government be our market or our front all over the world in merchandising our products. I think farm organizations have a duty to get on out there with their organizations and get to selling the grains—do you agree with this?

Mr. DECHANT. Well, Mr. Price, let me say that I guess none of us have done a good job, as good a job as we probably should have.

I have been very critical of our land-grant universities, of the Departments of Agriculture, both State and Federal, for the tremendous amount of money they spent on research, on the biological sciences to produce more and more and give practically no attention to marketing. We spend well over a billion dollars annually, of which 75 to 80 percent goes into more and more production and practically nothing into the selling end of it.

This is why, Mr. Price, as Mr. Christianson pointed out, we feel very strongly about some kind of a bargaining bill. We could deal with the problem you raised, for example, if the producers of a given commodity decided bargaining was called for in a certain commodity. There should be enabling legislation provided so that they could get together and work out a program, and once that program was adopted it would be incumbent on all of them.

Mr. PRICE. This is my point. I feel that this is foreseeable. I think the grain sorghum organization in my district has done a good job. I think we need to do more of it instead of leaving it to Government officials.

Mr. DECHANT. I agree. I would like to get everybody into the act.

Mr. PRICE. My last question is, formulating the farm program, do you really believe that we can perfect a program that is going to help a small farmer who makes poor decisions? I am a farmer and rancher myself and have been all of my life. I am the fifth generation. I have lived with agriculture all my life and still do.

I know we can't make a program for a man that is going to make a mistake in management, who buys a $15,000 tractor when he doesn't need it. He goes into town and buys a new pickup, drill, or disk that he doesn't need. This happens time after time after time. We know it to be a fact. He will go rent a farm and he makes a bad deal with the renter.

The lessee just outtraded him. The lessor goes out there and may decide to drill a $20,000 well and put an $18,000 sprinkler system in when there is no way it can be justified. Do you think we can formulate any sort of farm program that is going to take care of these situations?

I think this is the crux of our agriculture problem. Do you think we can build a program that will help a man, who will plant his wheat in the fall and sit on his tail the rest of the winter and won't help himself, to get a few hogs or cattle to kind of diversify himself?

Mr. DECHANT. Mr. Price, I think the basic regulation is that kind of thing comes by credit. I think the Farmers Home Administration, the PCA's, and banks go a long way toward advising and helping. Maybe we should have more help on this front and maybe we should be pushing the various agencies to be more helpful. I think we ought to try.

The CHAIRMAN. I think we have gone just as long as we can. If we are going to get anywhere around to all members to ask questions—yesterday we discussed trying to get around.

Mr. Burlison.

Mr. BURLISON. Thank you, Mr. Chairman. I think you skipped some of my senior colleagues. John, do you have any questions?

The CHAIRMAN. You have been recognized.

Mr. BURLISON. Thank you very much, Mr. Chairman.

I have a question for Mr. Johnson. I would like to say—incidentally, Mr. Johnson, as I told my dear friend Mr. Alexander, before he left, I am glad you are not in his congressional district, because I am afraid you might be here instead of him.

I do have a question about whether your organization has a position on the inclusion of fiber products in your idea of the stamp program. You didn't mention it in your statement.

Mr. JOHNSON. Mr. Burlison, surely we have cotton in storage in Arkansas. It looks sort of shortsighted that these needy people—that we don't provide them with some clothes, cotton clothes, if you please; cotton mattresses if you please; cotton quilts if you please.

Mr. BURLISON. Is this your position, now, or the position of the organization?

Mr. JOHNSON. This is the position of our organization. We had it in our statement. I didn't cover it.

Mr. BURLISON. I am sorry. I wasn't able to read it in detail.

Now, the second point I would like to cover, Mr. Chairman and Mr. Wright, I want to particularly commend you on your statement on soybeans. It is certainly in accord with my position, your opposition to the Secretary's lowering the support price back a few months ago 31 cents a bushel instead of going the route of acreage control, as you propose in your progress.

I would like to ask you to forward to me, if you will, a copy of the document that you refer to, which sets out I think maybe in legislative form your position.

That is all the time I will take on it, Mr. Chairman. I appreciate it very much.

Mr. DECHANT. We will send the statement.

Mr. BURLISON. Thank you.

The CHAIRMAN. Mr. Myers.

Mr. MYERS. Thank you, Mr. Chairman.

Mr. Dechant and other members of the Farmers Union, I regret I had to be late, due to another committee assignment we were working on.

Particularly I regret that I missed my good friend, Harold Wright, who is president of the Indiana Farmers Union, who has been in my office, and helped frequently.

I have one question: Are you a farmer or business man, Mr. Johnson?

Mr. JOHNSON. Let me say this to you——

Mr. MYERS. Seriously, are you a farmer?

Mr. JOHNSON. Actually, I don't farm now. I have been with Farmers Union for 18 years and you don't carry on a crop and carry their work, too. I have been a farmer, a general farmer, a dairy farmer, and then I worked for the Government.

In other words, my degree is in agriculture. I worked for the old Farm Home Administration. I managed the largest farm home project in the United States, 97 farm families in Phillips County. In agriculture from the bottom up. If I had time I would tell you about it.

Mr. MYERS. I believe in the committee functions considering your naive way of treating our colleagues, if you were here I think you would have to watch your hat.

The CHAIRMAN. Thank you.

Mr. Rarick.

Mr. RARICK. Thank you, Mr. Chairman.

Mr. Dechant, and other members of the Farmers Union, I have enjoyed your testimony and wish I had more time; I have many questions I would like to ask. Since Mr. Johnson is a neighbor of ours in Louisiana and he's promoting a good neighbor policy, I would like

to ask him one question to correct any possible misunderstanding, since certainly we don't want any of these fine folks to think that we down in our area aren't civilized. You had made mention of one of your neighbors whose health became poor but because he owned his own home wasn't able to obtain food stamps. Certainly in Arkansas, as well as most other States, you have welfare organizations in your State with trained welfare workers who have done a commendable job working with the poor and needy for many, many years.

I have been to Arkansas and I know you have churches and the church people work in charity and they believe in charity. Then, too, you have many civic organizations, just as we do in Louisiana. In addition to that, there are bound to be good neighbors to this man—besides yourself.

I just bring this up because we certainly don't want any of our other neighbors around the country to think that we of the South don't practice charity and that somebody up here in Washington just invented it—and has the only answer to helping the poor.

Now, bringing our neighborliness into something you say is not politics—that is to dicker for the vote of the big-city folks—I am wondering have you given any thought to the idea of giving free food, making free staple food available to all the people? They can't eat money or the food stamps. If we mail free food stamps or money out from Washington then we will have to increase the postage rate for our other neighbors who still pay taxes.

Has the Farmers Union given any thought to making staple foods—milk, butter, flour, sugar, rice—available in every grocery store free to all of our people?

Mr. JOHNSON. Of course, we wouldn't go quite that far, but we say to you sincerely that here we have our underprivileged people; you have them in Louisiana, I have them in Arkansas, in New York, in Washington, D.C., so we don't have over our share of them. The rest of the States have their distribution.

Now, let me say this to you: Isn't it rather foolish that this great country, with all of our natural resources, with only one-quarter of a billion dollars to help feed the underprivileged?

Mr. RARICK. Wouldn't free food feed them?

Mr. JOHNSON. I am sure any organization would back me up on that, because the stamp program—we have worked on it since 1948, I believe, in our organization, and we did that because, after all, we got a lot of proud people in our rural areas that don't like to go and take food, they don't like to be on charity.

Mr. RARICK. Have you been hearing the politicians in New York City lately? It seems like the good people in your area and my area are getting the blame because we are being accused of running them into these northern areas. They may be too proud in our area but they don't seem to be when they resettle in New York or Chicago. In fact they're even organizing what they call unions to demand more and more charity.

Mr. JOHNSON. I personally had rather see us send them a check for the difference. They have got a mailing address. We make money out here just like baling hay, and we ought to spend part of it in taking care of our needy people, and we ought to send it to them by the post-

man and not put them through all that trouble of going to the commissary after it. That is my feeling.

The CHAIRMAN. Thank you, Mr. Rarick.

Now, if there are no other questions, the time is up, but I want to give these gentlemen who haven't had a chance an opportunity.

Mr. Sebelius.

Mr. SEBELIUS. I don't have any questions to ask.

I would like to comment, with a sense of pride—I just met Mr. Dechant this morning, however, and he was born and raised in my old senatorial district in Kansas, also, and would reflect as a final message that far too many good Kansans have strayed off to Colorado and other places because we haven't licked the farm problem.

The CHAIRMAN. Thank you.

Mr. Jones.

Mr. JONES of Tennessee. I would just like to take this moment to thank Mr. Dechant and his colleagues for a most informative presentation that has been given us this morning. I certainly admire you for your cooperative attitude in working with other farm organizations. This should be a lot of help to this committee. It certainly is to me as a junior member.

The CHAIRMAN. Thank you, Mr. Jones.

Mr. Córdova.

Mr. CÓRDOVA. Nothing.

The CHAIRMAN. Mr. Zwach was absent at the time his constituent came in, so I will call on him now.

Mr. ZWACH. I wanted the opportunity to introduce the Minnesota vice president of the National Farmers Union and State president, but at that moment there were 40, Mr. Chairman, 40 4–H young men and women from Minnesota who came in, stood in the back, and they were visiting their Capital.

They are going to be farmers. So I slipped out very briefly to do what I could to welcome them.

The CHAIRMAN. Off the record.

(Discussion off the record.)

Mr. ZWACH. Mr. Chairman, I want to compliment Mr. Christianson on the statement that parity income objective should be restated and reaffirmed by Congress so that administrators do not ignore it as a basic purpose of the law. I have felt the organizations have not really come right out and stated their objectives, which ought to be a fair and equal return for the countryside of America.

That is all, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Zwach.

We have one other statement which, without objection, will be placed in the record at this point.

(The statement follows:)

STATEMENT OF KEIFER CAUBLE, PRESIDENT, FISHER COUNTY FARMERS UNION, ROBY, TEX.

I feel that for a long time to come the primary responsibility of the Dept. of Agriculture of the U.S. government is to see that there is an abundant supply of food and fiber for this Nation with a surplus to feed and clothe a portion of the underpriveleged nations of the world. The administrations of the past have done a most effective job. There is a secondary responsibility of the Dept. where in times

past an outstanding job has not always been done. That responsibility to the producers of these commodities that they may receive a fair return for their labors, management, and income from investment. In 1965 there was legislation passed that accomplished both of these goals to a degree never before seen in American agriculture and I feel it is mandatory that this legislation be renewed indefinitely.

I understand that there are those who would not agree with me and feel that we should depart from the present very effective program and revert to the negative "soil bank", land retirement program. To arrive at any logical conclusion I feel that the two programs should be compared.

The businessmen and bankers as well as farmers are most anxious to get an extension of the present program. But the thing that the small businessman kept mentioning in fear was the possibility of a "soil bank." Many doubted that the small West Texas towns could survive another one.

The 1965 Agricultural Act compensates the farmer who produces. To produce he must have good equipment, skilled labor, use fertilizers, insecticides, and on and on you could go to describe a modern successfully producing farmer. The person with the most desire coupled with good management and technology is the man who is being compensated under existing legislation. I think that most would agree that this is as it should be.

(S) It doesn't take much technology to be a soil bank farmer. It does not take much outlay in new machinery and skilled labor either. In fact some of the implement dealers and grocery store people who survived the middle "Fifties'" say that you don't have to have either.

The present program is designed with the incentive on production to the point where a good landlord-tenant relationship can be maintained.

(S) A "do-nothing" program makes it most difficult for renters and leasees because they are competing with the government for the use of the land. No law, no matter how strictly enforced, can prevent this pressure from being applied. It puts large absentee landlords in position to receive money without putting anything into the local economy.

It is a most effective means of insurance from hail and other natural disasters. Because a man faces adversity one year he should not be eliminated. He still has the same abilities and needs help more than ever. It is a most precarious business at best. At present production costs very few farmers can stand a large natural disaster.

(S) It is rumored that those who favor a change are suggesting that applications into the soilbank will be on a bid basis, not on the proper return for investment. This sounds like a natural loophole for those who tend to lean to the dishonest side of dealings.

Our current program does not take the pressure off of one commodity only to place it on another product. Each crop stands on its own.

(S) Those who stress land retirement have inferred that a portion of this land can be used for livestock production. The livestock industry is currently enjoying one of the few bright spots in a number of years and conditions seem favorable for the foreseeable future. I doubt that this will be true if negative legislation is enacted. Since it is assumed that price supports will either be drastically reduced or discontinued altogether, I suspect that there will be a dramatic shift from high production cost crops such as cotton to less expensive crops and thereby adding to their problems.

Since the 1965 Food and Agricultural Act has come into being there is a stability in our community that I had never had the privilege to witness. The businessmen in our community are aware that a farmer, like any other person, has the desire to have pride in his equipment, to provide for his family above and beyond the bare essentials of existence, to educate his children, and to help support his community. They are aware if the farmer can receive a fair price for his products he will do all this and not put the responsibility on some governmental agency.

(S) There is a degree of certainty about a soil bank program. It is certain that the farmer will be going to the big city to look for a job unless he owns half of the county.

At the present time diverted or unused land is used in crop rotation systems or used on noncritical crop production. These acreages are kept in good tilth and would be ready for production immediately if an emergency arose.

(S) Those who argue that the land in retirement could be brought into production immediately have never hunted quail on soil bank land. It is very ef-

fective as a wildlife conservation venture but a minimum of 2 years is needed to make this land profitably productive even with all of the effective herbicides on the market today.

There is a large majority of farmers who have incurred long-term indebtedness because of land purchase, equipment buying, or dozens of other things that need long term financing. They bought these things believing in their ability to produce, manage, work hard, and survive the rigors of nature to repay these debts. I doubt that many of them dreamed that there would be those who would propose legislation that would eliminate a large majority of them.

We said in the outset that we in the United States live in an abundant supply of agricultural products. There are dozens of nations that wish they had a minimum adequacy of food and fiber. I strongly feel that very few farmers would like to see a shortage of either food or fiber in this country. However, if there is a continuing surplus (adequate reserve is more accurate) the laws of supply and demand cannot function properly. It is against the law for farmers to bargain for a price for their products. The farmer is expected to buy on a protected market and sell his produce at world market. What other section of the economy would raise money to fight for 74% of parity. I wonder if General Motors could lower the price of their cars 26%? As one farmer said "I've tried efficiency, what next?

Unless there is drastic legislation in farm bargaining laws, farm import laws, and a drastic change in State Department policy it is imperative that the 1965 Food and Agricultural act be extended indefinitely. With the money coming out of the budget everyone is paying for the wonderful abundance that we have, rather than a "few" paying and everyone enjoying.

The CHAIRMAN. That will complete the hearing for the morning.

The committee will meet tomorrow morning and the committee will now recess.

(Whereupon, at 12:05 p.m., the hearing was recessed, to reconvene tomorrow, August 7, 1969.)

GENERAL FARM PROGRAM AND FOOD STAMP PROGRAM

THURSDAY, AUGUST 7, 1969

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Wasington, D.C.

The committee met, pursuant to recess at 10 a.m., in room 1301, Longworth House Office Building, Hon. W. R. Poage (chairman) presiding.

Present: Representatives Poage, Abbitt, Stubblefield, O'Neal, Foley, de la Garza, Vigorito, Jones of North Carolina, Montgomery, Alexander, Burlison, Rarick, Jones of Tennessee, Melcher, Teague, Goodling, Mathias, Mayne, Zwach, Kleppe, Price of Texas, Myers, Sebelius, Mizell and Resident Commissioner Córdova.

Also present: Christine S. Gallagher, chief clerk; William C. Black, general counsel; Hyde H. Murray, associate counsel; and John A. Knebel, assistant counsel, L. T. Easley, staff consultant.

The CHAIRMAN. The committee will please come to order.

We have met this morning for the further consideration of general farm and food stamp legislation.

This morning we will hear from National Farmers Organization, Mr. Orin Lee Staley, president, who is with us, and we are delighted to have you, Mr. Staley. We are always glad to have you here and to have your views. I suppose you have some others with you. I see Mr. Graham and I suppose you have others with you.

We will be glad to hear from you and will be glad to have you present whoever you care in any way you wish to do it.

STATEMENT OF OREN LEE STALEY, PRESIDENT, NATIONAL FARMERS ORGANIZATION; ACCOMPANIED BY HARRY GRAHAM, LEGISLATIVE REPRESENTATIVE OF THE NFO

Mr. STALEY. Thank you, Mr. Chairman.

Certainly it is a pleasure to be before the committee, Mr. Chairman.

Mr. MAYNE. Mr. Chairman, I would like to join in welcoming Mr. Staley. Although a native Missourian he has spent a great deal of time at the NFO national headquarters in Corning, Iowa, and is very well known in our State as a very outstanding and capable farmleader.

It is good to have you here, Mr. Staley.

The CHAIRMAN. Yes, Mr. Staley.

Mr. STALEY. Well, I am Oren Lee Staley, and I have with me today Harry Graham, our legislative representative here who is here in Washington on a full-time basis.

The NFO members are greatly concerned about the decisions this Congress will make concerning farm program. The NFO has been organizing farmers for the purpose of collective bargaining. We believe that farmers must establish more and more economic power at the marketplace in order to compete with the economic power already established by the buyers, processors, and retailers of farm products.

The NFO has been able to raise farm prices through its collective bargaining program by the use of six basic steps:

1. NFO is now organized in almost all of the agricultural producing areas of the 48 continental United States. There are usually four or five large companies that buy nationwide. They now realize that NFO is nationwide and that they must deal with NFO members because they are blocking their production together. These large companies know this can affect them in every area. This is of vital importance because the four or five large companies have used low price areas to control the price in all areas.

2. NFO, through experience, has learned that a high-price area never raises a low-price area. It's always a low-price area that brings down a higher price area. NFO's ability to move production out of low-price areas into new marketing patterns and higher price areas, is one of the most important reasons why farm prices are higher now than anyone predicted.

3. The supply contracts that the NFO is signing in almost all areas are the key to success because they maintain gains and are a basis for further improvement. These supply contracts include pricing formulas that take into account local, regional, and national price structures and keep pace with upward movement of prices.

4. The movement of production into new marketing patterns leaves vacuums. This forces the companies that are not getting their production from the NFO block to bid up and this brings about new and keen competition.

5. The upward price pressure is exerted by the fact that NFO is now in almost all productive agricultural areas and all buyers and companies not getting production from the NFO block, try to beat the price the NFO block of production is getting.

6. This upward price pressure has brought about a situation where large companies must be more aggressive in pricing their products at the chainstore level because they can no longer find low-price areas to take production out of.

I pointed these points out. I thought it might be of interest to the committee because of our broad bargaining effort.

The basic goals of the NFO are for farmers to meet as many of their problems as they possibly can at the marketplace, through the use of their own economic strength. In today's economy, the unorganized get weaker and weaker. So in order to compete, it is necessary for farmers to have at least equal economic strength at the marketplace.

The NFO will continue to use all the streength and energy it can muster to strengthen its collective bargaining program. But, at the

same time, we stand for and will support any efforts to improve farm programs that will maintain and improve farm prices, which, of course, assists farmers in their bargaining efforts.

The debate which is beginning before this committee at the present time, is largely revolving around two problems. In our opinion, the first being whether or not farmers have a right to economic equality with the rest of our society; and, secondly, whether or not the Federal Government has any responsibility in assisting agriculture to obtain its economic goal.

The showdown time on agricultural policy has arrived. In our opinion, the issues are becoming more clearly established. While the farmers are doing everything they possibly can to unite their strength to bargain collectively, there are those who are making allout efforts to destroy programs.

The decisions this Congress makes on agricultural policy and programs will have a great bearing on the total economy of this Nation. Facts should be obvious. But sometimes facts are not studied and, therefore, proper solutions are not reached.

A few facts should stand out. The migration of farm families to the cities has caused almost insurmountable problems for our Nation. When farm families leave the rural areas, it causes rural businessmen to leave for the cities.

Low farm income, not inefficiency, is depleting agriculture of its most valuable asset—youth. The average age of farmers is continuing to mount. The average age of farmers of this Nation is rising so fast that there is a great threat to the future ability of farmers to feed and clothe this Nation.

Many people will not take this fact seriously. They are only looking at the situation today and are not thinking about tomorrow. They are taking for granted that food production will continue. But the questions should be asked and must be answered, "Who is going to produce the food a few years from now?"

The average age of farmers is 57 years. No industry, including agriculture, can have vitality and growth without youth. You cannot blame the youth for leaving agriculture because farm prices have gone down, while the prices in every other walk of life have gone up.

There are many Members of Congress who would rather not have any discussion of the parity ratio. But again the facts stand out. It is still the best yardstick for the measurement of what farmers should receive in relation to the cost of the production items they must buy in order to feed and clothe this Nation. The parity ratio has declined 23 points since 1950. This tells the story of why the youth is not staying in agriculture.

In each agricultural community throughout our Nation, we find that the core of family agriculture is struggling for survival because of low farm prices. Indebtedness of farmers is rapidly rising and only increased land values have made it possible to borrow the money to produce food and fiber for this Nation.

I would urge members of this committee to stop in any agricultural community in their district and run a survey of the age of farmers in that community, and I know they will be shocked if they have not already done this.

The debate on farm policy that lies ahead is going to be a heated debate. Farmers are going to watch more closely than ever before, the attitude of their Congressmen. The issues are going to be clearly drawn. The votes in Congress are either going to be for or against farmers.

The NFO will work with and cooperate with the Farm Coalition Committee. We will be part of a solid front opposing the programs that are being recommended by the Farm Bureau. It is regretful that a farm organization supposedly representing farmers and looking after farmers' welfare, would offer a program that would bring chaos to the American farmer and to the rural businessman. Their help for the farmer is like having a fox guard the chicken coop.

The Farm Bureau proposal that calls for support prices not to exceed 85 percent of the average previous 3 years, is a low blow for farmers in our opinion. This program, enacted, would lower the support price on corn approximately 16 cents per bushel the first year, or down to about 89 cents per bushel. It would drop each year thereafter.

The Farm Bureau proposal would drop support prices on soybeans 21 cents per bushel, down to approximately $2.04 per bushel. These price drops are based on official USDA figures.

In 1967, the price of corn paid to farmers averaged $1.03. The 1968 crop averaged $1.06. The figures are not in, of course, for the 1969 year, but if corn averages $1.05, you would have an average price of approximately $1.05. And 85 percent of $1.05 would be 89 cents.

USDA figures show that soybeans averaged $2.49 per bushel in 1967; $2.42 in 1968; and, of course, the figures are not in for 1969. But if they should average $2.30 per bushel, many people think it will be lower than this, then the first year's support price level would be approximately $2.04 per bushel.

The prices on other commodities would follow the same pattern, and each year the support prices would be lower.

The land retirement program recommended by the Farm Bureau is supposed to be voluntary and, theoretically, only the old farmers and those who want to quit anyway will participate. Land retirement programs would severely affect rural businesses because the payment per acre would be low, thus cutting down rural income. And with entire farms being taken out of production, it means farm operators would disappear as customers for rural businesses.

The farmers of this Nation are going to be shocked when they realize the full impact of the Farm Bureau proposal. Farmers are not going to support the Farm Bureau philosophy and programs. The Farm Bureau is trying to camouflage its real influence and strength by using the names of insurance policyholders who are members of the Farm Bureau for insurance only and who do not agree with the Farm Bureau agricultural policies.

The NFO wants to present to this committee a new farm program called farmers self-determination farm program. Under this program, the farmers would vote by commodities each year and decide what level of support they want and would produce according to the program they voted for. If they vote for 90 percent support price levels, they would produce only so much to meet the needs of the country. If they vote for 80 percent support price levels, they could produce

more. If they vote for 70 support price levels, they could produce even more. And at 60 percent support price levels, they could have almost unlimited production. This program, worked out in detail, we believe would greatly reduce Government costs and the farmer would receive his price at the market place as everyone else does. This program would assist bargaining efforts in agriculture, rather than hurt the efforts.

The NFO strongly stands for continuation of price-support programs, loan programs, storage payments, storage facility loans, and adequate food reserves that are isolated from normal market channels.

The NFO supports the proposals of the Farm Coalition Committee concerning dairy, wool, wheat, cropland adjustment program, rice provision, soybean proposal, and food reserve.

If nothing better can be worked out, and although it is inadequate, we would support the 1965 act as outlined in the recommendation of the Farm Coalition Committee as previously presented.

We do, however, urge that farmers be given an opportunity to decide their farm program by using the referendum procedure.

I would like to add something we forgot, our hardy support of the food stamp program which we neglected to put in.

We urge that the United States work through the proper agencies of the general agreement on tariff and trade, to develop a worldwide agreement on production controls for those export crops which are in surplus supply, especially wheat.

We urge that the agreement to set aside some of the present surplus stocks for international relief programs be implemented as soon as possible.

We urge that serious consideration and favorable consideration, be given to the payment of some kind of an export subsidy to farmers, to insure that the earnings which they have made for the Federal budget in terms of gold and the favorable balance of trade, be partly returned to the farmers who have borne the cost of the production of these export items.

We urge that congressional oversight be given to the USDA to assure that we have used all the procedures of the International Wheat Trade Convention to secure a reasonable share of the existing markets, before the United States embarks on a price war with all the producing countries of the world.

We request that the USDA administer existing programs in such a way as to strengthen the farm bargaining power, rather than to stabilize and perpetuate the status quo.

The NFO comes before this distinguished committee today reasserting its belief that the Government has functions to perform in our economic system and especially, at the present time, in its relationship to agriculture. Some of these functions are:

1. The creation of an economic climate in which there can be both economic growth and economic justice.

2. The prevention of economic exploitation by those who have been able to concentrate economic power in their hands.

3. The creation of a political system in which those who produce our wealth have the right, the opportunity, and the means of getting an equitable return for their economic influence.

4. Provisions for the meeting of the basic social and economic needs of the people who are not now able to earn sufficient rewards for their own labor because of age, physical disability, or inadequate educational preparation.

It is the function of the Federal Government, and we are agreed that it is, to insure that the vast army of Federal and the rest of the society. And legislation has been recently passed, or is now pending, to accomplish these objectives, including the increase of the salaries of the legislative and the administrative offices of our Nation.

If it is in the interest of national welfare that those who produce the armament which is being used by this country, receive not only their costs of production but a reasonable profit—then why is it unreasonable to believe that this same concept should not be applied to the producers of our basic wealth and the supplier of one of our basic human needs—food.

The NFO recognizes that the Government cannot and should not do the whole job. This is why we established collective bargaining for agriculture. To this end we will be forever dedicated.

The CHAIRMAN. Thank you very much, Mr. Staley, for an interesting statement.

Was it your intention that Mr. Graham would make a statement at this time?

Mr. STALEY. No; he will help if there are any questions, he will answer.

The CHAIRMAN. That is fine. Then yours is the only statement to be made?

Mr. STALEY. That is correct, Mr. Chairman.

The CHAIRMAN. We will then proceed to question Mr. Staley.

I do want to say, Mr. Staley, that I am interested in your statement. I think you touched on some points that have been brought to the attention of the committee. NFO has, of course, been known primarily for its contract bargaining, and the extent to which it has developed that kind of farmer bargaining.

You come up on the last page of your statement with some four actions or fields in which you feel government has functions to perform. I think I can agree with you as to the desirability of these, but I have to confess that they haven't given me much guidance as to how to go about it. For instance, you say the creation of an economic climate in which there can be both economic growth and economic justice. Now, I accept that as a sound objective of government, but how do you suggest we go about it?

Now, this legislation has got to legislate.

Mr. STALEY. Well, Mr. Chairman, these at first were broad statements at the conclusion there, which I think almost everyone would probably in this room can agree philosophically.

I think that going back to how we do it is going back to the proposals on various procedures that we outlined. We believe that one of the steps that could be offered to farmers going back to farmer self-determination type of programs, that they could vote by referendum on the type of program that they want. We believe the farmers have the intelligence, and if they vote for low prices they can live with those low prices because they have established them themselves.

I don't think it would happen, but once if they did. These are some of the ideas that we have.

I think that the critical situation is that whatever we do—and we realize and recognize that this is going to be as we stated, a difficult debate and not so much a difficult but rather a heated debate on the issues, but I think that the committee, with the help of all the constituents in rural America, are going to have now a time of showdown of whether we maintain any type of farm program and give any substance to support it.

The CHAIRMAN. Well, I agree with you on that. I think that is what is going to be in the final analysis the real issue here, whether we believe in having the Government step in and provide the assistance substantially as has been done in the past with modifications as to how we do it, but with Government assistance, or whether we have the Government step out and seek to allow pure competition to control.

I am a little intrigued with your suggestion about referendums. Of course, we have referendums now.

Mr. STALEY. Right.

The CHAIRMAN. What we normally vote upon is one issue.

Mr. STALEY. Right.

The CHAIRMAN. And we try to make those referendums last a period of several years. We do that, as I see it, in the interest of stability, feeling that possibly even an important program on which farmers can rely and know that it will be the program for a substantial period of time, may be better than better programs which change each time the moon changes. Now, if I understand it, you propose to have a referendum every year?

Mr. STALEY. Right.

The CHAIRMAN. There are advantages, of course, of giving the farmers a chance to express themselves every year. The question seems to me to be whether they override or are greater than the desire for stability. What do you think about that question of stability?

Mr. STALEY. Oh, I think that where you would be dealing with major commodities you would almost have to have a yearly referendum, because you are dealing with basic commodities that depend on feeding and clothing the Nation when you are talking about major commodities. Because of that and because of the cost that can be involved and has been involved, you would have to determine what the supply was available and project what was needed in order to be certain that you had sufficient supply.

The CHAIRMAN. Well, now, we have that under our present program. For instance, the wheat program, which I believe is a 3-year program, isn't it? Now, it requires that kind of estimate, all of the basic commodities programs require that kind of estimate on the part of the Secretary to determine the production that will be needed to meet the domestic and foreign demand. That kind of determination must be made under the present arrangement. It is made by the Secretary of Agriculture presently rather than a determination through a referendum on the part of the voters.

I take it that your idea is that the producers themselves would make that determination?

Mr. STALEY. No; it would still have to be made by the Secretary of Agriculture, because they are the only ones that have the information at hand.

What we feel, Mr. Chairman, would be that if the Secretary decided that this was about the production, the necessary amount of production needed for the balance of consumption that this would be a choice that if the farmers produced only that amount they could receive 90 percent of parity support, which would mean very little Government costs. If they chose to vote for 80 percent of parity, there could be more production and still keep the Government costs probably within pretty good balance and on down the ladder.

Our feeling is that the attitude now that farmers have been through the economic wringer for quite a while, that given an opportunity they would have a different attitude than we had under the wheat referendum, for example.

The CHAIRMAN. Mr. Staley, I don't want to prolong this, because we have to be at a meeting af the House at 11 o'clock. I had not realized that. There is one vital point, it seems to me, that we must explore; your proposal would require that farmers vote on a number of choices, that is 90 percent, 80 percent, 70 percent, 60 percent, possibly four choices we well say.

Mr. STALEY. Yes.

The CHAIRMAN. A multiple choice. Isn't human nature such that those who—well, just to use plain language as you did, and I think it is correct, those who accept the Farm Bureau philosophy would vote for the 60 percent and practically unlimited production. We might even make it 50 and have unlimited production. They would vote for the lowest support and the least controls. Those who accept the philosophy of Government intervention would vote for the highest support and the maximum controls. Wouldn't you find that actually the middle ground received very few votes in what we were calling the first primary, even possibly the great majority of the farmers might accept some middle ground.

Mr. STALEY. Well, first, I suppose that is the reason we have conservative and liberals in the country. There is always the difference of opinion. Of course, my opinion would be different than some peoples' but I don't think 5 percent of the farmers who vote for the lower—if they did once I don't think they would do it the second time.

The CHAIRMAN. Fifty-seven percent of them did do it in wheat.

Mr. STALEY. This is going back and digging old skeletons out of the closet, but I think there are reasons that would not be valid.

The CHAIRMAN. It wasn't 57 percent, it was 43 percent which didn't do it. It lacked two-thirds vote. It was 57 for.

Mr. STALEY. I think that the only thing we can say is that somehow, someway we have to work toward a program that where there is more self-determination on the part of farmers—I think if people have had a part in making a decision on the type of program they have that they played some part in it—then they are more likely to support and go along with the programs, or where they have the opportunity to help bring about the change rather than far removed considerations of decisions. I think this is basic and sound, fundamental in our whole process in this country. I think all we are talking about is doing the same thing in agriculture that we found sound in our entire Nation.

The CHAIRMAN. Well, thank you so much.

Yes, Mr. Teague.

Mr. TEAGUE. Mr. Chairman, I would like to say to Mr. Staley that I find myself having considerable sympathy toward your objectives involving collective bargaining. It happens that marketing cooperatives are important in California. I realize how difficult it would be to organize wheatgrowers in the marketing. But the objective of cooperative marketing associations are similar to your own.

Mr. STALEY. Right.

Mr. TEAGUE. Farmers out there have found a long time ago that they were helpless in a marketplace unless they worked together. So I want to make it clear I am with you along those lines.

I would like, however, to state that I think you would have been wiser to attack the Farm Bureau's program rather than personalizing an attack on the organization. You have a different viewpoint than these men do, but they don't want to ruin the farmers or small businessmen any more than you do.

Mr. STALEY. If I may comment, I would like to say this is the first time that we have ever made as broad a statement as this. We have ignored the situation as a difference in philosophy, but I think that the situation in the States are so high—and this is a completely divergent situation, from our past situations that we have met—but I think that the situations is so critical now that it has to be outlined and they have the opportunity to do it the same as we do. I think it is the same way as a political campaign. I am sure that most of you name your opponent and what he stands for.

Mr. TEAGUE. We may attack his program, but we don't call him nasty names.

The CHAIRMAN. May I point out that I think you are talking about the statement on page 4, which is repeated twice and in each case Mr. Staley carefully says that the Farm Bureau proposals that call for support prices, and the Farm Bureau proposal would drop support prices, so and so.

Mr. TEAGUE. Well, Mr. Chairman, what I was referring to specifically, also on page 4, is this statement.

> It is regretful that a farm organization supposedly representing farmers and looking after farmers' welfare, would offer a program that would bring chaos to the American farmer and to the rural businessman.

That is my objection.

The CHAIRMAN. I wouldn't assume that the Farm Bureau would identify themselves with that statement.

Mr. TEAGUE. I don't think so. Well, this isn't particularly important. I don't recall them coming in here and attacking the National Farmers Organization. They disagree with your policies, of course.

Mr. STALEY. I appreciate your comments, however, we will follow the pattern that we feel is in the best interest of farmers, and we hope that unity comes forth out of it.

Mr. TEAGUE. That isn't a very good approach toward establishing unity with the Farm Bureau.

Mr. STALEY. We have established it along with about 17 other organizations, and I don't know how to bring about unity without bringing up the issues.

Mr. TEAGUE. I don't either, but it is the name calling.

Mr. STALEY. Your point is well taken. It probably won't be followed, but it is well taken.

The CHAIRMAN. Mr. de la Garza.

Mr. DE LA GARZA. No questions.

The CHAIRMAN. Mr. Goodling.

Mr. GOODLING. Thank you, Mr. Chairman.

Mr. Staley, on page 2 you state this:

> The debate which is beginning before this committee at the present time is largely revolving around two problems. The first being whether or not farmers have a right to economic equality with the rest of our society.

A debate, as I remember, always requires two sides. I think I can say for this entire committee there isn't a member who does not think the farmer should have equality with the rest of our economy. I don't see where this is debatable. We agree on that particular point.

Now, one other question, and I have been interested in this for a long, long time. I have not had the answer as yet.

One of your slogans has been collective bargaining.

Mr. STALEY. Right.

Mr. GOODLING. I have asked different members of your organization just what do you mean by collective bargaining. Let me give you a specific. Let's think of soybeans. In my State of Pennsylvania soybeans are a minor crop. Last year we had a 150 million bushel surplus. This year we anticipate a 300 million bushel surplus. Now, let's bring collective bargaining in here. Specifically, what would you do, how would you implement your collective bargaining?

Mr. STALEY. I would like to restate the first thing. I would like to comment on that. I didn't quite get your meaning, but I think I have been misinterpreted. When I referred to this I didn't refer to this committee. I don't question the members of this committee for agriculture. But I think we have to recognize the reason that we have a great debate going on over the farm issue is that there are many segments of our economy that today—and many of the economists and many people that are establishing economic policy are wanting to protect inflationary—and bring about anti-inflation effort or maintain them through low farm prices. They say you have got to keep the cost of food down. What I am saying in this Congress there is going to be a real debate on the basis of whether farmers should have this price level or whether it should be lower, while many of those people that are debating on the side that farm prices should be lower are the same people that debate very hard for other segments of the economy to raise their prices in congressional action. This is what I am trying to bring out, I am not questioning this committee and there was no intention, but trying to focus on what I feel and what we feel is a real debate that is going to develop, that we are going to have to depend upon the Congressmen from our rural areas that have the influence with the Congressman from the urban areas to get clear and equitable treatment for the American farmer. This was the point we were trying to bring out, not reflecting on this committee at all.

On the soybeans, on this I would have to put it in two categories. First, I would want to state that we do not believe that in the year of 1969 that individual farmers can compete in the complex economic power bloc structure that we have in this Nation. We are competing against each other while every other segment of our economy is organized, and if you remain unorganized you get in a weaker and

weaker position, because as prices soar, repairs go up or anything else that farmers have to buy, they look back and find economic power bloc somewhere raised the prices by either increasing profits industry-wide or by the working people getting a higher wage through their efforts. This is just a basic principle.

So first I think we have to organize to meet—this is the collective bargaining as far as I am concerned in agriculture, which is only building an economic power bloc to compete in today's economy with other economic power blocs and individual competition today has diminished almost to a point that it has gone to where it is economic competition between various power blocs throughout the economy.

Mr. GOODLING. Understand, I am not talking against collective bargaining. I want to know how you are going to implement it.

Mr. STALEY. Specifically what we are doing, and I could go on and on. So I will try to be very brief. There would be two or three categories. One of the reasons that we are interested in the farm programs—and we have always supported them, those to implement bargaining efforts, anything that helps keep production in balance help strengthen your bargaining, not only that but it is philosophically and basically correct to support any effort to maintain or increase farm income to keep production in balance with consumption. So there would be several categories.

First, on soybeans, we have, for example, brought production together of specific varieties of soybeans where we have been able to get a premium for our members. Only the organization of farmers can do it, because we are not kept separate as they go through the normal trade. We would block this production together. We would recommend storage of the soybeans at harvest time, using the loan program, and then letting on the market only what we can get a price for and maintaining the rest in storage. This is what we would recommend. This is the first step that would be letting on the market, then that we could get a price for and maintain the rest of production in storage for future use. This is a step, this is a reason programs such as we have had are vital. This is the way we think it has to be done.

Now, basically, over a long period of time, with sufficient strength, we have surplus disposal programs. We have programs outlined where we can take a part of the production into new markets, secondary markets, the market for those underdeveloped countries or establishment of new markets at whatever price we can get. But we are not to that point yet.

But, now, specifically what we would do is recommend that the farmers store all their soybeans at harvest time, either through local elevator contractural storage arrangements or in an entire elevator, on the farm storage, and this is something we are deeply concerend about. We think there has to be attention given to adequate on-the-farm storage, because that is where it should be and we are heartily in favor. I could go on and answer more specifically, but that is about what we can do under the present circumstances.

Mr. GOODLING. I have more questions, but I don't want to take the time of other people, so I will yield.

The CHAIRMAN. Thank you, Mr. Goodling.

Mr. Vigorito.

Mr. VIGORITO. I don't have any questions, but I would like to merely make a comment.

Mr. Staley, I congratulate you. You are a very good chapter up in northwestern Pennsylvania. They are very active and very vocal, and I am sure if they had consumer chapters throughout the country, farmers would get a better price for their products.

Thank you. They are good supporters.

Mr. STALEY. Yes, they are. I know that.

The CHAIRMAN. Mr. Mayne.

Mr. MAYNE. Thank you, Mr. Chairman.

Mr. Staley, in your statement you said that one of the things that the NFO strongly stands for is adequate food reserves that are isolated from normal market channels.

Mr. STALEY. Right.

Mr. MAYNE. Now, we have had some experience in this country with stockpiled food in the past. They didn't seem to be called reserves, and I am not saying that your suggested reserve is the same thing as a surplus, because it may well not be, but I would like you to comment on whether you feel that there has been in the past adequate isolation of surplus from the market.

Mr. STALEY. No, we do not.

Mr. MAYNE. Our experience has been rather unfortunate and disastrous to the farmer in that respect, has it not?

Mr. STALEY. Correct.

Mr. MAYNE. Now, could you tell us more specifically what means you have in mind to adequately isolate the proposed reserve from the market. What mechanism would you recommend to insure that it would be isolated from the market?

Mr. STALEY. I think first that we have to decide whether farmers should be responsible for carrying the reserve of food in this Nation and let it be used as a surplus over their market or whether this is the responsibility of everybody in the Nation. That is the first basis of consideration.

Assuming that most people would agree that it should be everyone's responsibility and not just the farmers, because everyone has a stake in food three times a day, and assuming if that is correct, then there should be a figure that had been determined on each commodity, what should be a reserve figure level. Once that reserve level has been determined then we believe that that should be production that cannot be touched. Now, you have to move that in and out to keep it in quality, but we believe that the one simple solution would be that if the Government would move out so many million bushels this particular day, we have to buy back that particular day or put it back in storage so it is kept at a constant level as long as that is determined to be the reserve that is necessary. But doing this, then, it means they cannot dump it today or tomorrow and use that as a price the present factor, that that would be considered reserve. You would have to establish the level first, but the technique or the use of making them have to replace whatever it may be into this reserve it is isolated from the market, the same amount that is taken out, and you have to move it to keep it in the proper quality standard.

Mr. MAYNE. One of the organizations that testified, I believe it was last week, advocated a prohibition against releasing any of this reserve

at less than 115 percent or 110 percent of parity. Would some safeguard—well, perhaps I shouldn't use the word safeguard today—some mechanism such as that, would it meet with your approval?

Mr. STALEY. Yes, I think that the danger is as long as the support price level has been so low—I do not think this is adequate, unless you had considerably higher support price level, because when you have farm commodities averaging about 74 percent of parity and you put them on 115 percent above that you have set a ceiling of really keeping farmers from getting equitable return if there is that much Government grain in storage.

Mr. MAYNE. This proposal is that the release price would be 110 percent of parity?

Mr. STALEY. Yes, this would be a difference, right.

Mr. MAYNE. Would that meet with your approval?

Mr. STALEY. This would.

Mr. MAYNE. Thank you.

The CHAIRMAN. Mr. Montgomery?

Mr. MONTGOMERY. Mr. Chairman, I have no questions.

The CHAIRMAN. Mr. Zwach?

Mr. ZWACH. Mr. Chairman. First, I would like to commend Mr. Staley for his leadership in having farmers, themselves producers, doing everything they possibly can for themselves and then coming to government in other areas where farmers need a friendly government.

I am a member of your organization, and it has been my privilege to be engaged in agriculture all of my life. I think your approach and the approach of your organization of having farmers do everything they possibly can for themselves first is commendable.

Secondly, I realize that you must always have a friendly government. Producers can never solve their problems without a government that treats producers at least as well as it treats other segments. We know every other segment has government involved.

Now, secondly, I want to commend you for restating the objective of your organization, which is parity. Is that correct?

Mr. STALEY. Yes, this is cost of production plus a reasonable profit.

Mr. ZWACH. You said there are many Members of Congress who would rather not have any discussion of the parity ratio.

Now, I don't know to what extent that is correct, but more and more around here I don't hear enough of this word. You say, it is still the best yardstick for the measurement of what farmers should receive in relation to the cost of production for items they must buy to feed this Nation. I agree wholeheartedly as a farmer for many years, and I know of no yardstick that has as adequately measured all the elements involved as does the parity formula. Perhaps the reason some would like to forget it is because it is too good in measurement of all of the relationships.

You mentioned a referendum. I would like to have you further—you can't do it perhaps today, but if you really have a proposal I would like to see a further spell down of it, because along with all of the other suggestions being made by all the groups, I am very, very interested in this facet of it.

Thank you Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Zwach.

Mr. Alexander?

Mr. ALEXANDER. No questions, sir.

The CHAIRMAN. Mr. Kleppe?

Mr. KLEPPE. Thank you, Mr. Chairman.

Mr. Staley, I am intrigued with your statement. I suspect I am intrigued because there are a number of paragraphs that I had used in my speeches back home for several years. So I do have a basic agreement with most of it.

Let me just ask you this; You made a statement in here that the average age of farmers is 57. Now, is that a national average?

Mr. STALEY. Yes, it seems like nobody can get a real accurate figure, but it seems to average about that.

Mr. KLEPPE. The reason I mentioned this is that I have kind of bragged in a negative way about the fact that the average age of my farmers in my district is 57, and I thought the national average was about 47 or 48.

Mr. STALEY. No, 57 is about right.

The CHAIRMAN. No, no.

Mr. KLEPPE. You say no?

The CHAIRMAN. I am under the impression it was 56, but I guess that is going up.

Mr. KLEPPE. We can drop that subject.

What I would like to ask you is the question in regard to the IGA. Here very recently—we have been undercut in the world market by a couple of our joiners in this agreement, France particularly, and we have had a price cut of 12 cents a bushel. We know that our exports, particularly our wheat, have gone down. So here we are, trying to compete in the world market, and yet we have got friends and joiners in the IGA that have broken their promise, so to speak. How do you feel about this? What might we do to overcome this problem? Do I suspect correctly that you were a supporter of the IGA?

Mr. STALEY. That is correct. We have also been unhappy with what is being done now to enforce the minimum. We hope they are being worked out, but we urge Congress to see that they are. This is the reason for the statement.

I am going to call on Harry Graham, who has been very close to this. I would say I think one of the first breaks was that when some of the companies in this country made some move—and this is part of bargaining that at least we get reported in the trade that what they did was to move a lower quality of grain to set it at a substandard level, and this is just a way to break the minimum legally.

Mr. KLEPPE. If I could get a brief statement from Harry on this as to what might we do from a standpoint of correcting our problems in regard to IGA——

Mr. GRAHAM. The first thing we should do is live by the agreement ourselves. We were a bad violator of the minimums and we have been since last winter. This obviously we can't get any correction when we don't have our own house in order.

The second thing we could do would be use all the provisions of the agreement to get some kind of balance here in the trade. We spent 5 years working out the method by which the countries had thought they were agreed and could go back to the agreement to get some kind of an adjustment. We set up some technical standards and costs. Nobody knew whether they were going to work or not. Then when the

time came to make them work all we did was walk out of the agreement.

Now, we should remain there too—and this is part of the facts that haven't been very generally told—that the common market and Australia both agreed to stay out of the Asian market.

Mr. KLEPPE. Written agreement?

Mr. GRAHAM. No, no, they didn't. We didn't give them time to. They agreed to stay out of the Asian market long enough for us to get our historical share of that market, but 3 days later we cut our price 12 cents, and then, of course, they pulled back their agreement. They said if this is the way you are going to do it—we gave you a right to get this part of the market at a minimum price, but you went down 12 cents, and so they pulled right back off of it again.

So we ought to use the methods—and there is half a dozen different ways that the agreement has to rectify these problems before we go jumping out to destroy it.

Mr. KLEPPE. OK. Thank you, Mr. Graham.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Kleppe.

Mr. Burlison?

Mr. BURLISON. Mr. Staley, I for one do not condemn you for your bluntness. I happen to feel that if we don't very bluntly meet some of the programs that are being presented to formulate a new program, and if these programs should actually be enacted into law, I think that certainly our farmers are on the brink of complete destruction and complete chaos. I note that you are in agreement with the Farm Coalition Committee on a number of commodity programs. You mentioned wheat and soybeans, and I commend you on that. That certainly is in accord with my views; however, I see conspicuously absent the commodity cotton. Would you give us a brief explanation of the position of your organization on the cotton program.

Mr. STALEY. The coalition, I believe, under that—recently it was admitted they approved going along with the present cotton program, I believe this was it.

Mr. GRAHAM. That was part of it, but also the cotton boys themselves couldn't come up with a program for the coalition to agree on. This was the big problem. We generally agreed that when they came up with their program, if it was agreeable to them, we would try to give it sympathetic consideration.

Mr. BURLISON. Do you have any specific guidelines of your organization on a cotton program and how, if at all, it might differ from the present cotton program?

Mr. STALEY. We do not have at this time, but we are doing as we have in other commodities in developed programs, and cotton is a different one, there is no use ignoring it. We are beginning to call the various producers together throughout the country to work on some proposals, but as yet we don't have anything to present, and it is a difficult one.

Mr. BURLISON. I do not note anything in your statement relative to food stamp programs. Is your organization in accord with the food stamp program?

Mr. STALEY. Heartily support the food stamp program.

Mr. BURLISON. Do you have a position on the broadening of that program to include fiber products, clothing?

Mr. STALEY. No, I don't believe we have.
Mr. BURLISON. You don't have a position either way?
Mr. STALEY. No, we haven't yet.
Mr. BURLISON. Thank you.
Thank you, Mr. Chairman.
The CHAIRMAN. Thank you, Mr. Burlison.
Mr. Price?
Mr. PRICE. No questions.
The CHAIRMAN. Mr. Jones?
Mr. JONES of Tennessee. I realize the time is running out, Mr. Chairman. I would like to commend Mr. Staley, however, for the statement that he has made. I might say that his organization is fairly active in my congressional district, and that at this point they have been effective in the fields that they have operated in.

I find myself in agreement with the statement that you made on page 3, the fact that the migration of farmers to the urban areas has caused some real problems. This is certainly true in my opinion. Also, low fund income and not inefficiency is depleting agriculture of its most valuable asset, our farm youths. This is a serious problem today. With all the money that we are putting in, emphasizing farm youth today, we are still losing those boys and girls off the farm. Also, that in each agricultural community we find agriculture struggling for survival because of low farm prices. To me these are quite important statements that you made, and I am in complete agreement with you.

And also, one other item that farmers' debts are certainly rising. I can testify that is absolutely de facto over a period.

I would like to know a little bit more about an important commodity in my district in the South, and that is cotton. I would like to see you elaborate a little more fully as time goes on on this particular commodity.

Mr. STALEY. We are working on it. I particularly appreciate your points on this, because I think that we must be aware of what is happening to the youths in agriculture. This is something that we can wake up and it is not too late.

Mr. JONES of Tennessee. Thank you, Mr. Chairman.
The CHAIRMAN. Mr. Myers.
Mr. MYERS. Thank you, Mr. Chairman.

In my district, too, in Indiana, the NFO is quite active. I notice in your statement on page 5 you have your observations on why one of the major farm organizations have some of its members, but I don't see in your statement figures on how many members you do have.

Mr. STALEY. No, we never released them. We never got into that numbers game because——

Mr. MYERS. Mr. Dirksen got into trouble the other day with that numbers game.

Mr. STALEY. You know, I can point out wherein one State somebody claims 200,000 members, and there are only 130,000 farms, so when you get in the numbers game all we do is go for results, we don't care. If we got the strength people will realize it.

Mr. MYERS. You also mentioned here on page 1, this is of vital importance because the four or five large companies have used a low price area to control the price in all areas. Can you give us an example of what you are speaking about?

Mr. STALEY. Let's—which district is yours?

Mr. MYERS. Indiana, west-central Indiana.

Mr. STALEY. That is west central. Just to the south of you you have always had areas, particularly Georgia—some Congressmen here may be from Georgia and know what has happened in Georgia hogs. Now, Georgia hogs, for example, up until we started our effort, were $1.50 a hundred or at least $1.25 under the Chicago market. The large companies dominated the area pretty well, particularly one company, and they said these hogs have got to be brought under the market because they were peanut hogs, said this, and they were salt pork. The farmers told us they hadn't fed them peanuts for 4 or or 5 years.

Mr. O'NEAL. If the gentleman will yield, peanuts are for human consumption.

Mr. STALEY. The point I want to make is this is the point they used. What happened was we moved some hogs out of that area and we moved them to a higher priced area and we got price sheets that showed us those hogs yielded just as good in Illinois or Indiana and they were just as good quality. But with those hogs being purchased in the past, and below that then it meant any time the Indiana market would get aggressive the buyers in that area say we can get some hogs out of Georgia this much less. This is the point I am trying to make. Indiana is in the heart of the area where even when you got over in the Kentucky area and the Tennessee area this is the way it has been used by us, being able to bargain all over the area and move them out into new marketing patterns into the area of our choice. What happens is we move out some and the price immediately goes the level we moved them out at.

Mr. MYERS. Okay. One last question.

You spoke about the Secretary establishing the national needs year to year, and then the farmer, by referendum, could vote 90, 80, 70, or 60. If the Secretary establishes the national needs why can you justify any referendum on production more than requirements? How can you justify a parity, then, on something less than national requirements.

Mr. STALEY. I think what we are talking about is a situation that nobody at this point wants to have just arbitrary compulsory controls, at least without farmers having some choice in it. I think that the other point is that when you have this situation you have the Government costs involved and if there is going to be a support program and the farmers do not want to cut back and they want to be foolish enough to produce at below the cost of production, then I guess you should give them the opportunity.

Mr. MYERS. They have that right now. We don't need legislation to do that.

Mr. STALEY. We need legislation to give them another choice, another alternative than they have.

Mr. MYERS. The present programs are supposed to do that.

Mr. STALEY. At the present price levels it is sure not getting the job done.

Mr. MYERS. One of the reasons is because some farmers didn't have to comply and do what you are speaking about. Most of the people sitting in that chair have said this.

You are suggesting the same thing and even more obvious, that is what alarms me a little bit.

Mr. STALEY. Well, we are suggesting to give the farmers the opportunity to decide.

Mr. MYERS. Do what he wants to?

Mr. STALEY. Right. He can't blame anybody but himself. He can't say congressman, you voted that on for us.

Mr. MYERS. Come read my mail sometime.

Mr. STALEY. Yes, I can imagine.

Mr. MYERS. Whether I did or didn't.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. Melcher.

Mr. MELCHER. Thank you, Mr. Chairman.

I wonder if the witnesses could submit for the record, if there is no objection, Mr. Chairman, a more detailed study of the provisions that could have been followed by our people in regard to the International Grain Agreement?

Mr. GRAHAM. I will be glad to do that.

Mr. MELCHER. Because I know they will be in greater detail than we have been able to develop in the time available.

The CHAIRMAN. Without objection they will be inserted.

(The document referred to follows:)

THE UNITED STATES AND THE IGA

The International Grains Agreement covering only wheat was the objective of intensive negotiations during all of the Kennedy Round in the GATT. As a result, the exporting and importing nations agreed to sell and buy at prices above an agreed minimum of approximately $1.84 per bu. base price for No. 2 Hard Winter wheat.

On this base, there was also negotiated a price schedule for the various classes and grades of wheat. An additional schedule of transportation charges to be levied by all exporting countries was agreed to.

Machinery was provided for the re-negotiation of both prices and transportation charges when one or more exporters were unable to sell their traditional share of the market.

Throughout the negotiations, the grain trade and the American Farm Bureau Federation waged a vigorous campaign to prevent an agreement and then to prevent the ratification of the treaty by the Senate. Although the treaty required a two-thirds majority, it was ratified by a 3 to 1 vote.

The appointment of a man long associated with the grain trade as Assistant Secretary of Agriculture with responsibility for international agricultural trade was a matter of grave concern to those who had supported this serious attempt to prevent a disastrous price drop every time there was an over-supply available for the world market demands.

Action to break the agreement, which was now the law of the land, was immediate after the inauguration. On Jan. 22, the U.S.D.A. announced the extension of the then existing export subsidies from April 15 to Aug. 31. This was an official indication that the U.S. was prepared to break the agreement and resulted in long-term downward price pressure.

Between Jan. 31 and Feb. 13, the U.S. sold 747,000 bushels No. 2, DNS, 14% protein to the Netherlands for an east coast price of $1.64–$0.20 under the relevant I.G.A. level of $1.84 per bushel. During the same period, the U.S. also sold 1,717,000 bushels of the same quality wheat for $1.70 per bushel, 14¢ under the I.G.A. price of $1.84. From Feb. 14–20, there was registered a sale to Taiwan of 576,000 bushels of No. 2 West White for a west coast price of $1.54 as against a relevant I.G.A. level of $1.62.

By the third week of Feb., it is understood that the U.S. and Canadian governments had received official notes from Argentina and Australia protesting that U.S. wheat prices in the Atlantic area were up to 11¢ per bushel below the I.G.A. level for European marketing, and that some wheats sold from Pacific ports were priced up to $0.04 below the minimum.

From Feb. 21–24, there was registered a sale of 394,000 bushels to Brazil of No. 2 Hard Winter wheat with a gulf price of $1.64 compared to a relevant I.G.A. price of $1.73.

On Feb. 28 a meeting was called by Asst. Secretary Palmby to which the farm organizations and representatives of the grain trade were invited. The farm organizations were called on first and warned that they were not to discuss the reasons for the developing crisis, but to confine their remarks to suggestions of action to be taken. These instructions were followed by the producers who took about one-half hour.

The trade and Farm Bureau spent one and one-half hour, completely disregarding the previous instructions from the chair, without any objection from the chair, to state their opinions of what was wrong with the I.G.A. The obvious bias of the meeting caused some of the farm organizations to object vigorously and to insist that the U.S.D.A. try to use the Agreement rather than destroy it.

On Feb. 29 and March 1 there was held an inconclusive meeting of the major exporting countries. It is understood that the U.S. explained that its sales were disadvantaged by the shipping rates, recognized that shipping rates may change over time, and that this would call for periodic adjustments among the exporters. The U.S. did not make any serious, persistent effort to negotiate changes in the days following the exporters meeting. Nor did the U.S. suggest that the prices review committee of the I.G.A meet for the purpose of changing price differentials. The prices review committee had been created specifically for the purpose of making periodic adjustments. It had been recognized at the time of negotiation of the I.G.A. that price differentials could not be conclusively and permanently set for all time, and the changing levels of production and demand would require temporary adjustments among the differentials from time to time. Thus the U.S. made no real effort to work within the provisions of the I.G.A. at that juncture

By mid-March, Canada announced that it would no longer hold to the I.G.A. minimums, as it had been doing, and cut prices by about 10¢ a bushel. This action was taken after further consultation with the U.S. by Canadian ministers, and no sign was given by the U.S. of an effort to move back up to the I.G.A. levels, nor to formally rearrange the price structure through the mechanisms of the I.G.A.

Two sales were registered March 21–March 27, 735,000 bushels of No. 2 Hard Winter wheat, 13% protein was sold to Columbia for a gulf price of $1.64 compared to the relevant I.G.A. level of $1.73. 533,000 bushels of No. 2 Western White wheat was sold to Japan for a west coast price of $1.57—5 cents under the I.G.A. level.

By early April, another meeting of the major world wheat exporters was held, at which the exporting countries agreed to work within the framework of the I.G.A. to strengthen prices. Little, however, happened, and again so far as can be ascertained the U.S. made no persistent effort to negotiate, through the framework of the I.G.A., any improvements in the situation which would have allowed maintenance of relatively strong prices. Discussions were held in London as background to the prices review committee, but the committee was not asked to consider any concrete action or actions.

During the May 9–15 registration period, the U.S. sold 1,521,000 bushels of No. 2 Hard Winter 11% protein wheat to Brazil for a gulf price of $1.62, 11 cents under the I.G.A. level. (This is not a complete list of sales, but only those reported by the *Grain Market News*. In recent weeks, the sale prices have been significantly lower, but the exact prices in particular transactions are no longer published in the *Grain Market News*.)

Serious trouble then arose in May over extremely low French offer prices to Taiwan, not a traditional market for France. Vigorous protests were made, it is reported, by the U.S., and the EEC agreed to rectify the situation at least in part. Just how far the EEC was prepared to go, and just how persistent the U.S. was in laying down the specifics of the prices it believed were reasonable for France in the Far East, is not clear. The indications are, however, that the EEC was moving in the right direction by late June, after Secretary Hardin's visit to Mr. Mansholt, the Vice-President of the Common Market.

Sometime in June the U.S. suggested, in an informal discussion with other exporters in London, that Article 8 of the I.G.A. be invoked and that the minimum price schedule in the I.G.A. be suspended. The other exporting countries reacted strongly against this. Shortly afterwards the Prime Minister and Deputy Prime

Minister of Australia and the Prime Minister of Canada asked President Nixon to convene urgently an exporters meeting. On July 10 and 11 such a meeting was held in Washington. Certain understandings were reached, under the threat of the U.S. suggesting that prices be suspended. These understandings, it is reported, were designed to firm up world prices, and allow sales by Canada and the U.S., who, in spite of price cutting, had not been selling. It is not clear what the precise undertakings were, but it is clear that the Common Market reacted vigorously against the subsequent cuts by the U.S. on Hard Red Winter wheat in the Atlantic. In a July 28 report from Brussels by Richard Norton-Taylor in the July 29 issue of the *Washington Post*, the Common Market is reported to be extremely angered by the U.S. price cuts. The EEC communique is quoted as saying that: "The European Community had counted on the United States and Canada abstaining from unilateral measures which did not conform to the terms of the arrangement." It is difficult to believe that such a communique would be issued if the United States had been working within an agreed framework, taking into account the top level governmental consideration these issues have had in recent weeks. It is difficult to believe the U.S. exhausted every remedy through the I.G.A. and bilaterally with the EEC before making the recent cuts. (U.S. wheat prices broke 6¢ that day.)

It appears that these cuts in the Atlantic were far bigger than they at first appear. The basic cut on Hard Red Winter ordinaries was about 12¢, but other Hard Red wheats seem to have been cut up to 20¢.

The cut was apparently made into Europe only. Subsequently, and not surprisingly, Brazil and Japan, major importers of U.S. wheat, became angry and threatened to cease purchasing of U.S. wheats. Thus the U.S. not only seems to have jumped ahead of the ministerial level decisions of July 10 and 11, but also to have offended two of its biggest customers in the process.

It is not surprising then that further cuts had to be made into Brazil and Japan, by August 13. Australia and Canada followed, since this action appears to have further breached what ever understandings were reached by ministers in July.

At no time, except for a brief threat made in June to suspend the prices of the I.G.A., does the U.S. appear to have made any serious effort to work within the framework of this international treaty.

Was all of this aggressive price cutting necessary?

The I.G.A. provisions do provide for adjustments in an orderly, agreed way. No where does the I.G.A. say that the minimums are rigid and unalterable. On the contrary, the provisions treat the minimums as indicators of when prices are weak, and when corrective action is to be called for. Article 8, very carefully negotiated with this in mind, and as subsequently carefully explained to the United States Senate, provides for an orderly international procedure for adjustment. The provisions of Article 6, the article providing the price schedule, are clearly conditioned by all of what is said in Article 8. In addition, however, specific mention is made in Article 6 of adjustments in accordance with Article 8 and 31 (see par. 4). Moreover, paragraphs 5 through 11 of Article 6 all refer to computation of equivalent maximum and minimum prices in terms of "currently prevailing transportation costs." Paragraph 16 states flatly that all of the price equivalences in paragraphs 5 through 11 "shall be computed at regular intervals by the Secretariat of the Council with the assistance of the Subcommittee on Prices, having regard to the costs of ocean transportation which reflect the current method of movement generally employed and on the most comparable basis between the ports concerned." Moreover, under these two Articles, 6 and 8, new prices can be set for new qualities, in addition to adjustments for existing wheats defined in the price schedule.

Another article which qualifies the provisions of the price schedule in Article 4, which defines in paragraph 6 that the terms "consistent with the price range" shall be interpreted to mean that any prices, even those below the formal minimums of Article 6, are consistent with the price range if the provisions and procedures of Article 8 are adhered to.

What is important here to note is that the U.S. does not at any time appear to have tried to use the provisions of Article 8, and it seems to have ignored all of the provisions regarding price. The only reference to the provisions was in June when the U.S. Government suggested suspension, not implementation, of Article 8.

Does cutting prices make any economic sense in the present world market situation? All wheat exporting countries have heavy surpluses. The world over-

hang will probably increase somewhat in coming months. On the other hand, Australia already seems to be taking steps to restrain production, and Canada seems ready to undertake measures of restraining.

The U.S. Department of Agriculture announced a 12% reduction in acreage in August. There is no evidence that this reduction was discussed with other countries, or that commitments were sought in precise terms as to what reductions other countries were prepared to make. Again American farmers were asked to bear the total burden of supply management for the world.

Demand for wheat is fairly inelastic. As Senator McGovern said in the Senate on July 31, "A lower world price will not result in significantly larger wheat sales. Lower prices would only be helpful if the United States could move down alone, while other countries held back on their sales. But that degree of cooperation, where others agree to sell nothing, is impossible." He also said "Even if there were no I.G.A., the exporters under present market conditions would still need to seek some reasonable live-and-let-live understanding in order to avoid costly price wars. Moreover, no one among the key importing countries will be grateful for price wars. The EEC will simply absorb price declines with higher import levies. The Unnited Kingdom will oppose substantial price reductions because of the interference with her domestic programs and will adjust her levies accordingly. Japan will oppose drastic downward movements because of her rice accumulation at high support prices. Those developing countries which are becoming increasingly self-sufficient and improving their export position will oppose major declines because it will damage their own export prospects."

World price cutting by the U.S. can be matched by the EEC. In fact, as U.S. wheat prices come down, EEC levies go up, helping to finance export subsidies for cheaper European export prices. The U.S. and the EEC have the money to compete on the basis of government budgets, but other countries do not. That is competition on the basis of subsidies, not efficiency. It is competition which does not hurt the country said to create the major problem for U.S. wheat.

If average world sales cannot be directly increased by price cuts, the purpose must be to let prices fall to the level necessary to make wheat competitive with other grains for feeding. This means an attack on domestic grain price supports generally, obviously.

There is no reason, if that is not the objective, that the U.S. cannot in the present world surplus situation, work together with other countries to moderate the price effects of surpluses. The present world situation requires cooperative effort to relieve the burdens, while maximizing foreign exchange earnings at minimum budget costs, and not price wars which are self-defeating and have opposite results.

The results of these actions have been to increase government costs of subsidies, to reduce gold earnings, to depress domestic prices for wheat, to reduce the EEC demand for U.S. feed grains by pricing wheat down to the feed grains level and increasing the substitution, to put further downward pressure on feed grain prices, to further alienate our two great friends among the exporters—Canada and Australia, and to seriously disturb the possibility of holding our two most important export markets—Japan and the EEC.

Mr. GRAHAM. May I suggest one quick thing we ought to be concerned about. Right now we are getting ready for 16½ percent, or what people are talking about, cut in wheat acres. We are going to carry the load and supply-management for the whole darn world, because we didn't finish our supply-management negotiation with the other producing countries. This is one example.

Mr. MELCHER. I also have a question for Mr. Staley. As of right now you are not recommending any legislation to augment large collective bargaining for producing farmers?

Mr. STALEY. No.

Mr. MELCHER. Does your organization have any substantial objection to enlarging on marketing orders?

Mr. STALEY. No, we do not.

Mr. MELCHER. You do not feel this would in any way jeopardize collective bargaining?

Mr. STALEY. No.

The CHAIRMAN. Mr. Sebelius.

Mr. SEBELIUS. I have two questions, and one of them is a leading one, because I think it is your hand in bargaining which is going to be enhanced by certain trends in the business with the decentralization in the packing industry which will help your ability to bargain.

Mr. STALEY. Well, it is possible it will. This is right. The only trouble is it is a little hard to tell whether decentralization is really coming back.

Mr. SEBELIUS. In my district we never had packing plants. Now we have a lot of them, including cooperatives. I would think that on a local basis you could bargain more collectively.

Mr. STALEY. This is right, but the large companies still determine the pattern as long as you have leaders in the industry.

Mr. SEBELIUS. What effect would the advent of the new commercial feed yard have on bargaining? What plans have you got for those boys?

Mr. STALEY. Well, we are bargaining on feeder cattle and on grain, and we feel if we do a good job we will be very happy to be a part.

The CHAIRMAN. Thank you.

Mr. Córdova?

Mr. CÓRDOVA. No questions.

The CHAIRMAN. Now, there is the bell. I think everybody else is finished and I now will ask those who did not hear the testimony to ask any questions. The rollcall is now on, but—any questions. Mr. Mizell? Do you want to ask any questions?

Mr. MIZELL. No, thank you.

The CHAIRMAN. I don't believe there are any requests.

We are very much obliged to you, Mr. Staley and Mr. Graham. We appreciate your testimony and appearance.

Mr. STALEY. Thank you.

The CHAIRMAN. Come back and see us.

(The committee recessed at 11:10 a.m. to reconvene September 3, 1969.)

GENERAL FARM PROGRAM AND FOOD STAMP PROGRAM

WEDNESDAY, SEPTEMBER 3, 1969

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to recess, at 10 a.m., in room 1301, Longworth House Office Building, Hon. W. R. Poage (chairman) presiding.

Present: Representatives Poage, Abernethy, Purcell, de la Garza, Vigorito, Jones of North Carolina, Montgomery, Sisk, Burlison, Melcher, Belcher, Miller, Mathias, Zwach, Kleppe, Price, McKneally, and Mizell.

Also present: Christine S. Gallagher, chief clerk; William C. Black, general counsel; Hyde H. Murray, associate counsel; John A. Knebel, assistant counsel; and L. T. (Tex) Easley, staff consultant.

The CHAIRMAN. The committee will please come to order.

We are met this morning to continue our consideration of the food stamp and farm legislation. This morning will be devoted entirely to the food stamp program and related matters.

I consider the food stamp portion of this legislation to be of extreme importance. We have several outstanding witnesses here this morning. Mr. Ackerman was scheduled to be the first witness but since some of his group have been delayed—they will be here in about a half an hour—we are going to start with Mr. Charles I. Krause of the Krause Milling Co., Milwaukee, Wis. But first, without objection, we will insert two statements which have been submitted to the committee.

STATEMENT OF JORGE L. CÓRDOVA, RESIDENT COMMISSIONER FROM PUERTO RICO

As this Committee considers legislation to amend the Food Stamp Program, I wish to call its attention to the fact that, as the Program now stands, and as enacted in 1964, Puerto Rico is not included within its provisions.

This does not mean that there is no malnutrition or hunger in Puerto Rico. Quite the contrary. The needs of the underprivileged in Puerto Rico have been and are recognized, and the program of direct distribution by the Department of Agriculture is in force in Puerto Rico and has been for years.

It is unnecessary to burden the record with a showing of the advantages of the Food Stamp Program over the Direct Distribution Program. Suffice it to say that these advantages are as applicable to Puerto Rico as they are to the mainland.

I should add that I am not advocating any particular type of revision to the Food Stamp Program. Specifically, I am not in favor of entirely free food stamps. But however the Food Stamp Program is revised or even if it is not revised in

any manner, I ask that consideration be given to the inclusion of Puerto Rico as an area eligible for that program.

STATEMENT OF RON DELUGO, ELECTED REPRESENTATIVE OF THE VIRGIN ISLANDS TO WASHINGTON, D.C.

Mr. Chairman and members of this Committee: My name is Ron deLugo, and I am the elected Reresentative from the U.S. Virgin Islands to Washington, D.C.

I am honored to make this presentation to you on behalf of the people of the Virgin Islands and their Government, to ask that this Committee include the Virgin Islands in the Federal Food Stamp Program.

The Territories are not included in the existing Food Stamp Act of 1964. But we feel strongly that we should be permitted to participate in this program, just as we participate in many other Federal programs. The Virgin Islands Department of Social Welfare estimates that 2,460 families or a total of 8,266 persons would be eligible to participate in the existing Food Stamp Program if the Virgin Islands were included. I submit to this Committee, for the record, a report on participation by the Virgin Islands in the Food Stamp legislation, which I requested of the Virgin Islands Department of Welfare.

The poor in the Virgin Islands do participate in the Federal distribution of surplus commodities. This has been a good program, but we think that the Food Stamp program will serve the nutritional needs of the poor much more effectively and with greater dignity.

The Virgin Islands Government has been exemplary in its administration of many Federal programs. We have pioneered in the school lunch program, and today all school children in the Virgin Islands, in both public and private schools, and with no income eligibility requirements, can take advantage of these benefits. Additionally, the Federal Government covers just one-third (⅓) of the cost of this plan, while the Virgin Islands' share is two-thirds (⅔).

In the area of housing, the Virgin Islands has taken full advantage of the Federal programs, and, in addition, has supplemented these Federal programs with local programs modeled after them. We also have effective programs for construction and renovation loans to Government employees, for the sale of public lands to Virgin Islanders for homesteading, and for guaranteeing bank loans for home construction.

The Congress has recognized this repeatedly by including the Territories in many of their grant-in-aid programs. Additionally, in the case of Food Stamp, Congress would be replacing one Federal program, surplus commodities distribution, with another, better program.

As I indicated earlier, the Virgin Islands has established a model program in another area of nutrition—providing lunches for all school children. Food Stamps would be of special assistance to another segment of our community, the aged. These people, many of whom labored for a pittance when they were able, prior to the very recent economic growth in the Virgin Islands, are now in their senior years, and their resources are limited, but their needs just as real as the needs of us who are more fortunate.

For these older people and for the other poor in the Virgin Islands, the Food Stamp Program would meet their nutritional needs much more effectively than the commodities program. And we know that the person who can enter the supermarkets and local grocery stores, in addition to having a greater selection of foods, can also hold his head higher than one who must queue at the Welfare Department's warehouse for the staples.

Additionally, the local merchants will benefit from the Food Stamp Program through purchases.

We, therefore, respectfully request Mr. Chairman, that this Committee include the Virgin Islands in the Food Stamp revision which it reports to the House of Representatives.

The Congress and the Executive Branch have determined that the Food Stamp is the proper approach to feed the unfortunates who are hungry. And President Nixon, in the Administration's bill submitted to this Congress, has included provisions which *require* full participation in the Food Stamp Program by the States. It is only consistent, then, to provide for our participation. To extend this program to United States citizens who, by chance or by choice reside in our Islands, the cost will be minimal when compared with the value in providing the poor with a nutritional diet and with dignity.

I thank you for your careful consideration of this matter.

BENEFITS OF FEDERAL FOOD STAMP PLAN—BY ALDA M. MONSANTO AND MACON M. BERRYMAN

The Food Stamp Act of 1964 was designed to assist recipients of Public Assistance and other low income households by increasing their food purchasing power; safeguarding the health of the Nation's low income families through better nutrition; increasing the flow of foods from the Nations farms through normal trade channels.

Experience in the United States is reported showing that the Food Stamp Program has benefitted farmers by creating an expanded food market; low income households participating in the program by providing more and better foods, livestock products, fruits and vegetables; local business by increased sales and improvement of local economy.

A careful study of the Food Stamp Plan indicates that it would equally benefit the Virgin Islands by providing:

1. Better selection and wider variety of nutrition foods;
2. Better selection and wider variety of native and local foods and aided by a nutrition education program, the proper use of all foods;
3. Better money management in providing for all needs;
4. A guarantee of proper foods to meet special diet needs;
5. Greater initiative and encouragement toward independent living and becoming more self-supporting;
6. Possible extension of this aid to certain low income households needing assistance but not being reached under the Surplus Food Distribution Program;
7. A flow of more money into the hands of local business, in keeping with the Virgin Islands Legislative Program to assist small businesses located in the neighborhoods where the participating families live, thus enabling these businesses to compete with supermarkets; and
8. A decrease in the cost of distribution by eliminating warehouse operations and the stocking of Food Commodities.

SURPLUS COMMODITIES PROGRAM

The present commodities distribution program requires warehousing of the various food items and refrigeration of same. Distribution to eligible families is accomplished direct from the warehouses located in St. Thomas, Christiansted and Frederiksted, St. Croix. Food is trucked to the ferry at Red Hook and taken to St. John for distribution, one day per month food is trucked to the rural areas of St. Croix and St. Thomas, on various days each month, for distribution in these areas.

All warehouse space can be converted to greatly needed office space. Refrigeration units, trucks and all other equipment can be transferred for use in Welfare Institutions. Employment can be found for all personnel without difficulty.

This program serves two groups of recipients and Health and Welfare Institutions.

1. All persons receiving Public Assistance in the programs of Aid to Families with Dependent Children, Aid to the Blind, Aid to the Disabled, Old Age Assistance, and General Assistance.

2. Persons of limited income, needing assistance but unable to qualify for Public Assistance are designated Non-Public Assistance recipients, (NPA). Eligibility of this group is determined by a formula approved by the Department of Agriculture, which permits a family budget to be developed by using the Public Assistance standard and adding 25%. This formula does not permit sufficient flexibility to reach and assist enough of the low-income, high-membership households in the under employed category. The Public Assistance budget standard does not actually provide a grant based upon 100% of cost to meet maximum needs standard.

For example: A family of ten persons (2 adults and 8 children) would be budgeted as follows:

Assistance standard

Food, clothing, fuel	$300.00
Rent	24.00
Total	324.00
Plus 25 percent	81.00
Total	405.00

The family having a monthly income less than $405.00 is eligible for this assistance. The family having an income greater than $405.00 would be ineligible.

Health and Welfare Institutions receive these Surplus Food Commodities. Under the Food Stamp Plan aid to these institutions would be eliminated since this program is available only to families and individuals.

The following chart shows the Surplus Food Distribution caseload on January 1, 1969.

Category	Eligible—		Participating—		Nonparticipating—	
	Families	Persons	Families	Persons	Families	Persons
PA	968	3,313	906	3,113	62	200
NPA	274	1,233	261	1,157	13	76
Total	1,242	4,546	1,167	4,270	75	276

A review of the distribution record shows that each month a few of the eligible families do not pick up the commodities. Some do not accept certain items. Under the Food Stamp Plan we believe that all participants will make full use of the Stamps since they can purchase the food items they like. The Stamps are handled like cash and the grocer deposits them to his bank account as cash. We believe that approximately 50% of the medically needy would qualify for the Stamp Plan under this formula.

The following chart shows combined figures for the Medicaid Program and estimated persons eligible to participate in the Stamp Plan:

TITLE XIX MEDICAID

Category	Present MA caseload				Estimated eligible for stamps			
	Families	Adults	Children	Total persons	Families	Adults	Children	Total persons
PA	968	719	1,167	3,313	968	719	1,167	3,313
Non-PA	274			1,233	274			1,233
Med. needy	2,437	2,613	4,827	7,440	1,218	1,306	2,413	3,720
Total	3,679	3,332	5,994	11,986	2,460	2,025	3,580	8,266

The retail value of the distributed commodities is approximately $33,568 per month for a caseload of 1242 families and 4546 persons. The additional 1218 families or 3720 families from low income households would increase the retail value to approximately $80,000 per month with all of this value being added to our economy through the hands of local storekeepers.

We have made a brief survey of the various small and large stores on all three islands. Over 75% of those contacted indicated willingness to participate in the Food Stamp Plan. The Food Stamp Plan is a more dignified way of helping needy people than the "charity hand out" of the present packaged food system. We recommend that every effort be made to secure Federal Legislation to extend the program to the Virgin Islands.

The CHAIRMAN. We will be glad to hear from you now, Mr. Krause.

STATEMENT OF CHARLES A. KRAUSE, PRESIDENT, KRAUSE MILLING CO., MILWAUKEE, WIS.

Mr. KRAUSE. Thank you, Mr. Chairman, members of the Committee on Agriculture, my name is Charles A. Krause. I am grateful for this opportunity to appear here today. I want to present a proposal to you which I am convinced will eliminate hunger and malnutrition in the United States immediately—and at a level of cost within the

present limits upon Government expenditures for doing only part of the job. As you requested, Mr. Chairman, I will present only a brief summary of my statement orally at this time, and would like to offer the full statement for inclusion in the record.

The CHAIRMAN. Without objection, the statement will be inserted and there will be no summary. I want to get this straight. This is the rule we have laid down. The witness can either tesify or can insert a statement. We will be glad to hear your testimony, but I mean that which will appear in the record will be your statement.

Mr. KRAUSE. Thank you, sir. That is most satisfactory.

Mr. Chairman, I am president of the Krause Milling Co., which has its headquarters in Milwaukee, Wis. We operate extensive milling facilities in Milwaukee, St. Joseph, Mo., and Dodge City, Kans., processing corn and grain sorghums.

Our company has been privileged to play a leading role in an exciting and rewarding advance against human malnutrition and hunger in the American food-for-peace program overseas. Our company is one of the major manufacturers of "CSM," the high protein blended food product developed only a few years ago, which is now being used with outstanding success in famine emergencies and child-feeding programs in the food-for-peace pogram. Since September 1966, 1 billion pounds of CSM have been purchased by the U.S. Government for distribution in more than 100 countries.

BREAKTHROUGH IN FOOD ECONOMICS

The development of CSM represents a dramatic breakthrough both in food technology and in nutrition economics. CSM is what might be called an economical full-nutrition food. It is scientifically compounded to provide at the very low cost of less than 8 cents a pound f.o.b. mill, virtually fully adequate human nutrition. One pound per day provides ample food for a child's health and growth. A pound and a half provides enough calories, and more than enough protein, to maintain a man for a day of hard labor.

We propose that these breakthroughs in food technology and nutrition economics be adapted and applied to the domestic hunger and malnutrition problem.

Indeed, Mr. Chairman, we contend that this must be done, or else millions of Americans will surely remain underfed and malnourished for many years to come. The levels of expenditures for food programs that are reflected in present plans fall far short of closing the real hunger gap in America. Even in the most generous of them would reach barely half way to the real need. The administration's proposal would not fill half the gap, even by the end of 1971. Our analysis of this problem is presented in some detail in my full statement. What it comes to is the simple fact that the cost of adequate nutrition at retail price levels in the commercial marketplace is much too high to be covered by the levels of expenditures now being contemplated. The food stamp program is too expensive to get the job done unless levels of spending are doubled or more from what is now planned.

On the other hand, it is possible to close the hunger and malnutrition gap in America immediately. It can be done within the levels of cost

specified under present plans. It can be done by using the breakthroughs in new technology and economics exemplified by CSM.

CAN END HUNGER PROMPTLY

We believe that CSM as now used in the foreign programs, or modified to suit domestic requirements, could be used to good advantage in domestic food distribution and school lunch programs.

But the technical and economic breakthroughs which CSM represents can be applied with even greater usefulness in our domestic feeding program. The larger possibility lies in adding the feature of convenience to the present features of economical full nutrition foods. By this means, the nutritional quality of the present selections of foods now being offered in the direct distribution program could be upgraded substantially.

One of the leading possibilities for such a new economical full nutrition convenience food would be a pancake-waffle-soft bread preparation. Other possibilities are "instant" soup mixes, noodles, pudding mixes, breakfast foods, and so on. Another would be "finger-food" forms that would be ready to eat, like the popcorn and peanuts of old, and the present day "cocktail snacks" items. The Government is already seeking to procure fortified macaroni products. All of these food forms can be produced in compositions that offer high nutrition value and vitamin and mineral reinforcement.

The use of such foods in the Government's family food distribution program would make it possible to eliminate promptly the hunger and malnutrition caused by poverty in America—and it could be done within the levels of cost that are now being considered for doing only part of the job. It seems clear, as a practical matter, that an approach such as this is the only realistic way that we can expect to provide adequate nutrition to all Americans who need it, and to do it now and to get it done within the practical realities of present and prospective funding limitations.

DO NOT LEAVE HUNGRY WAITING

We contend that it would be a cruel delusion to insist that many who are now hungry should remain inadequately nourished until and unless funds become available for them to be reached through the more expensive food stamp program.

On the other hand, our proposals would not need to interfere in any way with the orderly expansion of the food stamp program as funds become available. All we say is—put first things first: Concentrate immediately upon getting adequate nutrition to everyone in need.

We urge that Congress act promptly by taking the following steps to insure that all Americans who need help can obtain enough food for adequate nutrition:

1. Instruct the Department of Agriculture to: (a) develop formulations for economic full nutrition convenience foods which will form the core of a national full nutrition program; (b) conduct extensive field trials of CSM and other such foods, in conjunction with an effective program of consumer instruction in the use of these foods, and (c) report to Congress on the economic and nutritional merits of this

program and the consumer acceptability of these foods as determined by field trials.

2. Authorize the Federal Government to operate school breakfast and lunch and family distribution programs wherever local officials decline to do so;

3. Broaden eligibility standards so that all persons having incomes below the poverty level will be able to obtain fully adequate nutrition without sacrificing other necessities of life; and

4. Provide adequate funds to procure needed supplies of food and for administrative costs and the transportation and delivery of food.

It is my understanding that no new statutory authority is required to use CSM and other economic full nutrition foods in the domestic school lunch and family distribution programs. Indeed, the Secretary of Agriculture earlier this year authorized the purchase of protein-enriched macaroni for these programs. We urge that CSM be purchased immediately for domestic food programs, and that other forms of economical full nutrition convenience foods be purchased as soon as suitable products are developed and tested.

These steps by Congress would lay a practical foundation for eliminating hunger and malnutrition from the American scene—within months. These preliminary steps should then be followed with these three principal administrative measures:

First, introduce a variety of economic full nutrition convenience foods in the school breakfast and school lunch and family food distribution programs as the basic core of commodities to be made available.

Second, undertake a strenuous effort to reach everyone in need as soon as possible with at least a basic supply of economic full nutrition convenience foods.

This should be given top priority, instead of expanding more costly programs such as the food stamp program, which at best would leave many to continue without adequate nutrition for several years until sufficient funds become available.

Third, develop an intensive nutritional education program, designed to reach all the poor but aimed also at the general public, and focused on promoting the use of economical full nutrition convenience foods by all kinds of consumers.

PROMOTE CONSUMER ACCEPTANCE

This approach would combine (1) the mandatory extension of Federal food assistance programs to all who need them, (2) the introduction of economic full nutrition convenience foods in Government programs and (3) a concentrated public nutritional education effort to promote general consumer acceptance and encourage commercial marketing of economic full nutrition convenience foods. Such a program would be of specific and direct importance to insure satisfactory nutritional results for participants in the food stamp program, under which the quality of the food bought is directly dependent upon the selections made by the family food buyer.

The Consumer and Marketing Service of the Department of Agriculture is currently arranging with Krause Milling Co. to set up three or more countywide field trials in three widely separated States to

test CSM in the family food distribution program. These trials may be extended to include new economical full nutrition convenience foods also. These anticipated tests are an extension of what I have presented here today. We believe in our proposal—so much so that we have agreed to supply the foods required for the tests and the supplemental personnel necessary free of charge to the Government in order that these tests may be expedited. Time is important. I will be glad to keep your committee informed of the outcome of these trials. We hope these trials will confirm the workability of the approach I have proposed here.

We believe, Mr. Chairman, that the measures we have suggested will enable us to achieve before the end of 1970 a goal to which I am sure we all subscribe—the eradication of human hunger from America, and the end of malnutrition caused by economic want.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Krause. We appreciate your interesting statement.

I wonder if I fully understand what you are proposing. I take it that what you are talking about when you talk about CSM is a food that is high in protein and the needed acids and all the other components that are required in a human diet.

Mr. KRAUSE. Protein is only one of them. There is vitamin and mineral enrichment.

The CHAIRMAN. But if you accept the advertising, there are a great many breakfast foods now on the market that have everything in them that anybody ought to eat, food that is nutritious and will make one look pretty, prevent old age, and keep you in good health. Do you know of any cereal or breakfast food product that meets the requirements that you have set out here for a proper diet?

Mr. KRAUSE. There are several breakfast foods that have been enriched. I do not believe any of them have reached the full nutrition concept that we speak of here. That does not mean that they could not. And we are hopeful that they would, that this would come. Though there are many breakfast cereals that do not have any kind of enrichment, there certainly are some, you are right, sir.

What we are proposing here is not a new food—what we are talking about when we say an "economical full nutrition food"—but a better food. We would take a pancake mix or waffle mix and make it an "economical full nutrition food," which would be familiar to the people now consuming it. We would hope then, through the direct distribution program to encourage regular poducers of these same products to fortify them and sell the fortified products in the marketplace.

The CHAIRMAN. Well, the ordinary breakfast food certainly does not qualify from the standpoint of being an economical food. I think when you figure out by weight, a breakfast food is about the most expensive type most of us buy. We are buying so much cold air in the package and so little cereal and additives that by no stretch of the imagination could breakfast food as we now know it, qualify as being a cheap food, something economical for poor people to buy. Is not that correct?

Mr. KRAUSE. That is right, but using the concept of the formulated foods in the direct distribution program, we feel that a good breakfast cereal can be made available at a very, very low cost.

Now, CSM is a food that gives the child or an adult all of his needed nutrition. If he has an orange a day and perhaps a stalk of celery and a pound or a pound-and-a-half of CSM, he is going to be adequately nourished.

The CHAIRMAN. The point is there has not been an economical nutritional breakfast food placed on the market, if it can be.

Mr. KRAUSE. Well, there is a difference in the cost, of course, of providing a food through the direct distribution program which is purchased by the Government and distributed in that way. We are selling CSM at less than 8 cents a pound f.o.b. our plant in 50-pound bags. Now, assuming small packaging costs and a 100-percent markup to cover distribution, administration, and transportation costs, we are still talking about making available for, say, 15 to 20 cents a pound, adequate nutrition for somebody in need of nutrition or someone who is hungry.

Our company is not in the consumer business at all. I do not know why some breakfast cereals like that have not been made available. There have been attempts to. Some of them are—as you pointed out earlier—fortified cereals are now being sold.

The CHAIRMAN. But they are not being sold at what you could call economical prices. They are being sold at about 80 cents a pound, are they not?

Mr. KRAUSE. I have not checked your mathematics but I am sure you know the accuracy.

The CHAIRMAN. If you buy, oh, I think a 10-ounce package for 40 cents, that would be about 65 or 70 cents a pound. Is not that about the way most of them sell?

Mr. KRAUSE. Well, you have the costs of advertising, distribution, promotion.

The CHAIRMAN. I know they have costs. But I say that is not something that you can use and call it low-cost food.

Mr. KRAUSE. Well, I think really the point we are trying to make is that the food stamp program, which would provide stamps to purchase products like this, is not going to get the job done within the funding limitations that apparently are in effect, within the funds that are apparently available at the present time. A product such as we conceive, CSM and CSM-like products, that could be purchased by the Government and made available through the direct distribution programs could provide much more of a nutritional impact at this lower cost.

The CHAIRMAN. I think we will all agree that it could. I think there is no question but what the present commodity distribution program provides more nutrition for the money you spend than the food stamp program. Probably the food stamp program is the most expensive of all the nutritional programs that we have devised. But it does maintain a good many features of our society that we want to maintain and it would seem to me that the question would be whether its effects on society as a whole were sufficient to justify the additional cost.

I do not think anybody can contend for 1 minute the food stamp program is a cheap program, or that it is one that provides a maximum of food for the dollars you spend. It does give the recipient a freedom of choice that he does not have elsewhere. Sometimes that is not wisely exercised.

We find that some of these grocery stores, specialty stores which frankly my wife cannot afford to trade with, accumulating a large volume of food stamps because the holders of food stamps go there and buy commodities the ordinary citizen does not feel he can afford to buy. I think that is one of the weaknesses of the food stamp program. It is not perfect by any manner of means.

I think the food stamp program has a great many advantages, but it certainly has a number of disadvantages and you are emphasizing the disadvantages in that it is not a true nutritional program, getting nutrition to people who need it at the lowest cost. I think there is no question about that. But can you get the American people to accept a true nutritional program?

Mr. KRAUSE. I would certainly hope so, and I would look to the Government to provide real leadership in this area.

The CHAIRMAN. Well, now, by real leadership do you mean we ought to try to see that the average American, the citizen who gets help from the Government on his grocery bill, use that help in the most intelligent manner? Is that what you mean?

Mr. KRAUSE. No. I think a nutrition educational program, should not be aimed only at the people that are participants in the direct distribution program or the food stamp program, but should be aimed at all segments of our society. Then it would encourage manufacturers to produce and sell, in the regular supermarkets and the regular stores, more fortified nutritious foods. At the same time it will provide an education to the people that are using the full nutrition foods that are in the Government programs, and it will give them the background and the ability to plan their purchases in the stores of economical foods when they leave the direct distribution program or the food stamp program and become self-supporting consumers through the regular channels of trade.

The CHAIRMAN. Well, just how far would you go with that? Obviously, we have gone a step in that direction with food stamps. You cannot use food stamps to buy liquor. And that is on the theory that the liquor is not helpful to you. It is not nutritious. It does not add to your nutrition. Therefore, altough the store may be selling it, they cannot take—cannot legally accept food stamps in payment for it.

And we also say that you cannot use food stamps to buy very many imported articles. You can buy coffee and tea and there are a great many people—I happen to drink both coffee and tea—but there are a great many people in the United States who believe that coffee and tea are injurious and evil and that it is some kind of a wrong to use it.

Now, maybe we ought to exclude coffee and tea but we do not. But we do exclude coconuts and mangroves and tropical fruits generally. We do exclude imported items with very few exceptions, and that is on the theory, of course, that the American producer can supply those products and, therefore, there is no reason for spending the Government's money to buy those imported articles.

Now, would you go any further? Would you eliminate from the food stamp list of foods that you can buy—there is no list; rather, would you add to the list that you cannot buy those that simply are not nutritious, and we know that there are a great many foods sold in any grocery store that have minimal nutritional value. Would you eliminate those?

Mr. KRAUSE. No; I would not. I would simply encourage—and there are various ways that this might be done—that the nutritious foods be purchased. It is not beyond the realm of possiblitiy that a blue ribbon panel of nutritionists could develop certain standards of nutrition for food classes.

The CHAIRMAN. Well, just how would you do that? It is characteristic of the American people, I think, that if something is hard to get, that is what they want. If it is available, that is what they do not want. Alligators are getting in short supply and everybody who has but one pair of shoes wants alligator shoes. I never wore them in my life but anybody who is a little short on shoes wants alligator hides.

The same thing applies to food. If it is something that is a little bit different to get, if the asparagus crop is short, they all want asparagus. It depends on what is not generally available. They want the thing that the average citizen cannot get.

I am not criticizing anybody. It applies to you and me and all the rest of us.

How would you go about making them, encouraging them to buy the nutritional products?

Mr. KRAUSE. Well, the first thing, I think, is to make them aware of what they should buy. This might be done by having certain certifications to be made of foods that met certain nutritional standards, and then educating consumers about them.

The CHAIRMAN. Wouldn't you drive them away from it? I think most everybody knows that milk is more nutritional than pop, but I think probably more pop is sold in the United States than milk.

Mr. KRAUSE. Well, perhaps——

The CHAIRMAN. I do not know that there is.

Mr. KRAUSE. Being from Wisconsin, I am a great advocate of milk, and I love it, and there is milk in CSM. But look at another product. Look at pancake mix. It would be possible to produce a fully nutritious, well-fortified pancake mix that would taste——

The CHAIRMAN. Nobody would eat them unless you go to a pancake house and pay a dollar and a quarter for a little half-dollar-size pancake.

Mr. KRAUSE. This is the same kind of pancake mix that you can buy in the store, an instant pancake mix, but it could be an instant fortified pancake mix, or an instant fortified soup mix. All of these can be fortified.

You mentioned coffee and tea before. I do not know the technology behind this but I understand there is a very active proposal under study now in India to fortify tea. I do not know how it is being done but this is underway. And we are not talking about presenting new foods, but just better foods that cost a little more to put together but do provide full nutrition.

Now, you mentioned the cost of the food stamp program and the fact that it is not the most economical way to get nutrition into the hands of the people that most need it. This is certainly accurate. As I point out, what we are proposing here is not in conflict with the food stamp program. We just say that right now there are funding limitations, Mr. Chairman, that I think are rather stringent. Our survey indicates that between $5 and $6 billion would be needed to provide adequate nutrition to the people that need it today. There is a mounting body of evidence——

The CHAIRMAN. Now, when you say people who need it today, let us clarify that. Do you mean people who cannot buy adequate nutrition or people who just do not buy adequate nutrition?

Mr. KRAUSE. I mean people who cannot buy adequate nutrition at retail prices. It is based—as I say in my statement—there are about 3 million families that we feel need $1,200 per year—these are USDA figures—the minimum of $1,200 per year that would be required for a nutritious diet for a family of four. That comes to $3.6 billion. And then there are 3½ million families which while they are above the minimum poverty line line and could pay something toward the cost of food, probably would need help in buying about half their food—about $600 a year. There is $2.1 billion, or $5.7 billion all together that would be required at retail prices under the food stamp program. We are saying these people are hungry and malnourished. If we would go the route of economical full nutrition products—not speaking only of CSM, but a variety of reinforced foods—as the core of our strategy, that is the way that we could today bring adequate nutrition to this group of 26 million people.

The CHAIRMAN. Thank you.

Mr. Belcher? Mr. Purcell?

Mr. PURCELL. Thank you, Mr. Chairman. I do not have any questions. I, just like the chairman, would like to compliment Mr. Krause on his statement and then would indicate my agreement with you on the importance of education of all people toward the importance of eating nutritional food. I know it is very difficult but I think we just were negligent in not realizing what our situation was.

I feel that there are probably more malnourished female teenagers in middle and upper income homes in America today than probably any other category because these young ladies worry about their figure at a certain age and they would rather drink diet soda pop of some kind and little snacks than they would worry about the more nutritional food and this, I think, is society's fault and we have not been able to or have not tried hard enough to educate the parents, to the importance of feeding their families a fully balanced diet during the day. And surely we can.

I do not think that all the churches are very successful in getting very many people converted to their religion but they do not quit trying because they do not have everybody coming to church, and I think we must not quit trying until we have a more balanced acceptance of the consumption of better foods.

The CHAIRMAN. Mr. Zwach?

Mr. ZWACH. Mr. Chairman, first of all, let us have a definition of CSM. Corn, soybean, and milk products?

Mr. KRAUSE. Yes, sir.

Mr. ZWACH. In what proportion?

Mr. KRAUSE. At the present time it is—the formulation has changed but at the present time it is about 62 percent of precooked cornmeal, 24 percent of soy flour, and 5 percent of nonfat dry milk, and 2 percent of a vitamin and mineral enrichment, blended together in a dry form and then there is some soy oil added to bring the fat content of the product up to 6 percent.

Mr. ZWACH. So, it is vitamin fortified?

Mr. KRAUSE. Vitamins and minerals. Cornmeal with soy flour added to give a very substantial protein impact. The product has 19 percent minimum protein.

Mr. ZWACH. Now, this is not a spanking new product; is it? It has been in existence for quite a while and has been used overseas, and so on.

Mr. KRAUSE. Yes, sir. Since 1966, and the separate components, of course, have been used in food products for many, many years.

Mr. ZWACH. How do you prepare it for sale? You prepare it and package it? How do you package it?

Mr. KRAUSE. It is used in the food for peace program under Public Law 480 and it is sold in 50-pound bags.

Mr. ZWACH. Then it is bought directly by the Department of Agriculture?

Mr. KRAUSE. Yes, sir.

Mr. ZWACH. But do you package it now for retail, for general sale?

Mr. KRAUSE. Not CSM as such, but we do sell one of the components that we manufacture, precooked cornmeal, to food manufacturers who in turn process it and use it in food products.

Mr. ZWACH. Do you foresee that this will be sold at wholesale and retail in America like other foods or are you foreseeing a distribution by Government in this whole program that you are suggesting today? I just could not sense what you were envisioning.

Mr. KRAUSE. I think what we are thinking of is probably a two-pronged attack. CSM, in the formulation that I just described, may not be exactly what is needed to solve the problems of malnutrition in this country. Perhaps the vitamin and mineral enrichment should be a little different, or the level of protein should be a little different. This product man be mixed with other products to prepare soups or it can make an excellent soup on its own. Waffles——

Mr. ZWACH. But are you contemplating short circuiting the whole economic structure, the whole retail-wholesale structure in America?

Mr. KRAUSE. No. I think that what will happen is that this product, and products like it that encompass this concept of blending nutrition together, will very definitely be put out by the major manufacturers of retail food products in this country.

Mr. ZWACH. How many manufacturers make this now?

Mr. KRAUSE. I think that there—CSM as such?

Mr. ZWACH. Yes.

Mr. KRAUSE. I think there have been seven or eight different companies that have participated in the program for foreign distribution.

Mr. ZWACH. And they do not necessarily all use this exact formula.

Mr. KRAUSE. The formula is set up by the Department of Agriculture and everybody who sells the product must come up to exactly those specifications.

Mr. ZWACH. This exact formula that you have given for the record.

Mr. KRAUSE. Yes, sir.

Mr. ZWACH. What does that cost per pound?

Mr. KRAUSE. Less than 8 cents a pound at the present time, 50-pound bags, f.o.b. our plant.

Mr. ZWACH. Now, I am an author of the expanded food stamp program. It seems to be here you are sort of setting up a meatless society; are you not? There is no meat of any kind? America, you know, is

measured in a sense by—you are expecting more and more millions of Americans to not have available to them meat as a dietary part of their living?

Mr. KRAUSE. I think——

Mr. ZWACH. You expect to go completely to a vegetable and milk——

Mr. KRAUSE. Not at all. I think that the people that we are talking about, trying to reach immediately with this concept of blended food, are people that are not now eating meat. Certainly, meat is a delicious form of protein and good nutrition, and I am sure it always will be in this country.

Mr. ZWACH. You are talking continuously about economical food. Do you think food in America is high?

Mr. KRAUSE. Well, I can only speak for what my wife says and she says it is.

Mr. ZWACH. You answer it, please. Do you think food in America is high today compared to other nations and compared to the whole structure in the world?

Mr. KRAUSE. Well, certainly the convenience that is demanded by the American housewife has a cost and a high cost.

Mr. ZWACH. Do you think food is high priced in America?

Mr. KRAUSE. Yes, sir. I do not think it is low priced.

Mr. ZWACH. You know that producers of food get less today than they did 20 years ago for the same product. You know this; do you not?

Mr. KRAUSE. Yes, sir.

Mr. ZWACH. So really, the American consumer spends less of his income for food than any other nation in the world. You are aware of this.

Mr. KRAUSE. Yes.

Mr. ZWACH. Why, then, do you think that Americans cannot afford to pay the cost of food for its people when you have the combination of the most efficient producers getting less than a fair return and the consumers spending less of their income, why do you say we have to go to a meatless sort of product in order to feed our people?

Mr. KRAUSE. Well, the figures—which we understand are accurate, sir—are that there are a great number of Americans, about 26 million, that are not able to buy adequate nutrition and are hungry and malnourished. These are the people that we say this approach should initially begin with. We feel that this concept of full nutrition then will spread, as we indicated before, through an education program as to what is good nutrition for all Americans.

Certainly, meat is good nutrition and I do not for a moment envision any time when meat is not one of the staples of most Americans, but I do believe that the people we are talking about reaching, the people that today have their children facing permanent mental retardation because of lack of adequate nutrition do not have an opportunity to purchase meat in any quantity or in sufficient quantity.

Mr. ZWACH. I watch in the retail estabishments of our country the use of the food stamp and the purchase of meat in its various forms. Meat in its various forms is one of the real purchases of people in the food stamp program. Now, if we substitute CSM for it we will eliminate meat which is a good, nutritious food and real American dish

that I sort of feel ought not to be eliminated by legislative process from the tables of America. The food stamp provides that people buy by choice. I spend an hour or more every Saturday afternoon watching the purchases of foods in our great big stores and I have noticed those people that have food stamps buy great varieties of meats. So, I was wondering why we come now with a product that would eliminate this from the diets of so many, many people.

Mr. KRAUSE. Well, I do not think it would eliminate it. All we were talking about is that it does not appear that the funding that will be available for food stamps in the immediate future, the next 18, 24, 36 months, is going to be nearly adequate to provide adequate nutrition today. Every month thousands of young people are continuing to fail to obtain sufficient nutrition to promote their mental growth. There is a growing body of medical evidence that unless young people get adequate nutrition before the age of six, they are going to suffer permanent mental retardation. I do not think the food stamp program is reaching all of these people, nor that it could reach them within the funding restrictions that are currently being proposed.

As the food stamp program grows, as additional funds become available, we would expect it to expand, and perhaps this direct distribution program then should be retracted. But in the interim we would have given the people adequate nutrition, some of the people that are not now getting it, and we would have created a nutritional consciousness among all Americans that would enable them to do their food buying more intelligently in the grocery store as the food stamp program expands, and as people leave the food stamp program and become regular purchasers.

Mr. ZWACH. I am happy to see that you add vitamins and fortify it. Could not this be done now with food now manufactured in America to a much fuller and greater degree? Is not this maybe part of our problem?

Mr. KRAUSE. It certainly could be done. But as a manufacturer you have the very real problem, however, of trying to sell your product at a higher price compared to your competitor who does not fortify and may have a product that tastes just as good but is not as good for you. But again, a nutritional program that would make people aware of the penny or two more they have to pay and why they have to pay it to get good nutrition seems to me a result of a nutritional education program that would be well worth the cost.

Mr. ZWACH. Well, I certainly think we should use this product in our fight to eliminate shortages of nutrition in America, but I did not like the idea that this was the economical thing and that other foods were high priced in our country, that they were so high priced that we could not afford to do a job of feeding without using CSM. I do not believe that is true.

Mr. KRAUSE. If the funds would be provided, that is true. But I have severe reservations on the question of sufficient money being appropriated to get the job done right now.

The CHAIRMAN. Thank you, Mr. Zwach.

Mr. Kleppe?

Mr. KLEPPE. Thank you, Mr. Chairman.

Mr. Krause, you have given a very thought-provoking statement, I think, and a very interesting one. I would just like to review a couple

of things so that I understand the thrust of what you are saying and proposing here.

It is basically correct that you are against the food stamp program because of the lack of funds to do an adequate job?

Mr. KRAUSE. I do not mean to say we are against the food stamp program. I just do not think it will do the job done today that we feel has to be done.

Mr. KLEPPE. Well, then, in effect that makes you against it at this point in time, subject to the proposal that you make which is a direct food distribution system of CSM enriched products.

Mr. KRAUSE. Well, products such as CSM.

Mr. KLEPPE. Such as CSM.

Mr. KRAUSE. The concept, the technology.

Mr. KLEPPE. That is basically correct, is it not?

Mr. KRAUSE. Right.

Mr. KLEPPE. You think the food stamp program is too expensive and cannot do the job, so you are proposing this other method to take care of the hunger and malnutrition promptly.

Mr. KRAUSE. Yes, sir.

Mr. KLEPPE. All right. You agree there is a difference between hunger and malnutrition.

Mr. KRAUSE. Right.

Mr. KLEPPE. Sometimes it may be kind of a hard line to draw and hard to define.

I am very intrigued and very interested in this third administrative proposal of yours which is the nutritional education program. This is something that many of us have talked about and many of us feel very strongly about. Have you given this particular suggestion much thought as to how this would come about?

Mr. KRAUSE. I think it has to be undertaken with real zeal and dedication on the part of Government, and it has to be funded in a very substantial way. It just cannot be something that is considered a luxury. It has to be a very important program, and one that calls upon the creativity of all the people who are far better qualified than I am to determine the ways in which you can sell nutrition in this country.

As we begin these testing programs that I mentioned in my statement, we plan to work very closely with home economists and nutrition aides in each of the counties where we will be conducting the tests. We want to see if we cannot get them to really carry the banner for us into the homes, and teach people about nutrition and why these products are the kinds of products that they should eat. But it is going to really take a creative program and advertising and everything that goes with it.

Now, I mentioned earlier the possibility of some kind of standards of optimum nutrition to be established for various categories of foods such as for breads, for pancakes, for breakfast cereals.

Mr. KLEPPE. This is primarily what I wanted on the record because I think it is so easy to roll off our tongue that we need a program of nutritional education, that many people do not think about what is involved in bringing this about. You are a businessman. You know something about the merchandising and advertising aspects of what makes our country go, of the selling of products, and involved in this

particular educational program is I believe, and I agree with everything you say, a very deep-thrusted program that needs a great deal of funding, and it needs a great deal of creativity, and then it is not going to be done overnight——

Mr. KRAUSE. That is correct.

Mr. KLEPPE (continuing). Because this is a most difficult program. I think we could answer our malnutrition problems primarily if we could accomplish the educational aspect of what it is that represents good nutrition. Hunger is a little bit different again. That is something else. This is a matter of getting to the people that are really hungry and I think there is a difference. Basically, this is what I wanted to understand about your approach from the standpoint of how this is going to be done.

You said immediately. I take a little issue with that because I think the educational program is more difficult than that and there is a matter of education involved and this is why I wanted to understand the thrust behind your proposal and how deeply you had thought about some of these suggestions.

I think that is all.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Kleppe.

Mr. McKneally?

Mr. MCKNEALLY. I just want to add to what Mr. Kleppe said, Mr. Chairman. I just do not know whether anybody has thought through what form education to taste will take. It is all very well for us to hope that by a series of lectures or a series of conditioning by TV that people will come to eat string beans or prefer them to ice cream. But I just think that we will fail miserably if we will depend upon what we regard as education as a means of solving the problem of what people eat.

Eating string beans as against ice cream is a matter of discipline. When I was fed as a child, I always left the string beans there. But somebody made me eat them. My mother.

Now, how can we approach the solution to an adequate diet or a diet that will avoid the ills that flows from an inadequate diet I do not happen to know. But I do know that the simple business of saying we need an educational approach is a vast generalization not particularized and not very helpful to the solution of this problem.

Mr. Purcell said something to the point when he said that young people will of their own will follow their taste to soda pop and avoid milk. The only way that I know you can avoid that is by taking the soda pop away from them and compelling them to drink milk. That is not education. That is discipline. And until somebody gets into their head a program that involves a discipline with reference to selecting and eating foods, we are just going to be whistling around in here kidding ourselves that we are going to avoid all the ills that flow from inadequate diet.

Therefore, after all that, I say that somebody better come along that is quite willing to think out a program that will result in not only education but a measure of compulsion, and I know that in a society that is based totally and more on freedom, this is hard to do because discipline and freedom seem more or less to be hostile concepts.

But if you are going to feed them and make them healthy, you have got to make them eat the right foods and they are not going

to eat the right foods by telling them over the air or in some brightly colored cartoon that string beans are good for you and, therefore, eat them because it is not going to work.

So in developing this program, somebody ought to come up with some realistic approach to making people eat those things that they should eat and after having said that, what part the U.S. Government can play in such a program.

The CHAIRMAN. Thank you, Mr. McKneally.

Now, is there anyone else who heard the witness testify who wants to question him? If nobody else——

Mr. Abernethy?

Mr. ABERNETHY. Mr. Chairman——

The CHAIRMAN. Just a minute. If there is anybody else now who did not hear the witness testify and who wants to question him, he is in order.

Mr. ABERNETHY. Mr. Krause, as I understand, your company is a manufacturer of this product known as CSM.

Mr. KRAUSE. Yes, sir.

Mr. ABERNETHY. How long have you been manufacturing it?

Mr. KRAUSE. Since September 1966.

Mr. ABERNETHY. Do other companies manufacture the product?

Mr. KRAUSE. Yes, sir. I think there are seven or eight companies that have been awarded contracts by the Department of Agriculture for purchases of this product for distribution abroad.

Mr. ABERNETHY. Well, now, do you have a patent or something on the product?

Mr. KRAUSE. No, sir.

Mr. ABERNETHY. Who developed it?

Mr. KRAUSE. The product was developed by a number of people. It started out when the Department of Agriculture in August of 1965 developed some guidelines for a blended food. Then our company and our industry developed CSM in accordance with those guidelines, and then we undertook to test the product in various countries around the world. We had questionnaires and tested its acceptability, and presented this information to the Department of Agriculture, and they began a limited purchasing program that has expanded very substantially so that today as I indicated before, just less than 3 years since the first purchase, we have already bought 1 billion pounds of this product.

Mr. ABERNETHY. When you say "we," who are you speaking of? I thought you said you manufactured the product.

Mr. KRAUSE. Yes, sir.

Mr. ABERNETHY. What do you mean when you say "we" bought?

Mr. KRAUSE. I mis-spoke. It was the Department of Agriculture that purchased the product.

Mr. ABERNETHY. I see. Is it generally available in grocery stores throughout the country?

Mr. KRAUSE. No, sir. But its components are.

Mr. ABERNETHY. You cannot buy it off the shelf in any grocery store?

Mr. KRAUSE. No, sir.

Mr. ABERNETHY. I just wanted to try it.

Mr. KRAUSE. I will be glad to give you some to try it.

Mr. ABERNETHY. Fine.

Thank you, Mr. Chairman.

The CHAIRMAN. Anyone else want to question Mr. Krause? If there are no further questions, Mr. Krause, we are very obliged to you for an interesting discussion. We appreciate your attendance.

Mr. KRAUSE. Thank you, Mr. Chairman.

The CHAIRMAN. We will hear now from Mr. Dave Ackerman of the National Council of Churches. He will be accompanied by Msgr. Lawrence Corcoran and Mr. Marvin Braiterman.

STATEMENT OF DAVE ACKERMAN, NATIONAL COUNCIL OF CHURCHES; ACCOMPANIED BY MSGR. LAWRENCE CORCORAN, DIVISION FOR POVERTY, U.S. CATHOLIC CONFERENCE; AND MARVIN BRAITERMAN, UNION OF AMERICAN HEBREW CONGREGATIONS

Mr. ACKERMAN. Mr. Chairman, members of the committee, we appreciate the opportunity to testify before you today on behalf of the reform of the food stamp program.

Permit me to introduce who we are. On my left is Msgr. Lawrence Corcoran, the director of the National Conference of Catholic Charities. He is also testifying on behalf of the Division of Poverty of the United States Catholic Conference.

On my right is Marvin Braiterman, acting director of the Religious Action Center of the Union of American Hebrew Congregations.

My name is David Ackerman. I am staff associate, Washington office testifying on behalf of the National Council of Churches.

We are testifying in support of the reform and improvement of the food stamp program.

It can no longer be thought that hunger and malnutrition stalk only foreign lands. Nutritional experts may debate the definitions, but the existence of hunger and malnutrition in the United States has been irrefutably established. Two years ago in 1967, a group of doctors investigating conditions of hunger among children in the Mississippi Delta first removed from our country its veil of blissful ignorance when they reported to a Senate Subcommittee on Poverty in these words:

> In sum, we saw children who are hungry and who are sick—children for whom hunger is a daily fact of life and sickness, in many forms, an inevitability * * * "Malnutrition" is not quite what we found * * * They are suffering from hunger and disease and directly or indirectly they are dying from them—which is exactly what "starvation" means.

Since then, numerous other studies—"Hunger, U.S.A., Their Daily Bread," the CBS report on Hunger in America, the report entitled "The Food Gap: Poverty and Malnutrition in the U.S." by the Senate Select Committee on Nutrition and Human Needs, the National Nutrition Survey, reports by independent investigators—all have reached the same general conclusions: Hunger and malnutrition do exist in the United States. They afflict surprisingly large numbers of people. They affect both physical and mental development. Their incidence and severity are closely related to income level.

What makes these conditions morally outrageous is that hunger and malnutrition exist in this country needlessly. This is an affluent land. Our economy is moving toward a gross national product of over $1 trillion. In our production of food, our problem has been one of surpluses rather than scarcity. We are, in short, in the enviable position of having the capacity to provide all our people with the opportunity for a well-balanced diet.

Mr. Chairman, for the religious person the issue of hunger and malnutrition existing in a land of plenty is primarily a moral issue. The three of us are here as one, testifying jointly because our religious traditions are united on this issue, and because the moral imperatives ought to be clearly projected.

Our religious traditions speak in common of the responsibility of the just man to care for the needs of his less fortunate neighbor. Wealth is not seen as a private preserve; rather it is to be shared for the betterment of all. Our traditions hold no moral solace for societies that fail to seek justice. The Book of Proverbs says: "He that giventh unto the poor shall not lack, but he that hideth his eyes shall have many a curse." The crisis our Nation is experiencing is the curse brought by continuing neglect of the problems of the disinherited, deprived, and disadvantaged. Social order can be achieved only through social justice.

Mr. Chairman, the moral responsibility to feed the hungry, clothe the naked, shelter the homeless, is both an individual and social one. In a modern mass society such as ours, the primary need is for highly developed and well-coordinated programs on a national scale. Private agencies alone do not have the resources to do the job. We must realize that the claim of the poor to the right to a full humanity is as just as the claim of those of us in better economic circumstances, and we must act on that realization. This Nation has the opportunity to assure that all of its people have access to adequate dies. To have his opportunity, and to fail to act on it, would be, from our perspective, morally irresponsible.

THE FOOD STAMP PROGRAM

The food stamp program is one of the means this Government has devised to enable people with inadequate incomes to improve their diets. Like all the food programs—commodity distribution, school lunch, emergency food and medical services—it has proven grossly inadequate to the need. As the Senate Select Committee concluded in its interim report, the Government's food programs "have been neither funded nor administered to alleviate the problem of poverty-related hunger." (p. 7)

Responsible estimates of the number of poor suffering from hunger or malnutrition suggest 14.4 million Americans as the minimum. The actual number may be twice as high. But the food stamp and commodities distribution program together reach only 6.4 million people. Nearly 400 counties and independent cities have no food program at all. On the average, only 10 percent of the poor are reached by the food stamp program in a given county. Few of those who are reached receive enough stamps to assure an adequate diet.

Nevertheless, we believe that the food stamp program can be made to work. But major reforms are necessary. We would liek to comment

on the following nine areas in which it seems to us that the food stamp program falls short, and make recommendations for its improvement (not listed in order of importance):

(1) Purpose of the program;
(2) Eligibility standards;
(3) Methods of certification of eligibility and issuance of coupons;
(4) Value of coupons issued;
(5) Purchase price/free stamps;
(6) Purchase of soaps and sanitation products;
(7) Consequences of lax State and local administration, and of State and local failure to request program;
(8) Simultaneous operation of food stamp and commodity distribution programs;
(9) Level of authorization.

(1) Purpose of the program.—In the present law (Public Law 88–525), the purpose of the food stamp program is stated as follows:

> "* * * the Nation's abundance of food should be utilized * * * to safeguard the health and well-being of the Nation's population and raise levels of nutrition among low-income households * * *" (sec. 2)

and

> provide eligible households "with an opportunity more nearly to obtain a nutritionally adequate diet * * *" (sec. 4(a))

These statements of purpose do not go far enough. They fail to speak to the need of all our people for fully nourishing diets. Simply to "raise levels of nutrition" is insufficient when present levels are appallingly low, and to provide households "with an opportunity more nearly to obtain a nutritionally adequate diet" is to raise expectations and default on them in the same sentence. The policy of this Government should clearly state that no person shall be denied an adequate diet for reason of poverty, that this Nation's abundance of food shall be used not only to "safeguard the health and well-being of the Nation's population" but especially to raise to nutritionally adequate levels the quantity and quality of food intake of those in low-income households, and that under the food stamp program "eligible households shall be provided the opportunity to obtain a nutritionally adequate diet."

(2) Eligibility standards—At present, standards of eligibility for the food stamp program are set individually by States and localities at levels consistent with those used in federally assisted public assistance programs. Not only are these standards in some States so low that many households with real need are barred from participation, but this plethora of standards also sets up a geographical discrimination: a household eligible in one State may not be eligible in another.

The food stamp program ought to have national eligibility standards. The Secretary of Agriculture ought to have the authority to set a national income standard beneath which all would be eligible for food stamps.

It is clear from various studies that the food budget is one of the most flexible parts of a poor family's budget. When necessities of rent

or clothing or medical bills are pressing, the food budget is likely to be diminished. Consequently, to assure that the poor have adequate diets, eligibility for food stamps should be open to all who cannot both purchase an adequate diet and meet other necessities as well. A realistic level, we think, should be at least three times the cost of the low-cost food plan.

Allowances would have to be made for regional variations in the cost-of-living, of course. Resource limitations would have to be established for recipients. In addition, States should have the option to set a higher standard if they so choose. The standard should be revised annually to reflect changes in the cost-of-living and/or changes in the determination of what is necessary to purchase a nutritionally adequate diet.

It should also be made possible for elderly and incapacitated persons who do not have cooking facilities or who are unable to purchase and prepare their own food to receive food stamps and to turn their stamps over to a nonprofit organization (meals-on-wheels, boarding house, nursing home, church, etc.) that would purchase, prepare, and deliver the meals. As it is now, many such persons are excluded from the food stamp program because their mobility, and sometimes their motivation, is limited. Such a provision would also bring those people into human contact and perhaps assuage to some degree the loneliness they often feel.

(3) Methods of certification of eligibility and issuance of coupons.—Certification of eligibility ought to be as simple as possible. It ought to respect the dignity of the applicant, create no delay, and not weigh down the certifying agency in paperwork or investigation. The present system uses and duplicates the certifying procedures of public welfare agencies. These have long been criticized as onerous to the agency and demeaning to the applicant. Designed to save money, they have ended by creating an unwieldy bureaucracy, a resentful clientele, and a policeman in place of a social worker. We suggest that certification by affadavit is superior in all respects: it is faster and simpler, frees the certifying agency for other work, trusts the applicant to declare himself truthfully, is no more likely to be abused than Internal Revenue Service forms, and can be as easily safeguarded. There is no need to wait for the public welfare system to convert to the affidavit method of certifying eligibility. It can be instituted in the food-stamp program now. Such a simplified system should provide also for the special needs of migratory laborers, whose eligibility should apply across county and State lines.

Much criticism as well has been directed at the methods of issuing coupons. In many places they are issued only once a month, and all too often they are issued from inconveniently located centers. Many households are unable to put together the necessary cash at the right time of the month and/or are unable to get to the issuing center. To meet these difficulties, we recommend that the law require that coupons be issued at least twice a month, and that every area have several centers of distribution easily accessible to the recipient, open at convenient hours. We recommend also that the law permit persons on welfare to request that charges be deducted in advance from the welfare check and the coupons mailed to them; and permit the elderly

and incapacitated either to have their coupons mailed to them or picked up for them by other persons.

In short, Mr. Chairman, the procedures used in certification and issuance ought to be as simple and flexible as possible in order to reach and serve those in need. The changes we have suggested, we think, would make these procedures more humane.

(4) Value of coupons issued.—This is one of the most serious inadequacies of the present program: even with the bonus coupons, most recipients still cannot afford to purchase a nutritionally adequate diet, as defined by USDA. Only those in the upper income levels of the bonus schedule ($250–$365 a month for a family of four) receive a total coupon allotment equal to or greater than the $98.90 per month the USDA estimates in its economy-food plan to be minimally adequate.

But the economy food plan is itself an inadequate guideline as to what is necessary for an adequate diet. Because the plan makes unrealistic demands on the marketing and food preparation skills of the homemaker, USDA itself has admitted that "the cost of this plan is not a reasonable measure of basic money needs for a good diet." Yet this was the plan on which the President based his recommendation that all recipients receive allotments of $100 per month.

A better guideline would be USDA's low cost food plan, which estimates that $1,440 a year is necessary for a family of four in the North to purchase a nutritionally adequate diet. All recipients of food stamps should receive a total amount of coupons adequate to the purchase of such a diet, regardless of the purchase price they pay. To provide less would mock the purpose of the program. In addition, USDA's estimate of the money needed to purchase an adequate diet ought to be periodically revised to reflect increases in the cost-of-living as well as changes in estimates of nutritional needs.

(5) Purchase price/free stamps.—The present food-stamp program specifies that eligible households will be charged an amount "as is determined to be equivalent to their normal expenditures for food." (Sec. 7(c).) Families are ordinarily charged a lump-sum amount for their monthly allotment of stamps. The purchase price they are required to pay is usually between 30 percent and 50 percent of their income. Even families without any ascertainable income whatever have been required to pay something. The effect of the required purchase price has too often been to keep people from participating.

The purchase price schedule ought to be modified so that no participating household pays more than 25 percent of its income for the stamps. To charge more takes too much from budgets that are already meager. In addition, no purchase price ought to be charged the poorest of the poor. In short, the purchase price charged the food-stamp recipient should be set on a sliding scale according to income. Those whose need is greatest should be charged the least. The sliding scale suggested in section 7(b) of H.R. 13423 strikes us as realistic.

(6) Purchase of soaps and sanitation products.—The present act forbids recipients the use of food stamps for the purchase of soaps and other items necessary for personal hygiene and home sanitation. This seems to be self-defeating. Recipients should be helped to store

their food in clean places, eat it off clean dishes, with clean hands. They should not be left vulnerable to infection with worms and other parasites which sap them of the nutrition they so desperately need. We believe the act should be amended to permit recipients to use food stamps for the purchase of personal hygiene and home sanitation products.

(7) Consequences of lax State and local administration, and of State failure to request programs.—The Government has learned from evaluations of its poverty programs that aggressive and imaginative administration is needed if the benefits are to reach the target population. The present food stamp law does not search out such aggressive administration.

This Nation should not permit the poor to suffer simply because of laxity and/or malfeasance in State or local administration. The Secretary of Agriculture should have the authority not now granted him in law to set up and operate a food stamp program in areas that refuse to request one. He ought to have similar authority when it is determined that an operating program is not being properly administered. It tests our credulity to read in the present act that the only course provided to rectify improper administration of a food stamp program is the removal of the program from that area. Certainly this should be changed. To provide further flexibility, it should also be made possible for nonprofit voluntary agencies to be the administering agency at the local level. In many areas these organizations could provide far better outreach than Government agencies, and their use would be in accord with the President's desire to make greater use of such organizations.

(8) Simultaneous operation of food stamp and commodity distribution programs.—Statistics show that levels of participation drop when areas convert from the commodities program to the food stamp program. To make sure that as many of the hungry and malnourished are reached as possible, the present legal barrier (sec. 4(b)) against the simultaneous operation of both family feeding programs in a given area ought to be eliminated.

(9) Level of authorization.—The real test of any nation's commitments lies not in its rhetoric, but in its budget. A reformed food stamp program must be adequately funded.

In the present law the authorization level for fiscal 1970 and the first half of 1971 is $340 million. This is enough only to annualize existing food stamp programs and to expand it to include only 100 new areas (there are approximately 1,600 areas that have no food stamp program now). Revision of the bonus schedules, an increase in the coupon allotment to meet minimum nutritional needs, modification of the purchase price, more inclusive eligibility standards, replacement of the commodity distribution program, expansion into areas with no family feeding program at all—none of these are possible without substantially increased funding.

The first step, of course, is to increase the authorization level. The Senate in late June passed a bill (S.J. Res. 126) authorizing $750 million for the food stamp program for fiscal 1970. We urge this committee to report that bill for prompt House action, so that the full $750 million can be provided in USDA's regular appropriations bill (now awaiting a House-Senate conference).

But even that increase falls far short of the total need. The Senate Select Committee on Nutrition and Human Needs has reported that the minimum need is $3.3 billion, and suggests that a more realistic figure is $5.2 billion. Even that figure, however, would not help the 13 million individuals whose income lies between the current poverty index (approximately $3,500) and a more realistic poverty index of $4,500.

We urge the committee to authorize a rapid expansion of the food stamp program to meet fully the dietary needs of the poor and the near poor.

We realize this is an economizing year, but we should not save money by keeping food from the poor. We urge this committee to lead the Congress in meeting this responsibility.

Conclusion

As the President has said—

> That hunger and malnutrition should persist in a land such as ours is embarrassing and intolerable . . . Something very like the honor of American democracy is at issue.

An improved food stamp program offers no panacea for the poverty of this Nation, but passage of the reforms and modifications we have suggested would be a major step in the right direction. We urge this committee to take that step.

I believe now that Monsignor Corcoran and Mr. Braiterman would like to add an additional comment of their own.

The Chairman. We would be glad to have it.

Monsignor Corcoran. Just very briefly, I think Mr. Ackerman has detailed the proposal very well and, therefore, I would just express my own appreciation to have the opportunity to appear before this committee and reemphasize, you might say, the very first point which is made, namely, to have as the purpose and objective and public policy of this country the eradication of hunger and improper nutrition; that is, trying to eliminate malnutrition to the very best of our ability. I will just leave it at that.

The Chairman. Thank you, Monsignor.

Mr. Braiterman?

Mr. Braiterman. Mr. Chairman, the only point that I would make additionally to what has been testified to this morning is that there is, I sense, a great and significant polictical opportunity for the Federal Governmen to acquit its responsibility in this area with the agreement of the States; perhaps a greater opportunity than we have had in recent years because the issue has become better known and because the inability of local governments to deal with the problem is becoming increasingly recognized.

I am very impressed with the fact that the National Governor's Conference which is presently in session has in effect admitted that it must throw up its hands in the area of poverty, at least where the most elemental matters of life itself are concerned, and has invited and in fact in yesterday's action at the conference requested the Federal Government to fully fund welfare programs and to take over their administration and expense.

If that is true with what is essentially as complicated a question as welfare, it certainly can achieve a great deal of political acceptance in the simple area of the distribution of food. The business of starving people in deference to local initiative is both a mistake in morals and a mistake in politics. I think that essentially the Governors of our country and the States are recognizing that now and you will not, if you increasingly federalize the initiatives and standards and the funding of these programs, you will not run into the kind of difficulty that I would admit realistically you would have run into a few years ago.

I do not know, though, that this opportunity will stay with us very long, and while the country is in a mood to deal with hunger as a national problem, those agencies of our national government and our national legislature should respond lest the time of political acceptance of this thing pass and the public again go to sleep on the fact that poor people are hungry and that they are not in a position to participate in any kind of creative federalism or any other kind of political theory as long as some overall agency in this country does not take on the responsibility of making sure that no American is hungry.

Therefore, if you are ever going to move to federalize these programs in a realistic, financial and political sense, I think the time is now.

The CHAIRMAN. Thank you very much.

I want to ask one question but before I do, I feel I must comment on Mr.—what Mr. Braiterman just said. Personally, I do not look upon it as a political opportunity to extend the powers of the Federal Government. I am the author of one of these bills that takes off all of the limitations on funding. I understand the economics of it, I think, but from the political philosophy, I still believe in States. I think that our Federal Government is far superior to anybody's national Government. I believe in the philosophy set up by our Founding Fathers.

I merely want to suggest that I not be associated with any idea that I am seeking an opportunity to extend the powers of the Federal Government. I think the powers of the Federal Government have been stretched far beyond the constitutional provisions now. I am not looking for such an opportunity. But I raise the question in the extending of aid—how far should we extend this aid, to whom, how far we should go in providing food. It has been suggested, and I think there is logic to it, that soap and antiseptics be included.

Mr. Burlison will suggest clothing. Housing has been suggested.

In other words, how far should the Government go, should society go, toward providing all of the needs of humanity without contribution on the part of those individuals? I believe it was in our early settlement the statement was made that: "He who will not work, neither shall he eat," and a good deal earlier still there was a much more profound authority who stated that "by the sweat of thy brow shalt thou eat bread."

Now, of course, we are abandoning the sweat of the brow to eat philosophy and I have gone along with that on the theory that to the extent that one cannot find the work to provide the bread, then we will provide the bread directly. But how far should we go on that?

Should we go all the way? Should we go all the way of providing all of man's needs, and if we do, is it your conviction that we will still be able to make our economy function?

It is my feeling that history has taught us that man simply will not work unless he has to work for something, that he does not work simply for the exercise, that he only works when he has to work, in order to provide for himself and family.

How far do you think we can go and still maintain our productive ability?

Mr. ACKERMAN. Permit me to comment on that.

The CHAIRMAN. Yes. I want you to because I think it is the most serious thing involved in all of this.

Mr. ACKERMAN. I am not quite sure what tack to take. It seems to me that we as a society have a responsibility to those who through no fault of their own find themselves in circumstances that do not enable them to live full productive lives.

The CHAIRMAN. Most all of us will accept that, I think. Will you comment on the proposition of the able bodied man who can find work and will not take it?

Mr. ACKERMAN. Well, I am not sure. It seems to me—well, with particular regard to the food program, it seems clear to me that an able bodied adult is not able bodied unless he has a nutritionally adequate diet. That is the minimum certainly that we ought to provide so that he is able to work.

The CHAIRMAN. If you provide that and he becomes able bodied, what do you then require of him? Simply that he remain at an income level of less than $4,500 a year?

Mr. ACKERMAN. No. It seems to me that it does not become us, though, giving up on the possibility of redeeming any man that from circumstances not to his wanting or the wanting of society——

The CHAIRMAN. I did not understand what you said.

Mr. ACKERMAN. You are suggesting if a man wants, shows that he is unwilling to work, that we then forget about him and let him fall at the wayside of society. It does not seem to me that is the attitude we ought to take. We ought to do everything in our power to help that man lead a productive life. If his need is food, clothing, housing, it seems to me we ought to go the extra mile for him.

I am not for coddling a person. There may be need for discipline at some point.

The CHAIRMAN. At what point would you provide discipline? I think that is really the crux of the whole thing.

Mr. ACKERMAN. It is impossible to answer that. It comes down——

The CHAIRMAN. We have to answer it when we write the law. We cannot escape it. And if you are going to be really helpful to us, you will help us answer it, because in all seriousness now, I have supported this food stamp program. I am supporting it today. I have legislation pending here with my name on it to take off this limit on appropriations. I do not think I can be classified as an enemy of food stamps. I think it is a helpful, useful, procedure, but I do not think it is perfect by any means.

Now, you can be real helpful to us if you will suggest at what point you would begin to apply that discipline. We have to decide

that. It has to be in the law. If we do not put anything in, there is no discipline. You understand that, do you not?

If we say nothing about it, then we have said that forever we will feed that man regardless of his efforts on his own part. Now, where would start applying that discipline?

Monsignor CORCORAN. I would like to comment on that, if I could.

The CHAIRMAN. Yes, sir.

Monsignor CORCORAN. I do not know whether this will be the help that you want but I will be able to take a stab at it.

I think that just the same as no one would disagree that if there is someone who through no fault of their own is hungry that we would feed them, likewise, if there is someone who absolutely when, say, there is work available, he is able to do it, and he turns his back upon it, that extreme, too, we would say we are not going to coddle him as Mr. Ackerman says.

The in between is the situation where it becomes difficult to decide, and the approach that we have taken by and large in this country, is an individualized approach on an investigatory type of thing because we have recognized that every individual has his own problems, his own needs, his own situation, and I think that it is very hard to lay down a general principle that is going to govern every situation.

I think that at the same time we would have to recognize that no matter what approach we take, there is always going to be a certain percentage that you cannot cover, and I keep referring to the comment of a friend of mine who is president of a large department store chain and they allocate about 1½ percent—they recognize there is about 1½ percent pilferage, dishonesty, and all that, and they do not even try to eliminate that because it is not worth it economically. And I think we are going to have to recognize that if we could reach that same percentage, we would probably be doing pretty well. And I think it is a very hard thing to accept the fact that we will overlook a certain amount of it, but I think in setting a general program, it is practically impossible not to do so.

The CHAIRMAN. Well, Father, that department store operator does not take the position that he does not try to prevent stealing in his store. He recognizes there is going to be 1½ percent. He adds that to his cost, of course. That is what he does, and passes it on ot the public. But if he catches somebody shoplifting in his store, he is going to prosecute, because if he does not, he is going to invite every thief in the country to come to his store.

We are in the same position as that store operator. We know there are people in the United States who never work until they have to because they are hungry, and they let their families starve. They let others, anybody else, go until they get hungry. They do not work. And they are not going to. I think the percentage is higher than 1½ percent in this instance. I do not know. It is not tremendously high, but enough that another 10 or 15 percent who see some getting away with it, enjoying everything they enjoy, without working, will they themselves quit working?

Has not that been the history of society? Do you know of any place where mankind has tried to operate profit motive economics and made it function while providing all the wants of everyone in that society, whether they work or not? Do you know of any such place?

Monsignor CORCORAN. I cannot say that I do, no.

The CHAIRMAN. I do not think it has happened. I think the history of the world indicates there are a great many people, or at least a substantial number of people who quit work whenever they were able to meet their physical needs without work. Is that not still true over the world?

Monsignor CORCORAN. I think that there are some people like that. I think that myself, with all due respect, I would rather concentrate on the ones that are definitely in need, who are desirous of doing whatever they can for themselves, and are still in need through no fault of their own. I think if we can take care of them, we will be concentrating on the largest problem and I think that we can set up certain guidelines that would eliminate those who would not choose to, given the opportunity, not choose to work.

The CHAIRMAN. That is the question I was asking. What are those guidelines? Where do we set those guidelines? We have to set them.

Mr. BRAITERMAN. Mr. Chairman, I make this general suggestion to you, and that is the reason that I am glad that it is the food stamp program in particular that we are talking about. It may very well be that we could not set reasonable guidelines in a lot of other areas. We might not be able to set reasonable guidelines in furnishing people with recreation or housing or some other things, but certainly in the area of food we ought to be able to set as a reasonable guideline what amounts to either an issue of hunger, starvation, or malnutrition, and say that at that level, at that level we will make the absence of income no deterrent to being able to eat at a level that will avoid malnutrition.

Now, this does not mean that we are providing the recipients of that food, whether it is through food stamps or anything else, with the kind of diet that he would have if he had operational money to choose as to whether to use for food or something else. We are not equating his standard of living with the standard of living of people who work in high-income jobs. We are not equating his standard of living with the standard of living of people who do not work at high-income jobs but who have steady and regular employment. But we are saying that at the very minimum, at the very minimum, he and his family have to be able to get enough food to not be malnourished. Otherwise, you are not only sentencing him to starvation and malnourishment because he does not want to work. Your are also sentencing in the case of a head of family, his wife to that situation, if he has a wife, and you are sentencing his children to that situation and they are not able to work and we would admit that.

There is no way under the organization of family life in the United States, there is no way to get terribly accounting conscious where food is concerned without depriving children of an adequate diet. As a matter of fact, the largest issue of hunger in the United States is that which reflects upon children.

Malnourishment is a difficult problem for anybody who is the victim of it but the problem is greatly multiplied in the case of children.

Now, I do not think that any public official would knowingly want to make children hungry, and yet if we make as our standard of judgment that which was suggested in your earlier remarks, namely, that if you do not work, you do not eat, we are not only saying that

if you do not work you do not eat, Mr. Wage Earner, or Mr. Non-Wage Earner, but if you do not work, your children do not eat.

Now, I do not think that that is a standard of society that we do accept in this country any longer, and we have merely hidden from ourselves the fact that there are really many children who are not eating because their parents are not working.

The CHAIRMAN. Well, I come back to my question. Of course, I recognize the difficulty of our family organization. That permeates all of society. When we enforce criminal laws and send the father to the penitentiary, we may inflict more hurt upon the family than we do upon the individual. That has always been true, and I do not know that we have gotten smart enough to avoid it.

Somewhere back on the Sinai Peninsula I believe there was a pronouncement about visiting the sins of the father upon the children of the third and fourth generation. I think that still happens, that maybe the third and fourth generation suffer for the sins of the father. It happened 4,000 years ago and I think it is still happening. And we try to avoid that as far as we can. But I think that hardly answers the question that I was asking you.

I know it raises another question, a difficult question, one that is no more related to food stamps than it is to penology. It is related to our whole family setup, of course. When you punish the father you often do inflict ill upon other members of the family. But do you think we are smart enough to provide food for the children, for the innocent victims. I think in the food situation we can do it possibly better than we can in some others.

Mr. BRAITERMAN. I think we can, Mr. Chairman, but I do not think we really have.

The CHAIRMAN. I do not believe we have outgrown that statement about "in the sweat of thy brow shalt thou eat bread." I still don't believe that society has gotten so smart we can get the kind of production necessary to maintain the standard of living we want unless we have some compulsion about working. I just do not believe we are that smart.

Maybe we are. Maybe we can all quit working, sit in the shade and fish. Lots of people would like to do that year round. I do not believe we can do it.

Now, if any of the three of you have any forthright answers to give as to where this committee should begin to apply those standards that you suggested, where we should draw that line, I want them now. If you have not got them, let us frankly admit it. I do not have them. Now, do you?

Mr. ACKERMAN. Mr. Chairman, quite clearly from what we have said, we do not have them, either. I think we have an innate shyness against imposing legal requirements to work because of the fear of the compulsive aspect of that kind of thing.

The CHAIRMAN. What is wrong with the compulsive aspect? If you are giving a man something, what is wrong with the compulsive action of saying he has got to do something for it?

Mr. ACKERMAN. It violates the freedom of choice of that individual.

The CHAIRMAN. You mean—I will agree he has got a freedom of choice to go out and starve himself if he wants to, but he has not any

freedom of choice to say he can tax Tom Abernethy to feed him. That is no freedom of choice that our Government gives him.

He has got perfect freedom of choice. He can work or he does not have to. I will agree with that. But, do you agree that he has got the freedom of choice of doing nothing and then has got a right to make this man, Mr. Abernethy, feed him? He has got to work. He is not smart enough to feed his own family without working. He is not smart enough to feed himself and two or three more without work.

Now, has that deadbeat got the freedom of choice to say that I will just fish and live under the culvert and let him work and feed me? Is that the freedom of choice you are talking about?

Mr. BRAITERMAN. Mr. Chairman, I presume and assume that you do not refer to all people who are poor or all people who are hungry as deadbeats.

The CHAIRMAN. No, sir. I did not.

Mr. BRAITERMAN. I know you——

The CHAIRMAN. I said those who could and would not work. I refer to them as deadbeats, the man who can and will not work.

Mr. BRAITERMAN. Right. But we have a situation where the majority of hungry people in the United States are not people who can and do not work but who are people who can and do work.

The CHAIRMAN. I realize that. Let us get back to the practicality because as I pointed out to the monsignor a moment ago, and I think we all have to agree, even though the percentage is very, very small, I suggest it is the same as he suggested for pilferage and it may well be, say 1½ percent, the very small percentage, when you have that example standing up that Bob Poage does not work but he is able to get everything that Page Belcher gets by working, that leads Graham Purcell to decide he ought not to have to work. And if you do not think it is true, just look back over history.

I ask you to cite the example of a society that has succeeded and has provided for all the needs of everybody in the society without requiring anything on the part of the individual.

Mr. BRAITERMAN. Well, I would say this, that one part of society in microcosm that this is applied to is the U.S. Congress, for example. There are people in the Congress, Mr. Chairman, who do not work as hard as you. There are people in the Congress——

The CHAIRMAN. I did not say work as hard as anybody. I said work. They do—every man does something who is in the U.S. Congress.

Mr. BRAITERMAN. Right.

The CHAIRMAN. Every man in the U.S. Congress at least does some work.

Mr. BRAITERMAN. Right, but he——

The CHAIRMAN. He did not get here just free and easy. There is no free ride into Congress.

Mr. BRAITERMAN. Absolutely, but he is paid according to a Federal standard of payment and not according to a Federal standard of what he is required to do.

The CHAIRMAN. Maybe he gets too much, and your congregation may decide you are over or underpaid but whether we are over or underpaid, you have a job.

Mr. BRAITERMAN. Right.

The CHAIRMAN. And you purport to do that job.

Mr. BRAITERMAN. Right.

The CHAIRMAN. I assume you do.

Mr. BRAITERMAN. Right.

The CHAIRMAN. But this fellow who will not take a job, he is the man I am talking about. And you well realize who I am talking about. You are not under any misapprehension that I am talking about somebody who makes more money than somebody else. That is part of our society, too. That is part of our economic setup, that you get greater rewards for some things than you do for others. But I am talking about the man who feels that he can have all of the niceties of civilized society, food and clothing and shelter and medical attention and education, all of those things and we provide them all free, we provide them all without him doing anything in return.

Now, that is the man I am talking about and I know and I think you know that if we let that man brag about that all over the country, that others are going to seek to enjoy the same leisure that he enjoys.

Mr. BRAITERMAN. There, I just do not agree, Mr. Chairman. And I guess we just have to agree to disagree. I do not believe that this food stamp program or any other Federal food program is going to encourage people to be on it rather than work. I think that the majority of those who need this program are not unwilling to work. I think that the majority of those who need this program are people, children, old people, able-bodied people in areas of low employment and low skills. I think the majority of the recipients of this program are people who need this program and who this Congress should provide for.

The CHAIRMAN. Of course, the majority are. We have all agreed on that. I have agreed that probably 98½ percent——

Mr. BRAITERMAN. Then we are not talking just about a majority. We are talking about the overwhelming number.

Now, I do not believe that you should have a policy either by action or inaction that starves 98 deserving people to make sure you do not feed two people that might not be entitled to it. I think you have got to find other ways to deal with these two people after you feed the 98 who need it.

The CHAIRMAN. Then you have answered my question by saying you do not believe you ought to impose any sanctions against the man who will not work?

Mr. BRAITERMAN. No. I do not believe in imposing sanctions against the 98 who cannot work because of a fear that we will not be able to impose sanctions against the two who will not work.

The CHAIRMAN. Have you any suggestions as to sanctions we might impose against the 1½ percent?

Mr. BRAITERMAN. Not specifically at this point.

The CHAIRMAN. Then, you come back to the proposition that we should not impose sanctions against that 1½ percent.

Monsignor CORCORAN. I do not know how specific you want to get but I think I alluded, and I would come back to the point that I think that if in trying to set an overall policy that Congress felt that it had to say, and perhaps it might, that if a person is offered a suitable job and turns it down, they would not be eligible, this is a simplified statement of something that would have to be detailed in greater length. But I do not think that any of us would say that someone, as

I said before, who turns his back on work would still then be given food or anything else as far as that is concerned. In other words, that could be a work-related provision and I think that this is the type of thing that is being proposed and is already in existence in the total welfare system. It is being included in the welfare form system that is being proposed.

Therefore, I think that this whole question of work is a related question and that it is not simply a matter of saying that everyone who receives food must either have been unable to work or if they are able to work, and do not work, then they are cut off.

That is one possible approach but included with that it is necessary also to make sure that there is a provision for stimulating employment and for determining what a person is able to do and enabling them to have work. So these things are included.

My basic point is that I think in the total program as a matter of policy, that it could be that the bill would read that the person would have to accept suitable employment to be eligible, at least not have turned it down.

Now, I think that beyond that, I for one, would be willing to accept responsibility for those who maybe might have been wronged or might not have been wronged in application of such a policy.

I was instrumental some few years ago in establishing in a run-down neighborhood in my hometown the equivalent of a soup kitchen because we worked on the principle that you never go wrong by feeding a person, that you might do wrong maybe or indirectly contribute to something wrong a person might be going to do if you give him money. I do not completely agree with that, but you never go wrong in giving a person a sandwich and a bowl of soup if they are hungry.

Now, it may not be possible for Congress to follow that principle. I would hope they could, but maybe you feel you cannot. I for one, would be willing to accept the responsibility for that and our total complex of Catholic charities across the country would, I think, agree with that.

The CHAIRMAN. I agree with that statement. I have taken too much time.

Mr. Miller?

Mr. MILLER. Yes, Mr. Chairman.

Mr. Braiterman, in your testimony you made a statement about the inability of the local government to handle this. Now, this seems to be a problem where there is a question as to how we separate those who would work from those who would not work. The local people should know who would work, and could work, and yet we talk about making this a Federal program completely. We are taking it away from the control of the local people.

Have you given that consideration?

Mr. BRAITERMAN. Yes. I have. Congressman Miller, I have given it some consideration and my standard of judging the thing is that despite the fact that it might have been true that theoretically local people would be the ones to know, we have just got too many hungry people in the United States, nationwide, to demonstrate that this theory is a fact.

Not only do we have too many people who are hungry in the United States to demonstrate that the theory is a fact but we also have too

uneven a distribution of these food programs where we have many evidences that counties and other local jurisdictions that have the greatest problem of poverty and hunger are in many cases not participating in the Federal programs that are involved out of local choice or local initiative not to participate.

This means to me that we have got this problem that Governor Rockefeller described last night when he talked about the welfare situation in an interview. He said that the problem of welfare, the problem of poverty, is a national—I am paraphrasing him, not quoting him—he says a national issue, a national problem. The Federal Government is going to have to treat it as a national problem and deal with it as a national problem, fund the program, set up guidelines and operate it.

Now, if that is true about a complex issue like welfare, I am afraid it is even truer and more seriously demonstrated about one aspect of the poverty program which is the hunger problem.

If we were making our first efforts in the United States to feed hungry people, I would agree with you, Mr. Miller. I would say this is the place to start. Start with local initiative. Start relying on local judgment of who needs the program. Start relying on local decision making as to how much the localities are willing to put in together with the Federal Government. Start relying on local initiative as to whether to be in the program.

But we are not just starting this program. We are picking up on a situation that has been going on for years and in this situation one of the areas of greatest malfunction has been the local initiative involved.

The local initiative has not helped hungry people get fed. The local initiative has, despite the fact that we all make a kind of a ritualistic obeisance to local initiative, the local initiative as resulted in the fact that we have too much hunger in a country as rich as this. Therefore, I think that there is more and more sentiment in the country for making this a Federal Government initiative and that sentiment is even reflected in the local communities.

Mr. MILLER. Excuse me. It was reflected in the Governors' conference statement.

Mr. BRAITERMAN. Yes.

Mr. MILLER. All of us know we have to face reality.

Mr. BRAITERMAN. Right.

Mr. MILLER. It is easier for the Governors to come to Washington to collect the funds than it is for them to raise money in their own State.

Mr. BRAITERMAN. Right.

Mr. MILLER. We have to be aware of the impact here. That statement, of course, is important to them. I think that we should not overlook that as we move along.

Let me ask also, you are feeding a number of people, I would assume. Maybe a few million, is that an appropriate figure? It is a matter of money—you could feed more if you had more money. That is why you are here.

Mr. BRAITERMAN. No. Not as such. We are not here requesting Government grants to supplement some program of ours.

Mr. MILLER. No. To fit into the total picture. The food stamp program would help in feeding.

Mr. BRAITERMAN. That is right.

Mr. MILLER. We are talking about, in reality, money; how much will be appropriate for the total picture of all organizations.

Now, only this morning we had a man from the Krause Milling Co. who spoke of CSM and, as I understand the testimony, one pound would feed a child for 1 day, and a pound and a half would feed an adult—furnish enough calories for a working man. This could be sold in lots of 50 pounds f.o.b. at 8 cents a pound. It could be sold retail, packaged and sold at 10 cents a pound.

Have you considered this type of thing in helping those that you would help?

Mr. BRAITERMAN. Here I am not speaking for myself because this is not my work, but I do know that among groups both in terms of groups in the organizational area and in the private sector, and among scholars and scientists in the problem of health and nutrition, ways are being looked for to assure more adequate nutrition through technological improvement, and that is essentially what you are talking about. And I am all for that.

I am all for doing whatever we can scientifically, administratively, organizationally, et cetera, to assure an adequte diet. But I do recognize that there are cultural problems involved in changing people's eating habits. There are distribution problems involved in getting technology from the testtube or the laboratory through our marketing systems on to the kitchen table where kids sit every day to eat a meal. And in the meantime, I would take as a sine qua non of what the Federal Government should do that objective, actually funded and paid for, to give every family an adequate diet.

Now, the question of what an adequate diet is may change. The question of how an adequate diet is achieved may be technologically improved. We may find ways, just as we found a way to send a man to the moon, to more efficiently and more economically give people minimum standards of nutrition. But while we are looking for these mechanisms, and they are mechanisms, we have got to be able to feed people.

Mr. MILLER. We heard testimony this morning that the way was available. That is what I was talking about.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Miller.

Now, the Chair is going to suggest that maybe in fairness to our other witness, Mr. Anderson, Friends Committee on National Legislation, that if it is agreeable I am going to ask these gentlemen to let us hear Mr. Anderson.

Mrs. GALLAGHER. Mr. Anderson would prefer coming back Friday and we only have two witnesses Friday if you want to do that.

The CHAIRMAN. I am perfectly willing to hear him Friday. I am simply trying to accommodate him.

All right. Then, we will proceed right now.

Mr. Purcell?

Mr. PURCELL. I have no questions, Mr. Chairman.

The CHAIRMAN. Mr. Mathias?

Mr. MATHIAS. Mr. Chairman, I just have one question.

Earlier you mentioned the Nixon administration's new idea on the welfare system. For example, if this does come about and we come up

with a guaranteed annual income, or another name, whatever it is, if every poor person in the United States if he does work were to get a guaranteed income, now, I imagine this would eliminate such programs as the food stamp program, the school lunch programs, the milk programs, all the programs which give people things, because people would not be poor any more. They would be above the poverty level.

Now, would you be in favor of this?

Mr. BRAITERMAN. Yes; if you really raised it above the poverty level, and you understand the President's problem in this respect. He has not proposed a level, for example, for a family of four that would go above the poverty line. He has got a $1,600 proposal. Now, I am just using that as one illustration.

Now, an adequate diet purchased at conventional prices for a family of four cannot be purchased for less than a—a minimal diet cannot be purchased for less than about $1,500 a year. That is, speaking in round terms, something like $33 or $35 a week for food for a family of four.

Now, we should not expect that we are ready to eliminate food programs if we have got a $1,600 welfare floor because a $1,600 welfare floor will itself just about pay for an adequate diet for a family of four.

I am not disagreeing with you, Mr. Mathias. I am just saying that until we reach the level where we really have a guaranteed income that puts people above the realistic poverty line, we cannot assume that we are ready to go out of the food stamp business or any other food program in spite of the fact that income supplements and other welfare reforms are absolutely necessary and we are in favor of them.

Mr. MATHIAS. You are quite right there. We come down to another point. Say we do have a guaranteed income per year. These people might go out and spend it all on clothing. They still might be hungry. They might spend it on liquor or soda pop. Nobody would have that control.

Right now there is little control over the food stamp program. These people get money. There are no restrictions. They can spend $100 worth of food stamps for crackers which is not nourishing. So in my thinking on it, I think the USDA or this committee should have some type of restrictions on the type of food that these people can buy.

This gentleman from Wisconsin has the ideal solution. If your real thinking is to get people from being hungry and so they will not have malnutrition and we are told these people know how to do it, why cannot we tell them what to eat so there will not be malnutrition?

Mr. BRAITERMAN. Well, in principle—I did not want to argue with you on that score because I am not sure frankly—I am not sure of the extent to which I agree or disagree with you. I hope you understand that.

I think that there is some value in letting people decide what food to buy. On the other hand, I admit that there is a lot of improvident purchase of food and we need programs that will educate consumers and educate poor people in nutritional dietary practices that will enable them to make their money stretch further or to make the Government's money stretch further and to do a more adequate job in ending malnutrition. But I do not think we can find an easy magic formula, that we could put our whole program into one very nourishing commodity, give that to people and say we have no more malnutrition. I think it is a little more complicated than that.

Mr. MATHIAS. We are helping the poor people, the people who are starving, to get better nourishment by giving them food stamps.

Mr. BRAITERMAN. Maybe you are, I admit except that we have not seen that program end malnutrition in the United States either and, therefore, I have a certain amount of skepticism that that is a panacea or solution to it, and that is the reason why I think we have got to do a lot of other things besides. I think we have got to do something about food stamps. I think we have got to do something about other kinds of commodity programs, do something about food education, and I think we have to do something about food technology. All of these things have to sort of proceed apace.

Monsignor CORCORAN. May I say something on this because I think there is a particular point just in the approach. In other words, I would hate to see us start out by saying that we are going to require certain types of purchases for everybody because some of them, and probably very, very few, are going to make the wrong kinds of purchases. I think probably we ought to start out with the approach that everyone is going to make the right kinds of purchases and then when we find out those who do not, then try and invoke some type of restrictions upon those who do not do it, because then I think that we would be placing the confidence in the majority which I think is rightfully placed rather than placing the suspicion which attaches only to a few, placing that suspicion on the totality.

Mr. MATHIAS. That is all I have, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. de la Garza?

Mr. DE LA GARZA. Mr. Chairman, I just want to be very brief and ask a couple of questions but before that, I would like to comment on Mr. Braiterman's statement, original statement.

I have been bringing this out throughout these hearings and you seem to be bringing it out again, that you put too much emphasis on the politics, that we ought to take advantage of the politics, that this is the right political atmosphere. I have been complaining about this because there are too many people, mostly in the other body, who go with the television camera and with 90 reporters and because they want to create a national image of some sort, are riding the sufferings of the poor for political purposes and because of their desire for higher political office. I think, and I think your basic statement, all three of you, is that this is a moral issue and we should feed the hungry because they are hungry, not for any political advantage that any Senator or any Congressman might derive from it in the long run in creating a national image.

Now, also on your statement, I think we ought to emphasize more—your statement seems pessimistic. Something is being done. It may not be done correctly, may not be done to the fullest, but we are trying and the Government is trying, private agencies are trying, and I think we should emphasize this more rather than bring out the negative.

Mr. Ackerman, you started off with this Hunger, USA. Congressman Gonzalez went to San Antonio and documented the fact that part of that Hunger, USA, from San Antonio was misleading, was erroneous, was false and was deceitful, and he documented this.

Congressman Whitten documented stories of the people who were interviewed in this Hunger, U.S.A., and some of them were proven to

be incorrect on the record. This is on the hearings that Congressman Whitten had.

So, I think you bring out the negative too much. Not that you can deny that there is a problem and that we must proceed with corrective measures.

Now, in this respect I would like to bring out—I know your organizations do a lot of work in this respect and I think that—I know you will not have figures with you, but I would like for you, if possible, to include in the record later what the Hebrew congregation is doing, what the Catholic congregation is doing, what the Protestant congregations are doing in the South. Let us take the largest Baptist congregation in Atlanta, Ga. What are they doing? What is the percentage of their income and what percentage of that income is devoted to helping the poor or feeding the poor, because I know this is being done and this is not being brought out, that people are working, because I hate to think of it that you come here and you say people are dying of hunger. We must start today.

We started a long time ago. The idea is that we could do better and this is what the chairman is saying. We need to amend this legislation to make it better, to cover more people, and to cover the deficiencies, if there are any.

So, I was wondering if you would be so kind as to present us some positive programs that your institutions are doing so that we might include in the recrod that people are doing something and that we are doing something but that we need to do more.

Monsignor CORCORAN. I can give a little documentation right now, if you wish.

Mr. DE LA GARZA. Surely.

Monsignor CORCORAN. We took just a partial survey of some of our Catholic charities operations about 6 months or so ago. It is more than that. I would say a year. But in 1 year just these who partially—partially the portion that responded, we were expending over $7 million in feeding people. Therefore, I would imagine that it would go to at least two or three times that many. And I think that this would not include many other things that you could never learn. In other words, every parish house in the country practically has someone that they are feeding, and so forth, and it is pretty hard to get them to report and give statistics. So, you could at least take this as a fairly good base—it is a hard figure for a certain portion of our operation—and you can multiply it from there.

I cannot help but say I would want to, inasmuch as it is exposed to the record, speak to the matter of those San Antonio hearings, you know. You mentioned Representative Gonzalez for whom I have a great deal of respect. Likewise, Congressman Whitten. Our people, on the other hand, say just the opposite. They were there at those hearings. I was there at those hearings. I would have to respectfully disagree that they were inaccurate.

Mr. DE LA GARZA. I mentioned Hunger, U.S.A. now. These were no hearings.

Monsignor CORCORAN. OK. They were referred to as hearings. The Hunger, U.S.A. investigations in that area.

Mr. ACKERMAN. May I comment on that?

Mr. DE LA GARZA. There have been two or three different hearings in San Antonio now. I wanted to be sure that we are speaking of the same one. You speak of the one which was headed by George Meany, and his committee.

Monsignor CORCORAN. No. I speak of the ones that were under the chairmanship of the Board of Inquiry on Hunger that produced Hunger, U.S.A., chaired by Benjamin Mays and Lesley Dunbar, and they interviewed people. The location was Father Ruiz's center there in San Antonio and people came from different areas and there was a very careful conversation with them.

Mr. ACKERMAN. May I comment on your statement also?

Mr. DE LA GARZA. Certainly.

Mr. ACKERMAN. I can understand how you got the impression that our statement was pessimistic because we did attempt to focus on the needs of 25 million still who are poorly nourished. We could have talked instead about the 175 million who are fairly adequately nourished because this is a very commendable situation. Yet that is not where the action is needed. The action is needed for these 25 million who have yet to experience an adequate diet.

We are not pessimistic. We think there are some very positive things that can be done to help that group as well. So, I hope that pessimism is not a lasting impression.

Mr. BRAITERMAN. I would like to comment, Mr. de la Garza. The issue is not really pessimism or not pessimism. I take it that the purpose of this committee's hard work in this area is to look at the problem realistically and neither to paint a hysterical picture or to paint a rosy picture that will cover up facts. And under those circumstances I would regard the testimony that we have brought to you and that you have gotten from other sources as neither pessimistic nor optimistic but as simply realistic.

The fact is that many of those realistic facts do not do our country honor, but that does not mean that they are unrealistic. On the other hand, as Mr. Ackerman says, there are plenty of people in the United States, and I suppose that includes everybody in this room, who have an adequate diet. Some people in this room, like me, probably have an over-adequate diet. I wish I did not eat so much. But we are not taking up my problem and we are not taking up the business of what is the general state of the Nation with reference to nourishment.

This is an inquiry as I understand it, into the needs of those who are malnourished and I hope that you will keep these facts before you in your deliberations after these hearings are closed.

What are we going to do about those who are malnourished? It is a fact that only 5.4 million out of about 29 million poor participate in Government food programs of the two major varieties and the majority of those participating are not the poorest of the poor because it requires a certain amount of money to get into the food stamp program. And it is furuther true that in spite of the fact that malnourishment has not diminished among the poverty sector of the country, participation in Government food programs has dropped 1.4 million in the last 6 years, so that the statement that malnutrition among the poor has risen sharply over the last decade, if it is applied to the poor, is probably true. And again, I put it in terms of realism.

When the Senate passed a bill that is awaiting action for a House-Senate conference now authorizing $750 million for the food stamp program for fiscal 1970, we have urged this committee to report that bill for full prompt House action so that the full $750 million can be provided in the Department of Agriculture regular appropriation bill. But we have said—and I think this is realistic—that that increase really falls far short of the total need.

The Senate Select Committee on Nutrition and Human Needs has reported that the minimum need is $3.3 billion and a more realistic figure is $5.2 billion.

Now, that is a small percentage of our resources and we can be optimistic about that. That is a small percentage of the amount spent on food among those who are not poor and who are not hungry. We can be optimistic about that.

But for those who are involved in that cycle of hunger, they have no reason to feel optimistic as long as the funding of these Federal programs on which they rely for their sustenance is not adequate.

Now, we would like to see the House move to the Senate authorization now. We would like to see the Congress together move at least to the minimum need and eventually to the more realistic figure that is suggested in the Senate select committee's report.

I would be the last one to say that we are not doing anything or that we have not started yet. Many of our complaints about the way we have handled this moral issue are simply based on the fact that we have had these food programs for a long time and we are trying to suggest to you the answer to your question. How can these food programs be improved? How can they realistically be improved in a way that will really do hungry people some good and will not involve anybody patting himself on the back at the expense of somebody else who is so darn hungry he cannot even reach his arm around to reach his back.

I think we have got to admit we have a problem and do something about it.

Mr. DE LA GARZA. This has been the problem. We have sat here 2 hours and 15 minutes because of our interest in this, but people come and say there are people hungry and we must feed them and they come not across with how except that it will cost more money and more money and this is not the answer entirely. But the interest is there and we are trying to help.

Mr. BRAITERMAN. And we appreciate that, Congressman.

Mr. DE LA GARZA. Many people come before us—I am not saying you gentlemen—who will not answer a direct question. The chairman can attest to that. They cite figures and they read from their little figures and they will not deviate from that. You want to get to the facts. They will not get to the facts. They become shifty as they answer questions. You have been very forthright today, and I commend you for that.

Now, we are way past the time, time to adjourn. I would like to mention just one good thing to you, Mr. Braiterman. I was in Israel shortly after the June war, 6-day war, and we went to a kibbutz which is right outside Jerusalem and they explained to us how it operated and how it worked and everyone was doing something and we asked—he was the chairman of the board of directors of the kib-

butz and I asked what do you do if someone does not do his work? He said we kick him out. That is exactly what he said. Then he informed us how they vote and if he does not do his work within that institution, they push him out.

Mr. BRAITERMAN. But our problem here in the United States is that we have people who have not gotten in yet. When we have some people who have gotten in and then do not do their job, we might have to push them out, but we have people in the area of hunger and malnutrition who have never had participation in anything. I am speaking here, for example, of children. I am speaking here, for example, of people who have not been tested about their willingness to work.

Mr. DE LA GARZA. Nobody is going to let a child go hungry any place in the United States. The next door neighbors, the city council, the county board, the State, welfare, the Red Cross, Salvation Army. They use children too freely, people who come before us. We know that there are children who for some reason or another need more nutrition but no one is going to willingly let a child go hungry.

Mr. BRAITERMAN. No. But I think we have to face the fact that we may have unwillingly let children be hungry. And——

Mr. DE LA GARZA. If there is a child back in the valley, in the hills, that no one knows about, but I would say to you that any child who is known to be hungry in these United States, someone will provide as soon as they know he is hungry. If nothing else than by people getting together and putting money in a hat. It does not have to be the Government. It does not have to be the Government. It is a moral responsibility and a moral responsibility is a cloak that covers everyone, you and I and the neighbors who live next door. It does not have to be the Government. So, if you say the Government is bad and the Government is wrong because there is a hungry child, this is an unjust accusation.

Mr. BRAITERMAN. You said that the Government is bad and the Government is wrong. I have not said it. I am simply saying that we have to recognize that in this country we may have unwillingly, unknowingly, let people have a standard of life that involved malnutrition.

Now, if that is the case, if it is a moral obligation that covers the entire society, then there is no practical agency to deal with it on a regular programmatic long-term basis except the Government. A soup kitchen, a meal by passing the hat, et cetera, may serve as a temporary expedient but that is not a program.

Mr. DE LA GARZA. What I want to bring out, if there is a hungry child, unwillingly or willingly, the responsibility falls on every aspect of Government and it falls on the Union of American Hebrew Congregations, on the National Conference of Catholic Charities, on the National Council of Churches, and on every individual who lives in this country.

Mr. BRAITERMAN. Right. I agree.

Mr. DE LA GARZA. All right.

The CHAIRMAN. Mr. Mizell?

Mr. MIZELL. Mr. Chairman, just briefly I would like to first say that I am in agreement with you. I do not think that we can just leave this an open ended program with no limitations or no restrictions whatsoever. I say that because of some firm convictions that while we

may not care to comment too much on what the President's complete proposal was as far as his work incentives, as far as income for the families, whether you want to call it a guaranteed income or not, we do have guaranteed incomes now with the welfare programs that we have set up. But the thing I can agree with is our present welfare programs have proven to be a failure when we see them increase in something like 4 years from 450 some thousand people to a million and a half. I believe these figures will be close to being correct. So, there must be something wrong with the program that, instead of helping and encouraging people, has killed their incentive to really get out and take advantage of the opportunities that this Nation of ours offers. We must not sponsor a program like the food stamp program or any other program that we consider tends to kill a person's incentive, rather we should offer him something to encourage him if we are going to really help him.

I have one good example of what some of our programs are doing now. Just recently I was back in the District and there was a construction job—I will not mention the name of the company—but they needed 15 men for the job at that time and they were paying $2.30 an hour. They could not find men to hire.

Now, we know that there are a lot of fellows not working, but for some reason they would not take the job at $2.30 an hour. Any overtime runs into double time, so the salary is tremendous. But yet, they would rather sit in the shade of a tree and live off the meager handouts than to go out and really earn for themselves. If they did, they would have some dignity and certainly increase their income tremendously.

So, I think we should be careful that we do not have just another welfare program here with our food stamps, and we must have restrictions and must determine just how much we can do in this area. I, for one, am in favor of doing everything we can for the helpless, the blind, the lame—those that are unable to help themselves, but I believe in offering an opportunity to those who are able bodied and encourage them to work because this is the only way that we are really going to help them.

Thank you, Mr. Chairman.

Mr. PURCELL (now presiding). Anybody else want to make a brief statement or ask a question?

Gentlemen, I think really we are all more in agreement than you may draw the conclusion that we are. I think you and we are seeking the same thing and hopefully in these hearings will come out with methods by which those who are truly malnourished can be better fed, and some way we must derive a method of getting the details of how we handle the fringe, because it is easy to talk about easy examples. It is difficult on the borderline cases.

I think that concludes the testimony we will hear today.

The committee will be in recess until 10 o'clock tomorrow when we will continue with these hearings.

(Whereupon, at 12:25 p.m., the hearing was recessed, to reconvene at 10 a.m., Thursday, September 4, 1969.)

GENERAL FARM PROGRAM AND FOOD STAMP PROGRAM

THURSDAY, SEPTEMBER 4, 1969

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to recess, at 10 a.m. in room 1301, Longworth House Office Building, the Honorable W. R. Poage (chairman) presiding.

Present: Representatives Poage, McMillan, Abbitt, Purcell, O'Neal, de la Garza, Vigorito, Jones of North Carolina, Montgomery, Sisk, Alexander, Burlison, Rarick, Jones of Tennessee, Belcher, Teague, May, Miller, Mathias, Mayne, Zwach, Kleppe, Price of Texas, Sebelius, McNeally, and Mizell.

Also present: Christine S. Gallagher, chief clerk; William C. Black, general counsel; Hyde H. Murray, associate counsel; and John A. Knebel, assistant counsel.

The CHAIRMAN. The committee will be in order.

We will continue the discussion of the food stamp program and we have as our first witness Mr. Julius F. Rothman, associate director, Department of Urban Affairs, AFL–CIO. He is accompanied by Mr. Dick Warden, legislative representative of that organization.

We will be glad to hear from you.

STATEMENT OF JULIUS F. ROTHMAN, ASSOCIATE DIRECTOR, DEPARTMENT OF URBAN AFFAIRS, AFL–CIO; ACCOMPANIED BY DICK WARDEN, LEGISLATIVE REPRESENTATIVE

Mr. ROTHMAN. Mr. Chairman, my name is Julius F. Rothman. I am associate director of the Department of Urban Affairs for the American Federal of Labor and Congress of Industrial Organizations. On behalf of the AFL–CIO, I am pleased to outline the position of our organization with respect to legislation to amend the Food Stamp Act of 1964. We appreciate very much the opportunity to testify on this important subject.

In this most affluent of nations, Mr. Chairman, hunger and malnutrition remain a stark reality for millions of Americans. Hunger and malnutrition take their toll in many forms—infant deaths, organic brain damage, retarded growth, and learning ability; in increased vulnerability to disease; in withdrawal, apathy, frustration, and in violence.

Studies indicate that between 10 and 12 million Americans are hungry or grossly undernourished. A U.S. Public Health Service survey estimates malnutrition exists among 15 percent of the population in the areas covered by the survey.

Why do we have hunger in this, the richest Nation on earth? The answer to that question is simply that we have not committed sufficient resources—financial or intellectual—to the effort to eliminate it. There need not be hunger in America. Surely a nation with the capacity to land a man on the moon and return him safely to earth can find a way to eliminate hunger among its citizens.

If we have the will as a nation, the way can be found. And the American people have the will. A recent Gallup poll suggested the people of this Nation attach a high priority to achieving the goal of eradicating hunger. The Gallup poll reported last spring that 68 percent of the American people favor free food stamps for families living in extreme poverty. Sixty percent support giving food stamps at reduced rates to the lowest income families.

We have the technological, intellectual, and financial capacity to overcome the problem of hunger in our midst. The American people will support efforts to reach this goal. Now the time has come for Congress to respond by adopting reforms in the food stamp program which will move our Nation along the road leading to that goal.

We submit, Mr. Chairman, that if these general recommendations were imaginatively implemented, the problem of hunger could be greatly diminished:

(1) If the Federal Government would make sufficient funds available for substantial expansion of food programs and would revise the food-stamp program to permit more stamps to be purchased at substantially lower costs and free stamps to be made available to the lowest income families and individuals, and

(2) If the administration by Federal, State, and local levels of government of the various food programs was substantially reformed.

We are pleased that the present administration has recognized the serious nature of the problem of hunger and malnutrition and that the President has committed himself to revising the food stamp program so that it will respond more effectively to the needs of hungry Americans. Unfortunately, the administration's program, as outlined in the President's message to Congress dated May 6, 1969, falls far short of providing what is needed. We do not believe that hungry people, whose needs are not now being met, should have to wait more than a year before full implementation of a more effective food stamp program. This, in effect, is what the administration has proposed.

In addition, we in the AFL–CIO are apprehensive about the effect which the administration's recently announced welfare reform proposals, if adopted, would have on the food stamp program. As AFL–CIO President George Meany pointed out in commenting on the President's welfare reform message:

> Living standards of many (welfare) recipients would actually be lowered since the proposal appears to bar these recipients from food stamps they now receive.

But regardless of the effect of the welfare reform program on the food stamp program, one thing is absolutely clear: the welfare pro-

posals are just that—proposals and no more. They are a long way from being enacted into law.

The existing food stamp program, on the other hand, is a solid foundation upon which to build, and we should take action now—based on experience in the food stamp and surplus food distribution programs—to correct deficiencies and develop a comprehensive program with which to fashion an end to hunger in this country.

There are before this committee several bills with varying provisions designed to deal in one way or another with this challenge. We have reviewed these bills, and we find much that is commendable in them. Therefore, it is not our intent today to testify in support of any specific bill to the exclusion of others. We believe the committee should take the best provisions of each and combine them into the strongest and most effective possible food stamp bill for consideration by the full House.

But we would like to suggest criteria for consideration by the committee as you review the various food stamp proposals:

1. Eligibility standards for participation in the food stamp program should be lowered to permit more of the families and individuals not now covered to participate so that a broader spectrum of the poor will be eligible for food stamps. Federal eligibility standards should be established.

2. For the lowest income groups, food stamps should be made available at no cost.

3. The Secretary of Agriculture should be authorized—in cases where he determines that a local program is necessary and a local agency is unwilling to cooperate—to administer the program in the locality or to designate an appropriate public or nonprofit agency to do so.

4. When the Secretary of Agriculture finds that local funds are not available to meet the costs of local administration, he should be authorized to pay the States up to the full amount of the administrative costs for such local programs.

5. We suggest that the committee include among amendments to the present act provisions for prompter and simpler certification and that the method of issuing food stamps be planned so that they will be more readily available to those for whom they are intended.

6. We suggest that the purchase of food stamps be permitted on installment or partial purchase basis to facilitate purchasing by families whose paydays do not coincide with stamp issuance periods.

7. We believe that the list of items for which food stamps may now be used should be broadened to include such necessities as soap, and other items, necessary for personal and household cleanliness.

8. During a county's transition from the commodity distribution program to the food stamp program or when the food stamp program is failing to meet the need, simultaneous operation of the commodity distribution and food stamp programs should be permitted.

Among other bills now before your committee relating to the food stamp program, we have reviewed H.R. 13423, sponsored, by Congressmen Foley and Green along with 23 of their colleagues. We mention this particular bill because it appears to propose a method of financing a food stamp program which would make possible a compre-

hensive and effective approach toward overcoming the problem of hunger in America. We refer to the provisions which would expand the borrowing authority of the Commodity Credit Corporation to finance food stamps.

We believe this proposal deserves the most careful study and consideration by your committee, Mr. Chairman. If enacted, it would assure that the food stamp program—our Nation's principal instrument for eliminating hunger among its less fortunate citizens—would have sufficient financing each and every year to carry out its most important task.

We believe the proposal of the administration to increase the funds available in the current fiscal year for the food stamp program to $610 million is a step in the right direction. But when measured against the need, this sum would be inadequate. The $750 million recommended in the Senate version of the fiscal 1970 agriculture appropriations bill—while still inadequate—is obviously more realistic than the administration recommendation. A billion dollars could easily be invested in expansion of the food stamp program and still there would be a very substantial number of our fellow citizens without enough to eat. Proportionate increases will be needed in future years. This cost will not be great when measured against the illness, the wasted and dependent lives which result from hunger and malnutrition.

Achievement of our goal—the eradication of hunger in America—should not be viewed as a partisan commitment. As I pointed out earlier, a recent public opinion survey indicated that nearly seven Americans in every 10 favor the idea of giving free food stamps to those with the lowest incomes. Sixty percent favor selling food stamps at greatly reduced costs to those families whose earnings are from $20 to $60 per week. The conscience of the Nation has been stirred by the recognition of hunger in our land.

The food stamp program reforms proposed in the various bills before your committee are basic to the alleviation of hunger and malnutrition among the poor, and we urge that the committee combine the best of them into a strong food samp bill.

There is another important aspect to the problem of providing nutritious diets for families and individuals in the food stamp program. It is essential that the poor be informed about what constitutes an adequate diet.

It has been argued that the solution to providing adequate diets for the poor is not so much the provision of more food stamps, but rather a matter of educating the poor to consume foods that are nutritious. Sme of those who believe this have recommended that professional nutritionists might take a hand in solving this problem. We in the AFL–CIO claim no expertise in this field, yet we are aware of the many barriers which must be overcome if the poor are to be reached with the proper kind of information. Food consumption is related to habit, tradition, lifestyle and other factors. Professional nutritionists and home economists have been notably unsuccessful in reaching the poor. We would, therefore, recommend that the U.S. Department of Agriculture turn to the poor themselves to find persons who can communicate effectively with others who are poor and help them to use their food stamps to the greatest nutritional advantage. An "out-

reach" program of this kind could have a significant impact on poor families and especially on the health of the children.

As President Nixon said in his food stamp message to Congress, "* * * the moment is at hand to put an end to hunger in America * * * for all time." We in the AFL–CIO agree with this sentiment. We urge this committee and the Congress to act in the spirit of compassion and revise existing legislation so that we as a nation can take a major step forward and "end hunger in America for all time."

The CHAIRMAN. We thank you very much for that interesting statement, Mr. Rothman. I think that you have given us some good suggestions and I appreciate your appearance.

Yesterday the Chair took altogether too much time in trying ot get opinions from some of the witnesses. Therefore, I would like to ask a question just as a matter of information as to why you did not make any reference to the bill pending before this committee that the chairman did introduce. It takes off all limits as to expenditures. You discussed limits of $600 million, $750 million, but you paid no attention, apparently did not even know there was a bill before this committee which the chairman introduced long ago. It makes the food stamp program permanent and does take off all limits.

Are you aware of that?

Mr. ROTHMAN. Frankly, I was not, but I do want to say that we certainly are in favor of exactly that, sir.

The CHAIRMAN. Well, I thought you were but apparently there are lots of people in this country how have made up their minds they are interested in food stamps only as presented by certain individuals. This committee is not a part of that group, although this is the committee that originated food stamps. This is the committee that developed the idea and passed the first legislation, and this is the committee that is responsible for the food stamp program.

Mr. ROTHMAN. Well, sir, let me say that I do not think that we have any preferences in terms of the origin of any legislation.

The CHAIRMAN. Well, there seem to be a good many people who are interested in discrediting the sincerity on the part of this committee in providing a food stamp program for the country.

Mr. ROTHMAN. Please do not include us among them, sir.

The CHAIRMAN. I am glad not to include you. I am glad to have you disclaim it.

Now, I wanted you to comment on one subject and I do not want to go into asking a number of questions. If you will just comment and give us your views. I think you have some good suggestions and I want again to repeat that I think they are helpful, but you did not discuss at all what to many of us seems to be a rather fundamental question; that is, whether there should be any limit at all on the issuance of food stamps, whether there should be any requirement that those who are able and could work but will not work should be required to work to get their food stamps. Please do not tell me that everybody ought to be interested in behalf of starving children. Everybody is, that I know of. We will take judicial knowledge of that fact. And nobody that I have heard has suggested they want to ask an 87-year-old grandmother to get up out of a sick bed and go to work in order to get food stamps. I have not heard anybody suggesting that those who are confined in various institutions, unable to work, should

be required to do so. But I am talking about able bodied men, and there are some, who will not work if they can have the Government care for their needs.

Now, would you feel that there should be some limitations, some requirements that those who can work should work in order to get this Government help? I wish you would give me the views of your organization on that particular phase of this subject because we think it is important.

Mr. ROTHMAN. Well, essentially, sir, if the figures that I referred to are right, there are on the relief rolls today only about 100,000 able bodied men all over the country. The rest of the people who are poor and on relief, having no other income, are either—or those who do not meet the minimum poverty level requirements, are either working full time and not making enough to support their families or they are blind, disabled, or aged, and, therefore, out of the labor market, and with the addition, of course, of those families which are headed by women many of whom are required in the home to take care of their children.

Now, it is our feeling that work, of course, is important and we have not challenged the idea of training for those who ought to be able to work so that they can enter the labor market. We have no feeling against that. Many of the people who are not in the labor market or who are unemployed are unemployed because they have no skills to sell in our kind of technological society. It is not because they do not want to work, it seems to me, and our plumbing of this situation suggests that time and again this whole question of unwillingness to work is not really the basic criterion on which to evaluate these individuals. That they have no skills to offer in the job market today is primarily the problem.

This is what we are doing and this is what the administration proposes to a large degree, that what we do is try to give training to those who do not have skills so that they can enter the job market and can raise themselves out of poverty.

Now, let me also say, sir, that in addition most jobs, of course, today are created in the private sector, but we also—we in AFL–CIO have called for a job creating mechanism in the public sector; that is, that there be jobs created in the areas of health and education and libraries, recreation, and so on, so that those who do not have the competency to enter the competitive job market will be able to work in this necessary and socially useful areas and give service to the community in this way with the Government as the employer of last resort.

So that in sum, I would say that I feel that the basic question is that we look at this program quite objectively and in terms of the human needs of the individuals on the one hand; that is, that we provide the food for these individuals and especially I would not wish to visit the sins of the fathers on the children, and for the rest of it, that we recognize that there are collateral and parellel programs for helping these individuals to become useful and productive members of our society through job training and related efforts.

The CHAIRMAN. Thank you very much, Mr. Rothman. I am afraid that I am still as much at a loss as when I listend to the witnesses yesterday.

Mr. Teague?

Mr. TEAGUE. I would like to say this, Mr. Chairman. I commend the chairman for the statement he made at the outset here. I am one of those who in the past has not always supported the food stamp program. I expect to this year. I believe that there are many problems, however, which must be solved and I think it is entirely unfair to charge this committee as a whole in any sense as being antifood stamp in its outlook.

The CHAIRMAN. Thank You.

Mr. ROTHMAN. I would like to say we have not done this. I do not know who has, but we have come to this committee certainly, sir, without any feeling about the attitude of the committee one way or another because—we simply have made some suggestions to the committee, not feeling that the committee was in any way indisposed to listen.

Mr. TEAGUE. I am delighted to learn that. Perhaps the chairman and I have gotten our impression from some of the stories we read in the press.

Mrs. MAY. Mr. Rothman, first of all, one statement you just made in answer to the chairman's question concerned the ability of able bodied people to work, and job creation. You have suggested that in addition to the jobs that might come from private industry, that there would be—if we upgrade with job training techniques for better skills, there would be people that would be able to work if they had those skills.

But if I understood you right, then you put into another category the kind of jobs that men would be able to hold men or women that would not require any skills. You implied that these jobs could be created by Government and you referred to work in health and libraries and social welfare jobs.

My question is, were you implying that they do not need skills when they work for the Government or do not need some job training?

Mr. ROTHMAN. Heavens, no.

Mrs. MAY. I could not understand what you meant.

Mr. ROTHMAN. Well, if I gave that impression, let me withdraw it immediately because I did not intend to suggest that. What I intended to suggest was that the growth of the economy could not possibly absorb all the people who need jobs and, therefore, if we are going to create a full-employment economy which is what we really want, all have said we are committed to, and we have said this ever since the Employment Act of 1946, then we ought to find for those who for one reason or another cannot fit into the competitive job market a place in Government.

Now, this does not mean necessarily that they are not adequate. Quite to the contrary. It also means that while they may need—they probably in all due respect to them will require some training for these kinds of jobs, but we also feel that there is a pay off or a trade off, as the phrase goes, in that these people ultimately once they get into the job market, private or public, it does not make any difference, but in this case we are talking about the public sector, it is altogether possible that they will be able to transfer their skills into the private sector when the private sector needs them.

So we think that there is a positive aspect to this, too, which is in a sense related to the idea of training and getting confidence in your

ability to work and to hold a job and to do something that is socially necessary and useful.

Mrs. MAY. I am glad we got that corrected for the record. I am glad you did not mean to leave that impression because I happen to think the private sector is a better job trainer than the Government in many cases. The economic growth of this country and its ability to create jobs is really no bigger in the Government sector than it is in the private sector in that the Government sector is growth influenced by the economic growth of the country.

Mr. ROTHMAN. That is true, but as you know, of course, the growing edge for increased employment has been in the public sector, in Government at all levels.

Mrs. MAY. Yes. But that has been highly controversial, and with ever-increasing strength we hear complaints from the American public. We in Congress hear a lot about that.

I want to go to some specific questions, Mr. Rothman. You have made some good suggestions here. On your point 1, you have proposed and I quote:

> Eligibility standards for participation in the food stamp program should be lowered to permit more of the families and individuals not now covered to participate.

Thus including, as you indicate, a broader spectrum of the poor to be eligible for food stamps.

Now, we have made some eligibility changes in the food stamp program, administratively as well as changes in the wording of the law. Could you give us some examples, because this will be a very important question before this committee as we write this legislation over the next weeks. Could you give us some specific examples of where you think food stamps are being kept from eligible people because of the eligibility criteria?

Mr. ROTHMAN. Well, I do not have any specific illustrations with me, Congresswoman May, but I certainly feel that from the feedback which we get from our people in the field, there are those who, because of the amount of income which—current income which they have, are being kept from getting food stamps to cover their family needs, and we feel that if we could lower these standards, this would encompass a much larger number of individuals and thereby help the nutritional standards of the people as a whole.

Do you have anything?

I was asking Mr. Warden, who is with me, if he had any specific examples. He does not, either.

Mrs. MAY. The wording of the present law is very flexible as I think you know. Admittedly, the States can administer it in different ways. But I assume you are not recommending complete removal of eligibility standards.

Mr. ROTHMAN. No. We have not recommended that. We have not.

Mrs. MAY. Well, then, to another question, and that is on your point 4, on the criteria, you say:

> When the Secretary of Agriculture finds that local funds are not available to meet the cost of local administration, he should be authorized to pay the states up to the full amount of the administrative costs for such local programs.

Now, this is a question, too, that we have wrestled with very seriously and do you have any suggestions on how we determine or how the Secretary determines that local funds are not available?

Mr. ROTHMAN. Well, I think to some degree we have to take the work of the local governmental unit which is administering the program. I think we have other objective criteria.

I think you know, for instance, we can look at the number of the employed, the amount of taxable income in the area, the median income. These are other criteria which we get rather readily.

We always hear about the affluent counties, what their oncomes and housing costs, and so on, are. I think there are a number of economic indicators that you can use, but I would say also that—and I think we ought not to be beguiled by the fact that it is only the economics of the county. I think it is sometimes the willingness of the governmental units' leadership to participate in the program.

Mrs. MAY. But you have said in this criteria that local funds are not available and I think you see the problem we might come into where some counties put different priorities on the expenditures of their funds.

Mr. ROTHMAN. Precisely.

Mrs. MAY. And so there is a great temptation for counties to say we just do not have the funds available and we would rather have the Federal Government pay the whole thing while maybe the next town is paying its share.

Mr. ROTHMAN. I recognize this, yet on the other hand, I recognize and we as an organization feel that the individuals in that particular governmental unit, whether it is a county or whatever, ought not to be penalized because of the fact that the community, whatever that community might be, does not recognize this as a high enough priority.

Now, I read some of the testimony from some of the counties that have been interview by some of the committees that visited them and they indicated that they were not at all interested, that they—you know, some of them said we have no hungry people in our county whereas it was perfectly well known to anybody who really wanted to find out that there were hungary people in that county.

We feel—I think the very fact of governmental intervention would have some quality of making the county reassess its own priorities so that they can get in line with the country as a whole rather than being stiff necked about it and not being willing to take on this program which is available through the Government and at such little cost.

Mrs. MAY. One final question, Mr. Chairman.

On the point you make on page 5, and I think it is a very sound approach, Mr. Rothman, that you have said that when—a very important part of adequate diet is not just the availability of the food but equally important is the factor of how to buy it and use it to provide adequate nutrition for a family. I quite agree. We have very competent and willing home economists and professional nutritionists who would be willing to give their time in this field, but often the problems of communication, language barrier, other things, have kept them from helping people. And I commend you for making this proposal and I would like to ask you if you are aware that presently

there are discussions, meetings and plans being made, in joint action between USDA and the Department of HEW, in working out a plan in this field. I would like to point out that I have sat in on some of the meetings in which they discussed this point. It is felt we still need our professional nutritionists and home economists to find people within the inner city, as you might say, that are trainable to get the proper nutrition facts that they in turn then will carry back to the people among whom they live.

Mr. ROTHMAN. Yes.

Mrs. MAY. So, I think that the American home economists and professional nutritionists should always be made welcome because they have a great body of experience and guidance to give us in helping to find those among the poor who can be trained and supply expertise to them. I have commended these organizations on several occasions for their willingness to cooperate with their Government and the Department of HEW and USDA in helping us work out this very important part of attempting to solve malnutrition in America.

Mr. ROTHMAN. Well, I want to say, Madam Congressman, that I am certainly not one to downgrade the professional expertise of these particular groups. I quite agree with you that they are going to have to be the trainers of these people. They are going to have to share their wisdom and knowledge with them. But I do think that when they have tried directly to become involved, they have kind of missed the mark.

Mrs. MAY. And they realize this, yes.

Mr. ROTHMAN. And I am aware of the fact that the Department of Agriculture is trying to do something about it. I did not know that they were working with HEW but I am delighted to know it.

Mrs. MAY. Mrs. Hitt, at HEW, Pat Hitt, one of the Assistant Secretaries, has been put in charge of this and has been working with the American Home Economics Association, and others.

Mr. ROTHMAN. Very good.

Mrs. MAY. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. Purcell?

Mr. PURCELL. Thank you, Mr. Chairman.

Mr. Rothman, I want to discuss really very briefly what Mr. Poage first asked you and say first, I think we are all in agreement in nearly every area. You understand the process we have to go through. We have got the responsibility of putting the final dotted "i" and crossed "t" in this.

Now, I have grown to have to accept the fact that at least in the area that I come from, there are people who will not work. We just discovered it and realized it more, I think, with this present high employment rate than we have had, and I finally have gone out with employers who were seeking employees because they though we could do something about it. But I am convinced now that there are people who just will not work and we need advice and guidance if we can find anybody that will help us, and so would you—do you have any comment or what is your thinking as to a point at which this should be cut off?

I am assuming that it is established that here is an able bodied man, does not have children at home he has to take care of, does not have

anything else, that he just will not work. He will work one day and not even make enough money to get off relief or something.

Now, your organization probably deals with as many people as any other organization outside the Government. Could you help us here?

Mr. ROTHMAN. Well, of course, there is the method that the welfare department uses which is to appoint a trustee, in effect, who will administer, let us say in this case, food to the family and deduct that which the male who is supposed to be working should receive.

Now, in other words, this does not give support to the concept of not working and still getting something for nothing.

Now, I——

Mr. PURCELL. Then the old boy comes home and eats up the kids food, I presume.

Mr. ROTHMAN. You see, obviously it does not work. Yes. Obviously, it does not work any more than the welfare concept, the same thing, does because all you are doing is making whatever it is that they are getting, that dish of spaghetti, making it that much smaller and adding one more mouth to the eating of it, and so you have not accomplished a darn thing except to punish the family.

How you do it, it seems to me, is by—there is another way, by doing what we always have done in America, and that is create incentives to work. You create incentives to work by offering good jobs at decent pay.

Now, I suppose there are some men, and I have not run across any myself, who are so demoralized and so defeated that they have given up on the ethic of work as being a way to provide for your family. I do not happen to have run into this kind of an individual, but where——

Mr. PURCELL. I felt just exactly the way you do and I have spent years working with younger people who needed some kind of incentive they had not yet got. So I am not a novice in this, but I have become convinced, and I will take you where I was taken—not even to the ghettos or some place where people should be demoralized, and I have become personally convinced that there are some who honestly will not work.

Now, if you do not have a solution, just say so, because I don't have one now either, but we truly need some help in this particular area. And as I said, I am asking the question assuming there are those who will not work, and I can assure you there are those, and I will take you if you want to go with me.

Mr. ROTHMAN. Sir, I will tell you right now I do not have a solution for that kind of an individual because I do not know him, because I do deal with manpower problems all the time and I have dealt with those who were demoralized and frustrated and unmotivated and by giving them training and the promise of a good job and, as a matter of fact, this is the whole concept now of our manpower training program. We have been able to take these men and women and to put them into competitive jobs where they are earning their keep today.

Mr. PURCELL. I realize that, and I am for it, but there is a crack that these people are falling through somewhere, somehow, and I do not want to penalize the child or the wife of these people, but I just believe that if we let this situation be so flexible that there are those

who could work and could get out of the poverty program, that if we leave it too easy, that this is just going to get bigger and bigger because you and I know human nature well enough to know that the easiest way is just to sit there. So if you do not have a solution you are no worse off than I am. If you run across one let me know, and if you do not believe there are these folks, come with me and I will take you and maybe you could meet a few that you could have some influence on. OK?

Mr. ROTHMAN. Thank you.

The CHAIRMAN. Mr. Mayne?

Mr. MAYNE. Mr. Rothman, I was interested in your comment in response to one of the questions of the Chairman in which you said that there were only 100,000 able-bodied men in some category, and I am not sure just what——

Mr. ROTHMAN. Receiving public welfare, sir, who are receiving public welfare.

Mr. MAYNE. Does this in this context mean approximately 100,000 able-bodied men who are not fully employed?

Mr. ROTHMAN. They are not employed at all. And through no fault of their own. And, therefore, under one of the programs; that is, aid to families with dependent children, with unemployed parents, this particular program which a number of the States have adopted, it is possible for an unemployed father to come on relief and they, of course, determine that this is not willful unemployment, that it is unemployment due to the economic situation, and, therefore, they will help support him and his family.

Now, as you know, AFDC has by and large not supported—has supported only the mother and the children.

Mr. MAYNE. You just stated that this category is able-bodied men who are not employed at all.

Mr. ROTHMAN. True.

Mr. MAYNE. Is that what you meant to say?

Mr. ROTHMAN. Yes, sir.

Mr. MAYNE. As distinguished from a much larger group that would not be fully employed?

Mr. ROTHMAN. There is actually—there is a very large category of what we call the working poor. These are men and women, heads of households, who are fully employed and do not earn enough to get them out of the poverty category. That is currently something around 3,550.

Mr. MAYNE. Well, I think you first said that this 100,000 were welfare recipients?

Mr. ROTHMAN. Right, sir.

Mr. MAYNE. Some of these that you have just referred to as being employed but in jobs that you do not consider adequate, would they be in this 100,000 or not?

Mr. ROTHMAN. No. They are not eligible for assistance. They are working.

Mr. MAYNE. So, you are talking about ones that are not employed at all.

Mr. ROTHMAN. In the 100,000, yes.

Mr. MAYNE. Now, what is the source of that statistic?

Mr. ROTHMAN. I think it is in the current issue of the social welfare bulletin put out by the U.S. Department of Labor—the Department of Health, Education, and Welfare. I am sorry, sir. I do not know what bureau. I think it is the Social Rehabilitation Service that puts it out.

Mr. MAYNE. At any rate, it is a U.S. Government figure.

Mr. ROTHMAN. Yes, sir.

Mr. MAYNE. As distinguished from one prepared by the AFL–CIO.

Mr. ROTHMAN. Oh, yes, sir. We ourselves use governmental figures very extensively, sir, and especially in the health and welfare field we use the resources of the—we use the publications of the U.S. Government to a very large degree.

Mr. MAYNE. Could you tell me what percentage or what number of this 100,000 who are not employed at all belong to minority groups?

Mr. ROTHMAN. I could not, sir.

Mr. MAYNE. You have no information on that in the AFL–CIO that you are familiar with?

Mr. ROTHMAN. No. As I say, we get our information from, in this case, HEW and they have—according to the statistics that I see, there is no way of breaking it down by ethnic, color, race or anything else.

Mr. MAYNE. Well, certainly your organization would be deeply concerned with what percentage of them are from minority groups, would it not?

Mr. ROTHMAN. Perhaps we would, yes. There is concern on our part but we would not have any particular concern about the composition of this particular 100,000 that I mentioned. This is not of any real importance to us.

Mr. MAYNE. Well, I think you have indicated that you share the view that it is important to try to get jobs for these people.

Mr. ROTHMAN. Right. That is true, sir.

Mr. MAYNE. You have to identify them and know where they are in order to get the jobs, do you not?

Mr. ROTHMAN. They can be identified by State. In the statistics they are identified on a State basis; that is, where they live, geographically. So, we know where they are and presumably within the State they could be identified. If you go through the State welfare department, you can identify them.

Mr. MAYNE. Well, could you locate this 100,000 for us with reference to geography?

Mr. ROTHMAN. I would not be able to do it offhand. I could send it to you.

Mr. MAYNE. Do you have any idea how many of them are in the urban ghettos and how many are rural poor?

Mr. ROTHMAN. I would not. I could take a guess, sir. I would say that probably about 60 percent are in the urban ghettos and probably the rest are in the rural areas. Maybe it would be a little smaller. Maybe 35 and 65. That is just a rough guess, sir.

Mr. MAYNE. If there are only 100,000 able-bodied men who are not fully employed, approximately what percent of the working force in the country would they constitute?

Mr. ROTHMAN. What part of the working force?

Mr. MAYNE. Yes. Roughly what percentage.

Mr. ROTHMAN. We have something over 70 million, so you can see that it is a very, very small figure of able-bodied men. Of course, your 70-odd million, now, of course, includes both men and women, total working force.

Mr. MAYNE. Well, would it be a fair estimate of the situation, then, to say that with 100,000 who are not fully employed, that we are——

Mr. ROTHMAN. Who are on relief, sir. Who are not employed at all. Who are unemployed.

Mr. MAYNE. Yes. Who are fully unemployed.

Mr. ROTHMAN. And on relief.

Mr. MAYNE. Would that in your judgment, mean that we are very close to full employment in this country?

Mr. ROTHMAN. Well, the last figures on unemployment suggested that we had an unemployment rate something in the neighborhood of 3.6, 3.7, and while this certainly is not an unfavorable unemployment rate; that is, 3.7 percent of the labor force, we have felt that full employment, if we were to have it, would mean something like 2 to 2½ percent of the labor force unemployed.

Now, the reason for that is that obviously people are changing jobs, and so on, new people coming into the labor market looking for jobs, all that sort of thing. So that 2 percent, 2½ percent, would give you just about full employment.

Mr. MAYNE. Well, the 3.6 percent does not refer just to people who are completely unemployed, does it? Or does it?

Mr. ROTHMAN. This refers to people who are no longer in the—only those who are still in the labor market. Now, actually, the rate of unemployment may be somewhat higher because there are some who have dropped out of the labor market, that is, in the sense that they may no longer be eligible for unemployment insurance, and, therefore, they are dropped from the records. So that you actually may have a somewhat larger rate of unemployment than your U.S. Department of Labor figures show.

Mr. MAYNE. I have just one further question, Mr. Rothman. Does the AFL–CIO favor continuing the administration of the food stamp program within the Department of Agriculture?

Mr. ROTHMAN. We have no feeling about it being in the Department of Agriculture as against any other place. We feel that if this is where it can be administered effectively, fine. That is as far as we are concerned. We are not going to get caught up in the question of where the program is domiciled. We are going to stay right with the question of what kind of program is being prosecuted.

Mr. MAYNE. Then, you are taking no position on where the——

Mr. ROTHMAN. That is right, sir.

Mr. MAYNE (continuing). The locus of the administration should be?

Mr. ROTHMAN. No, sir; we are not.

Mr. MAYNE. Thank you.

The CHAIRMAN. Mr. O'Neal?

Mr. O'NEAL. No questions.

The CHAIRMAN. Mr. Sisk?

Mr. Alexander?

Mr. ALEXANDER?. No questions, Mr. Chairman.

The CHAIRMAN. Mr. Kleppe?

Mr. KLEPPE. Mr. Chairman, I have a number of questions I would like to ask but I know the time is getting late, so I would just like to ask Mr. Rothman one, if I may.

In my district we have a large refinery. One day the workers went out on strike. It lasted for 10 days to 2 weeks.

During that period of time some of the employees who were receiving an income of between $8,000 and $9,000 a year applied for and received food stamps.

Do you believe this is the proper application of public funds for that kind of a purpose? Under the food stamp program?

Mr. ROTHMAN. If they are eligible, then——

Mr. KLEPPE. They were not eligible before the strike.

Mr. ROTHMAN. True, but they went on strike and, therefore, the basis of the need is not the question. The actual need is the question.

Now, if these people used their funds when they earned them, regardless of what they earned, up to a point of where they had no savings and no income——

Mr. KLEPPE. Even though they earned $8,000 or $9,000 a year?

Mr. ROTHMAN. That is right, sir. We have never—there are many instances in the whole welfare program where individuals who at one point or another had very substantial incomes but for one reason or another had them no longer and, therefore, were applying for relief and, of course, if they met the requirements, the objective criteria which are set out by the State, by the Federal Government, by the local government or local political unit, if they meet them, then it seems to us they ought to be able to receive this assistance the same as anybody else.

Mr. KLEPPE. I certainly appreciate your views and your opinions. I disagree with them, of course, but that is all my questions.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Kleppe.

Mr. Burlison?

Mr. BURLISON. Mr. Rothman, does your organization have any position on inclusion of fiber products in the food stamp program?

Mr. ROTHMAN. Well, Mr. Warden does not seem to know that we have and I have not, sir, come across any position we have taken on fiber products.

Mr. BURLISON. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. McNeally.

Mr. Jones?

Mr. JONES of Tennessee. No questions, Mr. Chairman.

The CHAIRMAN. Now, is there anyone who was not here at the time of the testimony?

Mr. McMillan.

Mr. MCMILLAN. Mr. Chairman, I want to associate my remarks with the remarks of Judge Purcell of Texas, who stated that he knew of people who are able bodied that did not want to work. I want to corroborate that statement.

I spent the last 3 weeks in my State attending the sales on the 15 tobacco markets. I found that the tobacco companies, tobacco ware-

houses, and the farmers are in great trouble because they cannot get the necessary labor to handle the tobacco promptly and properly in the warehouse sales or processing of tobacco, while in my home town of Florence every morning we have from 10 to 20 able-bodied men sitting around the unemployment offices, and they stay there about an hour and disappear.

The unemployment offices have offered these people jobs and they will not take the jobs because they claim they are not qualified for that kind of work. Nobody is exactly qualified to get in a tobacco field and crop tobacco or process tobacco because it is real hard work.

I certainly believe that we do have a lot of people in South Carolina able to work who do not want to work.

The CHAIRMAN. Thank you, Mr. McMillan.

Anybody else?

Mr. Miller?

Mr. MILLER. I would like to pursue just a little further the question that Mr. Kleppe brought out. I understand that strikers are allowed food stamps. Do you have any information as to how many dollars have been spent from the previous program, last year or to date, on food stamps that strikers received?

Mr. ROTHMAN. No, sir; I do not.

Mr. MILLER. No estimation whatsoever as to——

Mr. ROTHMAN. No; none at all, because we have no way possibly of gathering any such information because very frequently we at national headquarters—as you know, we are simply a federation of 125 different international and national unions.

Now, that information may be collected by a given national union or international union, but it never necessarily reaches our headquarters, and we have made no attempt in any given strike. We frequently do not know about all the—we never know about even the small percentage of the strikes which are being held, especially those of brief duration, a week or 2. We have no way of collecting such information. We have to do it on a local—go from community to community all over the country. This would require an enormous staff, enormous amount of money. We have no way of doing it.

Mr. MILLER. Would you even care to make a guess whether it is any large percentage of the amount of money that was spent for the food stamp program?

Mr. ROTHMAN. I would say it was a very insignificant amount.

Mr. MILLER. Thank you.

The CHAIRMAN. Thank you, Mr. Miller.

Mr. Jones?

Mr. JONES of North Carolina. Mr. Chairman, thank you.

Mr. Rothman, I am sure you are aware of some criticism whether justified or unjustified, about the assistance programs as they relate to the so-called able-bodied man that refuses to work. Whether it be true of many, I do not know. Of course, we all agree it is justified criticism.

What would be the position of your organization should the Government, Federal Government, attempt to provide guaranteed employment for the purpose of public——

Mr. ROTHMAN. Guaranteed employment for purposes of——

Mr. JONES of North Carolina. Conservation, et cetera.

Mr. ROTHMAN. We would—we are very much in favor of that, sir. We think that the Government as the employer of last resort is a concept which makes a good deal of sense, sir. We feel that in this way we can do a number of the things that many communities have always wanted to do.

For instance, conservation is one, recreation is another, better schools, better libraries, better hospitals, health facilities, and this kind of thing. We are very much in favor of it.

We feel that the quality of life in America generally by constructive use of such manpower could be effectively raised.

Mr. JONES of North Carolina. One further question, Mr. Rothman. In a situation where there might be a conflict between nonunion and union labor, what would be the position of your organization?

Mr. ROTHMAN. In what relationship?

Mr. JONES of North Carolina. Well, you might have a situation possibly where the Government operation would infringe on union labor.

Mr. ROTHMAN. I see. On jobs which are being currently done by union men? Is that it?

Mr. JONES of North Carolina. Yes.

Mr. ROTHMAN. Well, of course, we feel that in all such things there ought to be the displacement of ongoing jobs. This is not the concept behind this program.

Mr. JONES of North Carolina. These should be new projects?

Mr. ROTHMAN. That is right.

Mr. JONES of North Carolina. Thank you.

Mr. ROTHMAN. We have been doing this, you know. For instance, the Job Corps program does this. We have done a great deal of conservation as you probably—it must run into millions in the Job Corps. The Neighborhood Youth Corps has done projects of this kind. School gardeners, for instance, where a school had no—a school district had no money to keep its lawns and shrubbery and landscaping in order, they got these kids to go out and police the area and to help keep them, maintain them, and so on. They have done this in parks, and so on. So that this is not a new concept at all.

Mr. JONES of North Carolina. Thank you, sir.

The CHAIRMAN. Thank you, Mr. Jones.

Mr. Montgomery?

Mr. MONTGOMERY. Mr. Chairman, thank you, sir.

I assume, Mr. Rothman, that your organization has made a thorough study of the bills that have been introduced pertaining to food stamps, is that correct?

Mr. ROTHMAN. I would say most of them, but the chairman caught me up on one, the one the chairman introduced.

Mr. MONTGOMERY. Well, I am not trying to catch you up on another one, but I have introduced a bill and I see you have recommended H.R. 13423, which was introduced by Congressman Foley and Mrs. Green.

My question is, can you give me some specific things wrong with my bill, since you made a study of these bills?

Mr. ROTHMAN. What we have tried to do here, sir, was not to evaluate the bills and what was wrong with them but what we tried to do is to go through and as we indicated, set some criteria for what we consider a good bill, and we think there are many good bills and

we have not—we have only pointed out the one bill that Congressman Foley and Congresswoman Green have introduced only for one reason and that is because it presents a novel method of financing through the Commodities Credit Corporation.

We have not attempted to in any way disparage any of the other bills but we have simply indicated—I think there are eight criteria which we have listed. We have not tried to pick and choose from amongst the many bills which have been introduced, most of which have been quite good, we think.

Mr. MONTGOMERY. Well, that is my point. I certainly hope that you took a look at all of the bills or most of the bills that were introduced and then came up with your thoughts. Could you tell me any good things about the bill I introduced? It is listed here as a bill introduced and certainly you would have to consider it, I would think.

Mr. ROTHMAN. Well, Mr. Warden, who has done most of the work, I must say, on this, on reviewing the bills, indicates again that we have—that our review was not from the point of view of critical evaluation of each bill but simply for the purpose of setting these various criteria so that they would be available to the committee when they finally chose to mark up whatever bills they had.

I could not evaluate any particular bill at this point, sir, and would not want to. The only, as I say, reason we mentioned—maybe this made us culpable to critics, but we will have to take it—the Green-Foley bill was because we thought that they introduced an imaginative approach to financing and that was the only reason we mentioned that one.

Mr. MONTGOMERY. Well, I thought mine had some imagination and some reality and some strong conservative thoughts. It has the States participating in financing the food stamps. I was just wondering if your organization did consider this approach.

Mr. ROTHMAN. No. I cannot say that we actually did, sir.

Mr. MONTGOMERY. Well, my point is, I certainly would recommend that you take a good look at as many of these bills as you can and maybe you can come up with better recommendations to the committee.

Mr. ROTHMAN. All right, sir. Thank you.

Mr. MONTGOMERY. That is all.

The CHAIRMAN. Is there anyone else who wants to question this witness? If not, we are very much obliged to you. We appreciate the statement you brought in, you and Mr. Warden.

Now, we have taken an hour and 10 minutes on this first witness. We have three more. The Chair is going to hear the witnesses first before we question anybody. We will hear the witnesses and then we will devote what time we have remaining to questions.

Mr. Mayers, committee member, the Health and Welfare Council of the National Capital Area. Daniel Mayers. We will be glad to hear from you.

STATEMENT OF DANIEL MAYERS, COMMITTEE MEMBER OF THE HEALTH AND WELFARE COUNCIL OF THE NATIONAL CAPITAL AREA, ACCOMPANIED BY MRS. MARY BORDEN

Mr. MAYERS. Thank you, Mr. Chairman. My name is Daniel Mayers. With me this morning is Mrs. Mary Borden, a valuable staff member

of our council. I am appearing in behalf of the Health and Welfare Council of the National Capital Area. I serve as chairman of the Working Group on Hunger of the Health and Welfare Council's Committee on Federal Legislation.

Our council is the central agency for developing and coordinating the support of the private sector for health, welfare, and related community services in the greater metropolitan area of Washington. It is a nonprofit organization financed chiefly by the United Givers Fund and is responsible for the allocation of all UGF funds to eligible private voluntary agencies. The council is a citizen-led organization representative of all segments of the metropolitan area.

We appear before this committee because we are increasingly convinced that the effectiveness of the voluntary agencies in making their full contribution to the solution of the welfare problems facing this country today depends directly and fundamentally on the existence of adequate public programs. We believe that the experience and knowledge of thousands of concerned citizens, primarily volunteers, whom we and similar health and welfare councils in other communities throughout the Nation represent, are important resources in helping to formulate the Federal legislation and policies which affect our communities.

We have found that here in Washington private agencies frequently have to provide cash assistance to the needy so that they can participate in the Federal food-stamp program. It surely is ironic that private dollars must be used as "seed money" for those otherwise too poor to take advantage of Federal aid. This simply is not an appropriate burden for private, voluntary agencies to carry in this day and age.

We, therefore, are forced to conclude that, as of today, the Federal Government is not carrying its share of the national commitment to ensure a basic decent living standard for all who lack an income adequate to support this standard. We are encouraged by the philosophy embodied in the presidential message to Congress on welfare reform, which recognizes and accepts this responsibility. However, until this philosophy can be implemented by a minimum national income standard sufficiently realistic to permit a family to purchase an adequate diet, the Federal food-stamp program remains a practical technique for providing this vital part of needed basic assistance. It is an effective means for eliminating the most elemental consequences of poverty, hunger, and malnutrition.

In testimony before the Senate Select Committee on Nutrition and Human Needs, at its field hearings in the District of Columbia, our committee analyzed the extent of the need for an expanded food-stamp program. We also explored some of the present program's inadequacies on the basis of information collected from our member agencies regarding their direct day-to-day experience with the operation of the program. Our findings demonstrate that the current food-stamp program falls sadly short of meeting the real needs.

We believe that our findings are typical of many communities throughout the United States. Our findings indicate that:

The food stamp program in the District of Columbia was reaching only approximately 11 percent of those people needing some financial assistance to maintain minimum nutritional levels.

A significant percentage of families eligible for food stamps did not have the income to permit them to purchase stamps.

The unrealistic current bonus value schedule presents an additional deterrent to program participation.

The total value of most families' food stamp allotments falls well below even the U.S. Department of Agriculture's "economy" food plan, which itself is approximately 20 percent below the "low cost" plan. Moreover, under the sliding scale still in effect, the poorer the family the lower its food allotment.

The requirement that the total monthly supply of food stamps be purchased at one or two times a month is a formidable obstacle to participation.

Funds and staff for administration and certification are simply inadequate.

Certification and distribution regulations and procedures are unnecessarily complicated and rigid, and make participation a difficult, time-consuming and sometimes humiliating process.

We urge that the President's welfare reform programs be carefully scrutinized and discussed in Congress and by the public. In the meantime, people are hungry.

Childhood malnutrition is taking its grim toll.

The health of our future citizens is being undermined. We urge the immediate enactment of a new food stamp bill. While we agree with the President that there should be an "orderly substitution of food stamps by the new direct monetary payments," we believe that such orderly substitution cannot be effected until family assistance throughout the country can be raised to a level commensurate with an adequate standard of living.

Each of the bills before this committee contains useful proposals to improve the food stamp program. And as the previous witness said, Mr. Chairman, I mean that most sincerely. We think there is a passel of good bills for this committee's consideration. We believe that in order to meet existing needs, the bill reported by your committee should contain at least the following provisions:

1. Eligibility. Minimum national standards should be established to cover all households whose disposable incomes fall below three times the cost of USDA low cost food plan.

2. Food stamp value. Every eligible family, without regard to income or food stamp payments should receive stamps equal in amount to the cost of the USDA low cost food plan.

3. Purchase price. No eligible family should be required to pay more than 25 percent of its income for food stamps. This would mean that no family whether or not eligible, would be required to spend more than approximately 33 percent of its income on food to obtain a minimum nutritional diet. Since the average American family's expenditure on food is 17 percent of disposable income, this would hardly seem to be an unreasonable standard. A purchase schedule should be established to authorize free food tamps for those with no income or very low incomes, with a sliding scale up to 25 percent of disposable income for other eligible families. There should also be a flexible system of payment permitting partial purchase of the total monthly allotment.

4. Commodity coverage. Food stamps should cover the purchase of the items necessary for personal cleanliness, hygiene, and home sanita-

tion. These essential items are generally accepted as a normal part of the food budget. We have found that noneligibility of these items under the present program is a significant deterrent to the program participation.

5. Simplified certification. The self-declaration or affidavit system should be approved.

6. Distribution. A flexible system of distribution should be established as appropriate in circumstances—through post offices, directly or by mail, through participating retail food stores or through other channels.

7. Consumer education and publicity. Specific programs and funds should be authorized to insure that adequate publicity and effective nutrition counseling are available in every community. Counselors an neighborhood workers should be chosen from the poor themselves wherever possible.

8. Federal responsibility and authority. To guarantee that every needy family can avail itself of this national program, the Federal Government must have the responsibility and authority, in the absence of appropriate State or local action, to initiate and administer programs directly or through other public or nonprofit agencies.

In conclusion, I want only to emphasize that the problem of hunger in our Nation is not one about which only the needy or certain public officials or Congress are concerned. The private agencies represented by our Council are also vitally concerned. And perhaps more importantly, the very many people—ordinary middle-class people—who work with and support these agencies care about the problem.

We hope that by expressing our deep concern we have contributed toward a chain of events that will eventually, with your help, result in a Nation where none need exist without a basic, nutritional diet.

Thank you, Mr. Chairman.

SOCIAL WELFARE PLANNING COUNCIL,
New Orleans, La., July 9, 1969.

Hon. W. R. POAGE,
Chairman, Committee on Agriculture, House of Representatives,
Washington, D.C.

DEAR SIR: We wish to endorse the statement on Food Stamp Programs developed by the Health & Welfare Council of the National Capital Area. We have analyzed this statement fully and believe it offers the most feasible interim plan for dealing with malnutrition and hunger in our Area.

We ask that our endorsement of the enclosed statement be made a part of the record of the Agriculture Committee's hearings on food stamp legislation. We also urge your Committee's support of $750 million for this program, as authorized by the Senate.

Very truly yours,

CLARK H. CORLISS,
Executive Director.

HOMEMAKER SERVICE OF THE NATIONAL CAPITAL AREA, INC.,
Washington, D.C., July 13, 1969.

Hon. W. R. POAGE,
Chairman, Committee on Agriculture, House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN POAGE: I am writing to affirm this Agency's full support of the 8 point Statement on Food Stamp Programs prepared by the Health and Welfare Council of the National Capital Area, Inc., of which we are financially participating members.

Our staff, both Homemaker Health Aides and professional staff, are in daily contact with many families receiving food stamps as well as those eligible but unable to afford them. While it has been our practice to help them stretch their food dollar by wise purchases and proper preparation and storage, we have been keenly aware of the inadequacies of the program. With incomes so far below minimum standards, it is often next to impossible to set aside the required amount to buy the stamps, pay rent and utilities, properly clothe children, buy simple household cleaning and personal hygiene items basic to even a modicum of health and sanitation, etc. The hardship on elderly people is as bad if not worse.

In addition to our endorsement of the attached Statement, we urge the Committee to support the full $750 million appropriation authorized by the Senate for fiscal 1970.

Sincerely yours,

(Miss) PATRICIA A. GILROY, ACSW,
Executive Director.

CATHOLIC CHARITIES,
Washington, D.C., July 7, 1969.

Hon. W. R. POAGE,
Chairman, Committee on Agriculture,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: As a member agency of Health and Welfare Council of the National Capital Area we support the eight point statement on food stamp programs that was submitted by the Health and Welfare Council Committee on Federal Legislation.

We ask that our communication be included in the record of the Agriculture Committee's hearing on food stamp legislation and also that the Committee consider the fiscal 1970 authorization at once and that it support the full $750 million authorized by the Senate.

We feel that this $750 million still is not enough to be able to meet the needs of the people who need this Country's help.

Praying that you will do all within your power to help the less fortunate, I remain

Sincerely yours in Christ,

Rev. JAMES F. MONTGOMERY,
Catholic Charities.

SOCIETY OF ST. VINCENT DE PAUL CENTRAL COUNCIL,
Washington, D.C., July 3, 1969.

Hon. W. R. POAGE,
Chairman, Committee on Agriculture,
House of Representatives, Washington, D.C.

DEAR SIR: The Society wishes to strongly support the stand of the HWC as regards Food Stamp Legislation. Their 8 point statement is a significant step forward in this type of program. We hope that you will support passage of legislation substantially as recommended by the HWC.

Very truly yours,

JOHN F. SMYTH,
President, Central Council.

The CHAIRMAN. We are very much obliged to you. Now, I am going to ask you, if you will, to remain and we will hear the other witnesses who are here. Then we hope there will be time for some questions addressed to all of you. I do not know how we are going to hear everybody unless we do it that way.

Mr. MAYERS. I understand the problem. Thank you.

The CHAIRMAN. Thank you, sir.

Now, our next witness is Mrs. Frances Fischer, assistant professor of nutrition, Case Western Reserve University.

STATEMENT OF MRS. FRANCES FISCHER, ASSISTANT PROFESSOR OF NUTRITION, CASE WESTERN RESERVE UNIVERSITY; ACCOMPANIED BY MRS. LOIS B. EARL, CHIEF OF THE DIVISION OF NUTRITION OF THE DISTRICT OF COLUMBIA DEPARTMENT OF PUBLIC HEALTH

The CHAIRMAN. Mrs. Fischer, we are glad to have you.

Mrs. FISCHER. Mr. Chairman, I am Frances Fischer, president-elect of the American Dietetic Association and assistant professor of nutrition of Case Western Reserve University. I am accompanied by Mrs. Lois B. Earl, the Chief of the Division of Nutrition of the District of Columbia Department of Public Health. I am pleased to present this testimony on behalf of the American Dietetic Association, the professional organization of 20,000 dietitians and nutritionists who are responsible for the application of the scientific principles of nutrition, a discipline of health.

As recently as 1967 the Surgeon General of the United States Public Health Service stated: "We do not know the extent of malnutrition anywhere in the United States * * * " Since that time the Congress has approved funds for a National Nutrition survey and preliminary findings have been published.

The survey of low-income persons discovered growth retardation in 3.5 percent of the children, anemia in 33 percent of the children under 6 years of age, enlarged thyroid in 5 percent of the total population, vitamin A deficiency in 33 percent of the children under 6 years of age, vitamin C deficiency in 12 to 16 percent of all age groups, and vitamin D deficiency in 4 percent of the children under 6 years of age. Some cases of severe malnutrition were discovered. Dr. Arnold Shaefer, the Chief of the National Nutrition survey, stated:

> Our studies to date clearly indicate that there is malnutrition, and in our opinion, it occurs in an unexpectedly large proportions of our sample population.

What are the consequences of malnutrition? As a result of our failure to support an adequate nutrition research program, the consequences of malnutrition are not precisely known. But we do know that malnutrition exacts a heavy tool. It is clearly associated with the abnormal physical and mental development of our children, and with a high rate of infant mortality. The United States ranks 14th among the nations of the world with respect to infant mortality rates.

A recent report of the President's Committee on Mental Retardation states that: "Mounting evidence is pointing to an intimate relationship between diet and mental and nervous disorders." This report also states that three-fourths of our Nation's mentally retarded are to be found in isolated and impoverished areas. This is where hunger and malnutrition are most prevalent.

Our country cannot afford these consequences. And it is ironic, indeed, to discover that hunger prevails in the United States at the same time that obesity is creating a major new opportunity for the production and distribution of low-calories foods and beverages. This is the situation that confronts us, however, and so it is essential that recognition be given to all the facets of the complex problem of malnutrition.

Among the findings of the National Nutrition Survey is the fact that only 8 percent of the families surveyed in some locations participated in either the food stamp or food donational program. A survey of Los Angeles County showed that only 35 percent of the aid-for-dependent-children families were participating in the food stamp program, and only 15 percent of the adult public assistance recipients were participating. Less than one-fourth of the eligible public assistance recipients in Baltimore were participating in the food stamp program in 1968.

Since the food stamp program is not reaching the number of people it should, our association fully supports legislation that would improve its coverage. We strongly support the enactment of legislation that would make nutritionally adequate food available to all individuals and families.

Ideally, each individual and family should have the financial resources to afford a nutritionally adequate diet. To achieve this end will require a revision in existing welfare and food assistance programs. Revisions have been proposed by President Nixon. One disadvantage of the food stamp plan at present is the inherent stigma for the participants. The House of Representatives recently approved legislation to prohibit the identification of schoolchildren participating in the free lunch program. This association fully supports such a prohibition and recommends the adoption of such a principle in all food assistance programs.

A food assistance program will be necessary until families and individuals have the resources to provide a nutritionally adequate diet. Such a program must be more efficient and effective than the food stamp program has been in the past. This association urges the committee to give careful consideration to improving administrative aspects of the food stamp program through uniform national standards for eligibility, certification, distribution of stamps, and income levels. Present deficiencies in the administrative aspects are largely responsble for the fact that the program reaches less than one of every five eligible persons in counties where the program is in operation.

A major concern of this association is that the legislation to amend the Food Stamp Act will not give adequate attention to nutrition educaion. This association urges the committee to give consideraion to earmarking funds for providing for a certain percentage of food stamp funds to be used for financing nutrition education programs for participants and personnel. Such training and education should include long-term and short-term courses of instruction in such areas of applied nutrition as food purchasing and budgeting, meal planning and preparation, food storage preservation and sanitation, with consideration also to socioeconomic factors. Training and education in these areas must be provided by qualified personnel. Unfortunately, we are faced with a manpower shortage that will only be overcome through an expansion in our training capacity of dietitions, nutritionists, and other qualified educational personnel.

We are convinced that the problem of malnutrition in the United States will not be solved by a massive increase in food stamps or welfare payments in the absence of nutrition education.

This association also strongly supports the establishment of a commission that would be advisory to the President to develop and promul-

gate national nutrition policies—a National Nutrition Advisory Commission. The membership of this Commission should include representation of nutrition and dietetics, health, education, welfare, consumers, agriculture, and the food industry. This Commission would have available to it the expertise in nutrition of all Federal agencies. Both the Department of Defense and the Veterans' Administration finance outstanding research programs in the field of nutrition. To fully utilize and apply the results of this research an organizational entity should be established at a level commensurate with the responsibilities involved. The proposed Commission would also have available the advice and recommendations of the Food and Nutrition Board of the National Academy of Sciences—National Research Council. Such a Commission would be very effective in the adoption of nutrition policies that would greatly improve the health status of our country.

In concluding, this association takes this opportunity to express its appreciation to the chairman and members of the committee for their favorable consideration of the legislation to expand and improve the Food Stamp Act. We will be glad to answer any questions you might have.

The CHAIRMAN. Mrs. Fischer, we are very much obliged to you for your interesting statement. Now, I hope that it will be possible for you to stay with us and let us get some questions. But first, we have to hear the next witness, who will be introduced by our colleague, Mr. Mayne.

Mr. MAYNE. Mr. Chairman, it is a real privilege to introduce Monsignor O'Rourke, who is a very prominent and widely respected citizen of Iowa. Through his work in the Catholic Rural Life Conference he has made a very outstanding contribution to rural America and is recognized as a true authority on the problems confronting family farmers, particularly those in the lower income groups. Monsignor O'Rourke.

The CHAIRMAN. Thank you, Mr. Mayne.

Monsignor, glad to have you.

STATEMENT OF RT. REV. MSGR. EDWARD W. O'ROURKE, EXECUTIVE DIRECTOR, NATIONAL CATHOLIC RURAL LIFE CONFERENCE

Monsignor O'ROURKE. Thank you, Mr. Chairman, and thank you, Congressman Mayne, for those kind words, and members of the committee. I am Edward W. O'Rourke and as Congressman Mayne has suggested I direct the National Catholic Rural Life Conference which also constitutes the Division of Rural Life of the larger United States Catholic Conference. Our organization has offices in Des Moines, Iowa, and also here in Washington.

Mr. Chairman, I need your counsel at this point. When these hearings were first announced, it was determined that the group of distinguished churchmen you heard yesterday—Mr. Ackerman, Monsignor Corcoran, and Mr. Braiterman—would go into some detail regarding church views regarding food stamps and that I by reason of special experience and interest in the general farm legislation would offer some views on the general farm legislation which, as you know, Mr. Chairman, is a major part of your bill 12430, with just very brief

references to a policy statement adopted by the Catholic Rural Life Conference last June on food stamps. Is this order of presentation acceptable?

The CHAIRMAN. I think it would be in order. Proceed.

Monsignor O'ROURKE. Very good. Thank you.

I welcome this opportunity to express views regarding the Food and Agriculture Act of 1969. It is obvious that both the general farm legislation and the food stamp program vitally affect the rights and dignity of farmers and low income people; hence, the concern of the church and church related organizations such as the NCRLC in this legislation.

I. PERMANENT EXTENSION OF THE FOOD AND AGRICULTURE ACT OF 1965

The National Catholic Rural Life Conference has repeatedly supported the main objectives of the Food and Agriculture Act of 1965. We are convinced that the Federal Government quite properly should assist in control of production of basic farm products in an effort to stabilize prices and thus to help preserve the family farm system.

We also concur in those provisions of H.R. 12430 which would make this legislation permanent. So important a matter as this should not be subject to reenactment every year or two. Permanent legislation would provide a much more rational basis for the long range planning which farmers must make.

A. *Payment limitations.*—We strongly urge that H.R. 12430 be amended to limit the amount of subsidy payments which may be made to any individual or corporation. We suggest also that the "snapback" provision of the law be repealed.

We are aware of the arguments against payment limitations, chief among which is the assertion that such limitations would prompt big producers to drop out of the program and, hence, defeat the purpose of the program. The validity of this argument is not evident.

According to the present law, cotton producers who might drop out of the program would still be subject to a 25 cent per pound penalty for overplanting. This would certainly make it unprofitable for cotton producers to significantly increase their production.

In the case of wheat, the value of certificates for wheat domestically consumed might be raised to a level which would make increased production by noncooperating farm operators unprofitable.

Some special problems arise in regard to feed grains, since many farmers feed these grains on their farms. However, the Congress might consider either penalties for overplanting or increased payments to farmers who participate in the program as means to guard against the problem under discussion.

The moral and social reasons for payment limitations are numerous and urgent. It is not proper for our Government to pay huge subsidies to already wealthy and powerful individuals while we limit the assistance we offer to those who are distitute.

B. *Evaluation of the "Agricultural Adjustment Act of 1969."*—(H.R. 11698; S. 2524.) It is apparent from the foregoing remarks, that we are in sharp disagreement with the proposal of H.R. 11698 to phaseout existing supply control programs on wheat, feed grains, and

cotton over a 5-year period. We maintain that Federal supply control programs are urgently needed in order to prevent massive surpluses which would wreck farm markets.

The Center for Agricultural and Economic Development at Iowa State University, in its "Farm Programs for the 1970's" (CAED Report No. 32), indicates that replacing the present Federal supply control program with a 50-million-acre land retirement program would cause a sharp drop in crop prices. Comparing 1967 prices with projected 1970 prices, the CAED report predicts the following:

	1967	1970 50,000,000-acre program
Wheat	1.39	1.29
Corn	1.05	1.03
Oats	.66	.56
Barley	1.00	.84
Grain sorghum	1.00	.84
Soybeans	2.49	2.05
Cotton lint	25.6	23.5

We also object to the second major proposal of H.R. 11698, namely, whole-farm land retirement. Such a program would remove much land from the control of small family-type farmers and concentrate it in the hands of large operators and corporations. Secondly, retirement of several farms in a community would greatly reduce the sale of farm supplies such as fertilizers, fuel, etc., thus seriously injuring the business and other activities of rural communities. Finally, we recommend that land retirement should be made with a view to future needs, resting and building up those lands which are low in fertility. Whole-farm retirement would greatly impair the pursuit of this objective.

For these reasons, we urge the continuation of the land retirement programs now authorized and a rejection of the whole-farm retirement plan proposed in the Agricultural Adjustment Act of 1969.

II. EXTENSION OF THE FOOD STAMP ACT OF 1964

In our estimation, President Nixon's recently announced program to extensively modify welfare programs contains many excellent features. However, for the immediate future an urgent need for a food stamp program will remain. Even if the administration's welfare programs were adopted, many welfare recipients would continue to subsist on less than adequate incomes. It would be wise, therefore, to continue a food stamp program to assure adequate diets for families on welfare. Obviously, good nutrition is among the most urgent needs of every family.

We support the basic purposes of the Food Stamp Act and urge its improvement and expansion.

We must eliminate hunger and malnutrition in the United States because (1) this affluent land with great food surpluses clearly has the resources to do so; and (2) to fail to do so would be contrary to a most basic human right, denying to our poorest citizens the opportunity to live fully human lives.

The following are a series of specific proposals made by the Executive committee of the National Catholic Rural Life Conference on June 25, 1969 in a policy statement entitled, "Direct Distribution and Food Stamp Programs:"

That the federal programs be adequately funded to permit food assistance to a greater number of hungry people.

That the Direct Distribution program be replaced as rapidly as possible by the Food Stamp program. This is more human, recognizing the freedom of choice for the individual as well as using the regular food distribution system, thereby helping expand local retail trade.

That the administration of the programs be so structured as to remove them from partisan politics; that they be established in every county of the U.S. without destroying the autonomy of the local governments; that the same criteria apply everywhere.

That the programs be considered primarily as programs for the aid of poor people, recognizing, however, that such programs will continue to provide expanded markets for most farm products.

That consumer education on food be given high priority in the administration of the program in order to insure adequate diets at relatively low costs.

That both programs (Direct Distribution and Food Stamp) be permitted to operate simutlaneously in the same area, as long as the Direct Distribution program continues.

That persons with no income and families with very low income receive free stamps equal to the cost of the minimum aedquate diet.

That there be more co-operation and coordination of all programs, both on the public and private level, designed to assist poor people.

III. WORLD TRADE AND INCOME OF AMERICAN FARMERS

Since it is the purpose of this committee to examine the broad implications of Federal farm programs, I wish to make a few observations concerning the bearing of U.S. international trade policies on the income of American farmers.

From the earliest days of our Nation, our international trade policies have been formulated for the advantage of industrialists and the disadvantage of farmers. At the First Continental Congress, Alexander Hamilton won a victory over Thomas Jefferson and pushed through a revenue measure which established excise taxes on foreign manufactured products at twice the level imposed on domestic manufactured products. Thus began our policy of protecting industrial products without supplying a corresponding protection for farm products. From that day to this, the result has been relatively high prices for the things a farmer buys and low prices for the products he sells.

Prior to World War I, the injustice and regressive effects of this policy did not become clearly apparent. During that period, export markets for U.S. agricultural products were growing more rapidly than poduction in the rest of the world. World War I distorted agricultural production and marketing patterns and led to a collapse of wheat, cotton and pork prices when normal peacetime patterns returned. This caused a tragic lowering of farm income during the 1920's, continuing through the Great Depression of the 1930's.

In spite of serious efforts by governmental and private agencies to improve farm income during the past 30 years, today the income of farmers from all sources is only approximately 60 percent of that of nonfarmers.

Generally speaking, international trade is in a state of confusion. During the presidency of John F. Kennedy, the United States led the nations of the world in a brief movement toward more orderly and freer trade, with the removal of arbitrary and hurtful trade barriers. Among the results were the Trade Expansion Act of 1962, the Kennedy Round Negotiations and the International Grains Agreement.

This leadership by the United States lost its momentum during the last 2 years of the Johnson administration. When the Trade Expansion Act of 1962 expired, it was not extended (because the House Ways and Means Committee failed to act on it). Although the Johnson administration, and now the Nixon administration, have not repudiated the trade policies of the Kennedy administration, they have not presented a clear, definite program for improving international trade. Trade policies are always controversial. Apparently, neither the Johnson nor the Nixon administrations have been willing to enter vigorously into this arena.

In the meanwhile, the nations of the European Economic Community made the same mistake which the United States had made a decade previously; namely, they attempted to support agricultural prices at relatively high levels with little or no restriction on production. As storage facilities became overtaxed, some of these nations resorted to disastrous dumping policies, often selling commodities at shipping costs.

It is clear, therefore, that there is urgent need for revising international trade agreements. The International Coffee Agreements of 1962, 1967, and 1968; the International Wheat Agreements of 1953, 1956, 1959, 1962, and 1967; the International Grains Arrangement of 1967; and the International Sugar Agreement of 1968, are examples of the direction in which we should be moving. These agreements establish marketing quotas among exporting nations and take steps toward preventing accumulations of domestic stock in excess of reasonable requirements.

Most developed nations are turning toward a dual pricing system for agricultural products—a relatively high price for domestic consumption and a relatively lower price for products entering into international trade. The U.S. wheat certificate plan is an illustration of this policy.

Presently, most agricultural products on the world market are priced much too low—in some cases at prices below the cost of production. This situation acts as a ceiling to any aspirations the American farmer may have to improve his income. It is becoming increasingly apparent that American farmers will not get a fair return for their products until the international agricultural market mess is put in order.

I respectfully recommend, therefore, that this committee prod the appropriate members of congressional committees and administrative agencies to take vigorous action on this urgent problem.

CONCLUSIONS

May I say in conclusion that the nutritional needs of the poor of our Nation and the income of family farmers are issues of great import to these groups and to the Nation as a whole. I urge that these

issues be given a very high priority by the Congress and the administration.

The CHAIRMAN. We thank you very much, Monsignor, for your cooperation. And if you will stay where you are, and the others who have testified, Mrs. Fischer and Mr. Mayer, come back up to the front, let us question the group en bloc, as it were. Would you care to come back?

In order that we may try to arrange a little more equitable distribution of questions, I am going to start with Mr. Jones, Mr. Ed Jones. Do you have any questions?

Mr. JONES of Tennessee. No questions, Mr. Chairman.

The CHAIRMAN. Mr. Mizell, do you have any questions?

Mr. Rarick?

Mr. RARICK. Yes, Mr. Chairman. Thank you.

I would like to direct a question to Reverend O'Rourke. I notice on page 5 of your statement that your organization believes in freedom of choice of the individual. That is, you feel we should abolish the direct distribution program and permit individuals to have freedom of choice in choosing regular food distribution systems. I certainly hope that your statement of principles includes freedom of choice to the parents and children in selecting their own school system.

It would appear that what human values there are in freedom of choice in nutrition also includes human individual values in selecting an educational system in a neighborhood chosen by the individual.

May I ask this. Is your organization composed of people who are living in rural areas, farm people, or retired people? It is called the Catholic Rural Life Conference.

Monsignor O'ROURKE. Mr. Chairman, most of the people who are members of our organization are residents of town and country places, yes, Mr. Rarick.

Mr. RARICK. Small towns.

Monsignor O'ROURKE. Small towns. Most of them under 5,000.

Mr. RARICK. Are you encouraging any educational programs such as gardening to supplement diets?

Monsignor O'ROURKE. Yes, Mr. Rarick. We do encourage the diversification of all farm operations and gardening is not the major issue at stake but it is a useful occupation, particularly for the younger members of the family, a way to supplement the total income of the family and improve their diets.

Mr. RARICK. Are you observing any success as far as supplementing diets by the use of fresh vegetables?

Monsignor O'ROURKE. Not as much as we would like. Any tour of a rural community will show you many areas where formerly there was a garden and now there are weeds, and so we have to admit less than spectacular success in this aspect of our proposal.

Mr. RARICK. I have seen several reports suggesting that malnutrition, and hungry people are to be found in my district. I contacted all of our welfare offices, and they assured me that the Federal Government did not invent welfare and nutritional problems, that they had been working in the field and could not find these hunger and malnutrition victims. They were very happy for me to assist any way I could.

So I used news releases and delivered speeches to encourage gardening. I have rural areas in my district and I offered free vegetable seeds and the supplying of various gardening books that are available through the Agriculture Department. I was disappointed in that I have never had the first request for any help on how to plant a garden or for any of the free seeds.

Monsignor O'ROURKE. Congressman, as you doubtless know, one of the problems of low income people is in the spirit as well as in the body. Some of them are not quick to respond to general recommendations and announcements. So in all efforts of this sort we have to maintain more outreach to them, as you well know. Many of our rural pastors are doing that at this time.

I was visiting a rural pastor in Mississippi just this past week, 2 weeks ago now, in which the parish had made an announcement about the food stamp program and offered assistance to members to make these stamps available and to help them in the costs thereof. I know of some activity of extension service which instead of the usual county-based extension agents who contact those who respond most quickly, special agents have been engaged to go out and seek out those who have the greatest needs. I think this is necessary.

Mr. RARICK. Well, I find it most unusual because the minute there is talk about free food stamps, supposedly hungry people do respond and show up.

I think a perfect example of this occurred recently in Mississippi and Louisiana as a result of the hurricane. My district was very severely damaged by the hurricane. Many sincere people, wanting to help these victims, have sent trailer after trailer filled with food, clothing, and other helpful items into the gulf coast area. Yet unfortunately, we are finding people driving 200 and 300 miles, loading pickup trucks with this food and clothing that belongs to the hurricane victims. The victims themselves are busy working on their homes, recovering their belongings, and taking care of their sick. Many of the needy—the refugees—are not sharing in this charity. This experience follows in other welfare programs.

I have already taken up too much time, I guess. I thank you for your comments.

The CHAIRMAN. Mr. Kleppe?

Mr. KLEPPE. Thank you, Mr. Chairman. I yield back my time.

The CHAIRMAN. Mr. Burlison?

Mr. BURLISON. No questions, Mr. Chairman.

The CHAIRMAN. Mr. Zwach?

Mr. ZWACH. Mr. Chairman, just to say that I have long been aware of the length and breadth and depth and height of the knowledge that Monsignor O'Rourke has of countryside America. I think he has again showed that today and I want to compliment him. I want to say that I am very interested in his answers to some of the problems.

Monsignor O'ROURKE. Thank you.

The CHAIRMAN. Mr. Montgomery?

Mr. MONTGOMERY. No questions, Mr. Chairman.

The CHAIRMAN. Mr. Mayne?

Mr. MAYNE. No questions.

The CHAIRMAN. Mr. Jones?

Mr. JONES of North Carolina. No questions, Mr. Chairman.
The CHAIRMAN. Mr. Mathias?
Mr. MATHIAS. No questions.
The CHAIRMAN. Mr. Vigorito?
Mr. VIGORITO. No questions.
The CHAIRMAN. Mr. Miller?
Mr. MILLER. Yes; Mr. Chairman. I do have a question.

Mr. Mayers, I read on page 2, your statement as follows: "We have found here in Washington private agencies frequently have to provide cash assistance to the needy so that they can participate in the Federal food stamp program. It surely is ironic that private dollars must be used as "seed money."

And in the monsignor's statement, he says that there should be more cooperation and coordination of all programs both on the public and private level. I thought perhaps between the two of you that you could straighten out just what we are talking about here. They seem to be in conflict.

Mr. MAYERS. Well, I would suspect we are not at all in disagreement. Let me attempt to make the distinction.

The situation I am talking about here in the District was this. We found that several of our agencies reported back to us that they had to give their constituents money in order that those people would in effect, be eligible for the food stamp program. That is, a private agency using voluntary funds and had to supply funds in order that a U.S. citizen would be in effect, eligible to participate in a Government program.

I do not think, and I do not think really any of us think, that that is the proper relationship between private and public help.

Now, on the other side let me say that we are vitally interested, all of our agencies, and the health and welfare councils all over the country, in continuing our work of all types in helping the poor and the hungry, but it seems to us the private agencies as they usually do in this country, supplement and do not initiate Federal efforts. I do not know if that is——

Monsignor O'ROURKE. Congressman Miller, may I respond? As indicated in a conversation a moment ago with Congressman Rarick, one of the great needs among low-income people is for more effective contact and we feel that church people as one of the private agencies have or should have that. And, therefore, in the case of the food stamp program, to make information known to them, really known, effectively known, against to help them to know where they must go in order to comply, and in the instance where they do not here now have enough money to buy the stamps that they need, to supplement that, although I agree that hopefully they will come and this will not be a problem, but when it is a problem we do help them frequently with some cash contributions.

Also it has been emphasized in testimony here the nutritional side of it, to know how best to use foods. This is the kind of thing which private agencies do as well as agencies of Government.

Mr. MILLER. We have heard inquiries from the chairman yesterday, that I thought was good, asking how to separate those who should have stamps from those who should not have stamps, those that will work from those that will not work. It seems that if the private sector

is working, they would be investigating to make sure that the seed money is going in the right direction to those who would work.

Could this be a good solution to the problem we have heard the chairman express here over the last couple days?

Monsignor O'Rourke. Sir, I would hesitate to use hunger as a club to make anyone do anything, including work. Again, I am not among those who have found a person who will not work if he is properly approached. Maybe they exist. I have not found them. I say if properly motivated. Certainly, one of the roles of the church and other type agencies, if there are people who will not work is to help them to arrive at that station where they will because it is, I think, subhuman to not want to be self-sufficient. If I understand human nature, the desire to be self-sufficient and self-supportive is very, very basic to the human personality. But certainly, as you intimate, the private agencies have an important role here. I would not like to have the pastor, though, stand up and say you and your family must go hungry because you are lazy. I shall never say that to a person. I shall, however, counsel with an individual who is delinquent in his duties and hope to help him to correct those delinquencies.

Mr. Miller. Thank you.

Mr. Chairman, if we may go on to another question to Mr. Mayers. I see, too, on page 5 where we are talking about, "Food stamps should cover the purchase of the items necessary for personal cleanliness, hygiene and home sanitation," but you also have in that same paragraph, "We have found that noneligibility of these items under the present program is a significant deterrent to participation."

This is hard for me to believe if people are hungry, that they would not participate in the program because they could not get a bar of soap.

Mr. Mayers. Let me give you specific examples. I understand on its face it does seem incredible but when you think about the facts, it it really is not, Mr. Congressman.

Let us say an individual under the current program, and this is true at times, must once a month take $60, walk in, wait, and get food stamps worth $80. That means he is getting $20 of additional value.

Now, he may well say to himself, although it does not seem realistic, I would rather spend my $60 during the course of the month without having to save it up all at once and spend it on what I know I need in the way of "food," which to him as to most of us includes soap and matters of personal hygiene, than somehow hoard up that money, bring it down all at once, get $20 and then be restricted in what I can spend it for.

Really, when you get to that level which exists many places in the District as we found, it is one of the reasons the people have said to the agencies we do not use the food stamp program.

Mr. Miller. If I may ask just one more question of the Monsignor, on page 5 of your testimony you have some recommendations. One is that the administration of the programs be structured so as to remove them from partisan politics. Partisan politics is not supposed to be in the program now.

Do you have evidence that partisan politics is in?

Monsignor O'Rourke. At the moment, Congressman, I cannot refer to a specific case. I have heard reports of it. I have not substantiated

it and I apologize for not having that information now at my disposal.

Mr. MILLER. Very good. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. O'Neal?

Mr. O'NEAL. No questions.

The CHAIRMAN. Mrs. May?

Mrs. MAY. I have a question for Mrs. Fischer, please.

Mrs. Fischer, you among other witnesses before this committee, have referred to the fact that since the inception of the food program, there are still many communities where a great percentage of those truly in need of food help are not yet taking advantage of it. For one reason or another they have not had the advantage of the food stamp program.

My question is: In these years since the inception of the food stamp program do you know of any survey that has been taken by your organization or another organization of nutritionists, to acquire facts in these areas and make a finding of whether there has been a difference in the nutrition among the families that have taken advantage of the food stamp program, as compared to those who are not on the food stamp program?

Mrs. FISCHER. We do not know of any, no.

Mrs. MAY. It has occurred to me this could be a very significant finding to help us with the nutrition needs that we are talking about. I mean, nutrition education needs we are talking about. And at a time when we are still trying to get the program to cover more people and more adequately, it would seem the nutritionists themselves would be in a position to evaluate this situation to give us helpful information.

I think, we have had enough experience with the food stamp program that we might be able to do this. I wonder if you agree, it would be a good contribution to providing knowledge that we need in making decisions on the future of the program.

Mrs. FISCHER. I do, indeed.

Mrs. MAY. Another question along this line. In my dialog with Mr. Rothman, I said that there is presently work going on in the U.S. Department of Agriculture agency and HEW, on how best to get good nutritional education to the people who will be using the food stamp program. We all know that just making the food stamps available is not really the full answer to giving proper nutrition to a family.

I have talked with the president of the American Home Economics Association and she told me that there were some 100,000, I believe, trained home economists in the United States today, who are not now working professionally at their jobs. They have married, are housewives, mothers, etc. She felt that this might provide a tremendously strong potential for community involvement to have them volunteer a few hours per week, to help us teach family nutrition. This is a problem of great magnitude, where obviously, the Federal Government cannot do all of it. It has got to have the help of voluntary groups and agencies.

Have you in your organization ever made any kind of a survey to find out how many women in this country, or men, trained in nutrition, might not now be working at it professionally? We might identify

and call upon them to see if they would help us with this problem. Have you ever made a survey of nutritionists?

Mrs. FISCHER. I think we have not made a total survey. We know that there is a sizable number among the membership of our association who are not working, as you say, because the women are home with their families. We are urging them—we have been for a number of years—to come back into the profession on a part-time, whatever kind of part-time basis they can, because of the manpower shortage.

We recognize also that there are those who are not members of our profession, again a large number, who are qualified and we are embarking, we have already over a number of years been on a drive to get these people back into the field, members of the association or not. We have continuing education programs, all kinds of things, because we feel a commitment to the profession, not just to the association. So we do not have the figures.

We know there is a sizable pool and we are trying to get these people interested, up to date in the profession and back into the work program.

Mrs. MAY. That would seem to me an invaluable contribution plus if it is possible some further identification of where they are.

One final question. What was your reaction to the statement, again by Mr. Rothman, and I believe you were in the room, that professional nutritionists and home economists have over the years failed to get through to the poor themselves. He felt we should involve more of the poor in sharing with their fellow poor in low-income areas facts, needed facts, on proper buying of food and proper preparation of it and everything that goes with good nutrition. I told him this administration is now discussing the possibility of using more professional nutritionists and home economists, I think is very important because they are the ones that have the body of knowledge, to train inner city residents as teachers and they in turn could then teach low-income families.

Do you agree with that basic assumption? Do you have any further ideas to offer on this subject? Do you think it is a good approach?

Mrs. FISCHER. I think as in all endeavors, no one is 100-percent, no group is 100-percent efficient in what they try to do. Undoubtedly, some professional nutritionists have not been able to reach the poor.

I think we know that there is a communication barrier. It is part of our body of knowledge of educational skills to try to develop this feeling and understanding for all kinds of people. I think some dietitians and nutritionists have been exceptionally successful. I think as in all the health professions with the manpower shortage we do need to use all kinds of other associated people that we can. The professionals can certainly do a lot in training neighborhood workers, whatever title they are called, but there can be a lot more proliferation of knowledge from the specialist to the neighborhood without it having to go on a person-to-person basis. We can use all kinds of other people.

Mrs. MAY. Thank you, Mrs. Fischer. I am glad you made that last statement in behalf of your profession because I think some of them have done an outstanding job but a lot more needs to be done and I frankly, am convinced the only way we will get anywhere is by involving a great deal more of these professionals.

Thank you, Mr. Chairman.

Mrs. FISCHER. I thank you for the opportunity.

The CHAIRMAN. Mr. Purcell?

Mr. PURCELL. Yes, sir.

Monsignor O'Rourke, I compliment you on your attitude on work and the food stamp part of your statement but I notice you leaped over the farm program. I want to ask you one question. I take it the church owns its office building out in Iowa, in Des Moines?

Monsignor O'ROURKE. Yes; we do.

Mr. PURCELL. I happen to know the church owns the Roosevelt Hotel in New Orleans. Now, if a highway came through Iowa and had to have your office, I think you would expect the owner ought to be paid for giving up the use of his land?

Monsignor O'ROURKE. True.

Mr. PURCELL. Well, if the convention center in New Orleans wanted the property the Roosevelt Hotel is on, I would expect you wanted to be paid for that?

Monsignor O'ROURKE. Obviously.

Mr. PURCELL. But there would be a difference in the amount of pay you would get for your, I suppose rather modest office in Iowa and rather elaborate hotel in New Orleans. Would you agree on that?

Monsignor O'ROURKE. I am sure——

Mr. PURCELL. You see, the contribution made by a big farmer is exactly the kind of contribution that would be made by the surrendering of the use of the Roosevelt Hotel. This is not a welfare program. The big farmer is required, if he is going to participate, to not have the use of the same proportion of his land as the smaller farmer, but it runs into more acres. And we think that basically it would be, first, unfair not to pay the big farmer to participate. He has got to pay taxes. He has got to keep up and comply with certain soil conserving practices if he is going to participate. And I am just very sorry to see a man of your knowledge and decorum be so on the other side of this issue and I would hope that you might reconsider.

I want to take you to Texas with me when I take Mr. Rothman to show you these folks that will not work and maybe on that trip we can visit about this farm problem.

Monsignor O'ROURKE. May I respond, Congressman, to your observations? I think among the reasons for our different position is a difference of basic principle from which we depart in this discussion. You are thinking of this as exchange justice between the Government and the citizen. I think of this kind of a program as distributive justice. And distributive justice is different from exchange justice in a very important manner.

When individuals or an agency acting as legally an individual engages in some kind of a contract, mathematic equality is required or expected. But when society deals with its citizens, then the service given to the citizen is in proportion, according to my philosophy of government, to the needs of that citizen and also with a view to the impact that such an agreement will have upon the common good.

When I bring that principle to bear upon this issue, it becomes a little more complex than the buying of a piece of land. And I look at the record. I look at what has happened down through the years when we have had mathematical equality in dealing with the big fellow and the little fellow and I see that the result is not what the

program intends, at least as I have always understood it to intend. The program wants to protect the modest operator against the already great pressures that the powerful and wealthy can and are exercising on him, and, therefore, I feel that the present program without limitation is regressive and I have so stated here, not because I am unaware of the thoughts that you have expressed, but because as I said a moment ago, I consider on a little broader basis the implications and another principle.

Mr. PURCELL. Well, I have a little legal training but I am not sure I totally follow your distributive justice concept. But I still say to you on the one hand you are talking about a welfare program and I agree and I am in a position to help you if you do not foul me up on the farm side of it too much, but on the other side, we are talking about a legal contract. I do not know how you are going to deal with business people except with a legally binding contract and then on the social side, certainly, do what needs to be done. But the laying out of land is a legal obligation. You enter into a contract. If you are poor and hungry, you cannot help it and let us feed you. I guess we are just expressing each other's views. I do not think I convinced you and I blooming well assure you that you have not convinced me.

Monsignor O'ROURKE. I think I have an open mind on such matters and would be very happy to perhaps invite you to lunch if this is not illegal lobbying, and visit with you on this.

Believe me, I am concerned about justice to all parties. I am not just for one of the segments of society. But as I see it, without limitations our present farm program leads to a kind of very, very undesirable social consequence.

Mr. PURCELL. Well, I accept your invitation. It is lunch time. Let us go eat.

Monsignor O'ROURKE. Only with the permission of the general chairman.

The CHAIRMAN. Just one second. The Chair has gone around in an anticlockwise manner, but I am about to ask a question and put in what I think needs to be put in to perfect this record, or at least improve it maybe.

Certainly, I cannot agree with the philosophy that the payments for acquiring lands are gifts to anybody or that they are made to increase anybody's income. They are made for the purpose of stabilizing farm prices as a whole, not the individual who lays out the land. The individual who does lay out, who takes his land out of production, does forego economic benefits that he has a right to use. He owns the land and if we accept the American philosophy of private ownership, and, of course, some people do not—I feel sure you do.

Monsignor O'ROURKE. Oh, yes.

The CHAIRMAN. But there are a good many people who do not, and I understand that those who do not accept that philosophy obviously would feel that the Government should take the land without compensation. But our Constitution says that you should not take his propery without compensation.

The use of it is taken for public purposes, not for private purposes. If it were for private purposes and this were a gift, and it were so obviously a great benefit to the individual, then surely every one of these large landowners would take advantage of it to the fullest. They are a

pretty intelligent group of people. They did not get to be large landowners by being dumb or not knowing their business. But the record shows that only 43 percent of them actually put in all the land they could; that is, of those who drew more than $20,000. Only 43 percent of those put in all the land in this program they could.

If this thing was such a bonanza, why did they not all take advantage of it to the fullest? Obviously, it is a thing that may or may not be profitable to the large landowner. It is a thing on which one landowner will decide "Well, it will be all right for me," and another will decide "it is not profitable for me," and the decision is rather close. Else there would be a greater unanimity among the landowners.

If it was simply that they were adding to their own income by that amount—I think I know human nature well enough and I think you know human nature well enough to know, that those large landowners would be not 43 percent but they would be 93 percent or probably 103 percent accepting what they could get. They take advantage of everything they can. But they do not feel this is an advantage. More than half of them did not feel that it was to their advantage to go the whole route here.

So, it seems to me it is quite obvious that the thing is not the gift that so many people say it is. It does require that they give up certain legal rights over that land, at least for a period of time. Call it a rental, call it whatever you please. If the Government of the United States decided it wanted to use the Roosevelt Hotel in New Orleans or the Roosevelt Hotel in Waco—which is also owned by the Catholic Church, it wanted to use one of those hotels for Government offices for a period of time, obviously it would have to pay for it and should pay for it. The Government should pay for the rooms it takes at the Roosevelt Hotel in New Orleans, which is much larger than the Roosevelt Hotel in Waco, and certainly it should pay much more for taking the Roosevelt Hotel in New Orleans than it would pay for taking the Roosevelt Hotel in Waco; should it not?

Monsignor O'ROURKE. Yes, sir.

The CHAIRMAN. It should pay for the time it occupied those rooms, and it is no answer to say well, we are going to give you the rooms back next year. The Government should pay for the rights that it denied to the owner of the Roosevelt Hotel, which is the Catholic Church, and it should pay to the Catholic Church the full value of what it took, not simply up to $20,000 or up to $10,000 or up to $50,000. It should pay for what it took.

Now, that is all we are suggesting that you do with these landowners—that you pay for what you take, whether it be 200 or $2,000 or $200,000.

And one further factor, and I will let you go to lunch.

Monsignor O'ROURKE. Mr. Chairman, may I respond to your proposal that you just——

The CHAIRMAN. Let me make one further point, sir. Let me make one further point here because I think it is important.

We do not like to see large amounts paid out to one individual—we hate to see the rich grow richer and the poor grow poorer. I am not in favor of accepting the philosophy which I think is prevalent in a good part of the world—I know it is in Eastern and over most of Asia—that

we just take away property from the owners and redistribute it. I am not in favor of redistribution of wealth. I am in favor of recognizing property rights, whether to use that property in perpetuity or whether to use it for one night. If the Government takes over property rights, it should pay for them.

I think your objection of unlimited payments is based upon the idea that somehow or another you are giving something to the owner of this land when you pay him for his rental. There are a lot of people whose objections to it are based on the philosophy of opposing anybody having a large amount. They really feel they want to redistribute the wealth of the world.

Now, if you redistribute the wealth of the world—we know the basic objections to that, it all just gets back to other hands again rather shortly. We have seen it happen to Russia—they distributed it before, and it got back into certain hands. But to deny these landlords an opportunity, these large landlords an opportunity to participate in this program at economic advantage to themselves, means that you have inflicted complete ruin upon a great many farmers, thousands of farmers, small farmers. Now as to the present program, you say we ought to keep it. I congratulate you on that. You say it is fine to keep a program.

Then you also went on and said it is good to keep the present land retirement program. And I agree with you. But take the man with 5,000 acres of cotton. If you do not take some of that land out of production, if you do not make it profitable for him to take it out, you have got to completely remove 1,000 small 5-acre farmers to have the same effect on the program.

Now, to me that is harsh and cruel and an unfair way, simply because we do not like the large farmer, of visiting his sins upon that 1,000 small farmers. I am not for it.

Monsignor O'Rourke. Mr. Chairman, may I say first of all, like on most issues of this sort there is a middle way between the unconditional absolute right of ownership which seems to be reflected in your remarks and the socialist side on the other extreme.

I do believe in property rights but I do not think they are absolute and particularly when a property owner engages in some kind of contract with his Government, I think it is quite proper that the principle of distributive justice I mentioned earlier in conversation with Congressman Purcell, be kept in mind.

I think there is a middle course. I do not think that we are treating the very large grower very cruelly if we modify——

The Chairman. No. I said treating the small grower cruelly.

Monsignor O'Rourke. May I come to that—if we place some limitation on how much cash subsidy he can get from this Government, presuming that whe he reaches that point in which participation in this program is no longer profitable, as you so well say, he is a good businessman and he will find other uses for his land and according to the economists again, I am only sort of a layman economist, although I am rather close to the issue, the weight of opinin seems to be as I read it, that the imposing of a limitation would not significantly undermine the effectiveness of this program and make necessary further inroads on the acreage of the little fellow.

This is not at all indicated by the economic research that I have at my disposal. I will admit when you get into those aspects of it

it is an economic matter surely open to debate and this, of course, is what we are doing, but let me put it this way. We have tried this way, without limitations, since 1935. Would it not be worth trying since the opinion is so very strong on both sides to have a limitation and if the catastrophic results that you suggest happen, it is not irreparable. It can be changed.

The present program unquestionably is resulting in an acceleration of the transfer of not only ownership but entrepreneurship out of the hands of the little fellow into the big. Not the only cause but certainly one of them. I say and I plead, let us give it a try the other way.

The CHAIRMAN. Your last point I want to take issue with, because you are assuming something about which you have no evidence. That is, that the programs have anything to do with the increased size of units. We have had exactly the same experience in those crops where there has been no limitation. There haven't been limitations on soybeans for a long time, as you know, on production. There haven't been any on cattle. There haven't been any, except in localities, in dairying.

Those agricultural pursuits have had exactly the same experience of consolidation and moving from small to large units that has occured in all of our industrial societies. Little steel companies have merged with the big ones. The little grocery stores have disappeared and the chains have taken over.

That has been happening in agriculture too, not because of a farm program but because of the tremendous amount of capital that is required. It is true of agriculture the same as it is elsewhere.

I just think that it is unfair and unwarranted entirely to assume that the present program has resulted in the trend toward concentration. It has happened in every line of business in the United States where there were not any Government payments, and it has happened in agriculture where there were no Government payments, just as it has happened where there were. So, it seems to me, there is no warrant in the world for that assumption.

Monsignor O'ROURKE. Mr. Chairman, obviously on some of these matters we disagree. Just for the record, I did not indicate that the Government program was the sole cause of such concentration. I simply point a finger to it as a very suspect contributing cause, and let us both do our homework on this and perhaps again at a later date, we can have lunch and in a friendly fashion have exchange of views.

I admit we are in a matter of reasonable debate but again, I plead let us give another alternative a try. Why must we so adamantly stick to one way of doing things particularly, and I come back again to a philosophy of government. To my constituents, and I am close to them, out in rural America, it looks like the mightly hand of government over and over again backs the already powerful and in some way inhibits and handicaps the little and the weak. Now, if this were to be the case, it would be a great travesty on the proper role of government.

Now, this image is there and I think that the unwillingness to even test another way is one of the reasons for that image having grown.

The CHAIRMAN. Thank you, sir.

The committee will stand in recess until 10 o'clock tomorrow morning.

(Whereupon, at 12:22 p.m., the hearing was recessed, to reconvene at 10 a.m., Friday, September 5, 1969.)

GENERAL FARM PROGRAM AND FOOD STAMP PROGRAM

FRIDAY, SEPTEMBER 5, 1969

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to recess, at 10:05 a.m., in room 1301, Longworth House Office Building, Hon. W. R. Poage (chairman) presiding.

Present: Representatives Poage, McMillan, de la Garza, Jones of North Carolina, Montgomery, Alexander, Jones of Tennessee, Melcher, Belcher, Teague, May, Miller, Mathias, Mayne, Zwach, Kleppe, Price of Texas, and McKneally.

Also present: Christine S. Gallager, chief clerk; William C. Black, general counsel; Hyde H. Murray, associate counsel; and John A. Knebel, assistant counsel.

The CHAIRMAN. The committee will come to order. We are met for further consideration of the food stamp and farm legislation.

Our first witness is Mr. Edward T. Anderson, associate secretary for human rights, Friends Committee on National Legislation.

Mr. Anderson, we will be glad to hear from you.

STATEMENT OF EDWARD T. ANDERSON, ASSOCIATE SECRETARY FOR HUMAN RIGHTS, FRIENDS COMMITTEE ON NATIONAL LEGISLATION, ACCOMPANIED BY CHARLES H. HARKER

Mr. ANDERSON. Thank you, Mr. Chairman. I would like to introduce Charles H. Harker, executive secretary of the Friends Committee, who came with me this morning.

My name is Edward T. Anderson, associate secretary for human rights with the Friends Committee on National Legislation here in Washington, D.C. I speak today on behalf of the Friends Committee on National Legislation, an organization which seeks to represent the concerns of many Friends in the fields of peace and human rights, but which does not purport to speak for all Friends. The democratic organization of the Religious Society of Friends and Friends' own right to speak for themselves as individuals prevents any one Quaker organization from assuming that mantle.

We remember and commend this committee for its leadership in the food-for-peace legislation embodied in Public Law 480, which has fed hundreds of millions of people in foreign lands. The disclosure of hunger and malnutrition in our own country requires us to do all that

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is within our means to assure an adequate diet for all America. Beyond that, a meaningful delivery system must be institutionalized that embodies the intent of this legislation.

I appreciate these few minutes to discuss the question of Federal food stamp policy before the full Agriculture Committee.

In my travels around the country, in and out of urban and rural areas, I find a great concern over the flagrant failure of governmental agencies to coordinate their activities and adequately deal with hunger in America. Of an estimated 25 million poor and 13 million near-poor people, only 6.4 million people are participating in food stamp or commodity distribution programs. Poor people that I listen to do not argue or belabor the value or philosophy behind food programs—they are thoroughly confused, disenchanted, and frustrated with the legalistic, bureaucratic administration of these programs at the local level, and the arbitrary power of many local officials in determining whether or not they will eat.

Moving to the problem we are considering today and the approach toward it, I do not need to reiterate or try to prove to anyone that hunger exists in the United States, for there have been enough television programs, private studies, tours by doctors, statistical reports, and public hearings to convince any reasonable man that the abundance of our society has not been extended to the least affluent in our society. The question is not how hungry are the hungry? Or how poor are the poor? But rather, how will we deliver the food to those without food?

The President, in his May 6 address to the Congress, said, and I quote:

> That hunger and malnutrition should persist in a land such as ours is embarrassing and intolerable * * *. Millions of Americans are simply too poor to feed their families properly. The moment is at hand to put an end to hunger in America itself for all time.

Going on that assumption of the existence of widespread hunger and the description of goals to end that problem, let us move on to what the Friends Committee on National Legislation feels would be helpful suggestions.

One, the relationship between income and one's ability to buy food stamps should be drastically changed. The Social Security Administration tells us that 5 million Americans earn, from any source, less than $1,200 a year. Nine million Americans earn, from any source, less than $2,400 a year. Therefore, we feel that regardless of what, if any, welfare reform proposals are adopted, no family of four with an income of less than $2,000 a year, from any source, should have to pay for food stamps. We feel that the U.S. Department of Agriculture standards of $1,500 for a minimum diet for a family of four should be supplied in free food stamps to any family earning less than $2,000. From the $2,000 to $6,000 family level, we propose a graduated scale, in which no family would be paying more than 25 percent of their income for food. In a speech to a Texas audience delivered by the chairman of this committee, he stated that the average U.S. consumer pays only 17.2 percent of his disposal income for food, as opposed to the Europeans, who spend 25 percent of their disposal income for food. I would personally suggest that the poor be required to pay no more than 17.2 percent of their income, for with the 25-percent level, the poor would still pay more.

Second, we would suggest that the process of distributing food stamps be totally revamped. This may be a legislative matter or an administrative one. The utilization of existing governmental offices to aid the sick, the elderly, or those in remote areas, has been suggested. Senator Talmadge has suggested that post offices could be used as distribution centers.

Third, we would strongly urge that the committee reconsider its definition of the use of the food stamp. We are concerned here about the senior citizens that live at home alone, boarding houses, nursing homes, hotels, that do not have cooking facilities at hand that would allow them to participate in the food stamp program. It seems only reasonable to us that the use of the food stamp could be extended to this group of the poor, by allowing them to use the food stamps to purchase prepared food. A large section of the community has become involved in preparing food for the lonely. In some cities, this is called "Meals on wheels," where senior citizens are being searched out and food delivered to them. However, the cost of these programs is becoming exorbitant and almost unbearable to such a fine, idealistic work on a volunteer effort. I would very, very strongly urge the committee reconsider that very, very valid point.

A second point on the use of the food stamp is the whole question of consumable foodstuff items. It seems that the use of the food stamp could be extended to include those items for personal cleanliness and other hygienic or household products.

Fourth and finally, a mechanism for establishing food programs in the 400 localities without them must be aggressively pursued by the Secretary of Agriculture. Delivery of goods to the hungry must take precedence over the whims of local officials.

These conclude our specific recommendations. We know that the committee, in its wisdom, is considering these and other ideas to improve and extend the food programs. I would like to conclude by going over a number of reasons why we think these changes would be beneficial for all Americans.

1. Adequate nutrition for all of America's citizens will increase the productivity of our farms and of the workers in the offices and the factories. People simply cannot work to their fullest capacity when they are undernourished, nor can children learn to their best ability if they are hungry. The Bureau of the Budget has established that for every dollar withheld for adequate nutrition, the cost to the Nation is $3.30. Senator Hollings, speaking before the Senate Select Committee on Nutrition and Human Needs, stated, and I quote:

> * * * a dollar spent on the hungry is $10 saved in health, welfare, and special training courses. The people must learn that it is cheaper to feed the child than jail the man.

We feel that treating adequately the nutritional problems of our country will lower the tax burden caused in part by the need for such programs to treat the result, not the cause.

Take the case of small children, for instance. It has been the experience of teachers and parents with the school lunch and milk programs that children who are adequately fed learn at a normal rate. As school achievement improves, the chances go up for youths to get decent jobs, higher education, and become self-sufficient, productive individuals. Furthermore, medical studies have shown that the damage from

malnutrition to bodies and minds of small children is irreparable. The President also said on May 6:

> Serious malnutrition during pregnancy and infancy can impair normal physical and mental development in children.

Until we act, this situation means, on the personal level, family anguish, and for the Nation wasting of human resources.

2. We feel that putting more money into food stamps for more millions of people will help solve the Agriculture Department's problem of keeping consumption up with production. Higher levels of food stamp funding will immediately push up food consumption, allowing the USDA to gradually spend less on price supports. We will be utilizing America's resources of land and people—not artificially restricting both by paying farmers not to grow food our people need. Of the fiscal 1968 payments to farmers by the Agriculture Department, some $833 million went for wheat, sugar, and milk payments. This is about one-fourth of the $3.462 billion in payments for all subsidies. Why not spend the $800 million to stimulate consumption, still benefiting the farmers but including the hungry? A side benefit is that grocers and retail food distributors will find a greatly expanded market which might allow them continued profits without the need for such regular rises in food prices.

3. There is the humanitarian aspect, which we, as Friends, are very concerned about. It is our particular viewpoint that every American, every person on this earth, is entitled to a basic, decent standard of living, as a right, especially in our country with our fantastic productive capability. We take the Biblical adage, "to feed the hungry, and to clothe the naked," literally and realizable in such an advanced Nation as this. Our conviction also informs us as to the appropriate approach in ending hunger. We feel that people's human dignity must be respected and that the poor will not forfeit their right to choose goods for their family.

4. Finally, we would suggest that it has been our experience with constituents and citizens groups throughout the country, that the American people are very disturbed about the continuation of hunger and the delay of its termination. Frankly, a lot of their anger is being vented at what they feel are recalcitrant blocs to long overdue action. People know the Senate has taken a small step by expanding food stamp funds. This Committee has a rich opportunity to solve a basic social problem in the U.S. by acting promptly and sufficiently on the proposals to reform food stamps, including the essential element of free food stamps for families with incomes of under $2,000. We hope to be able to report that positive action has been taken in Washington by the elected officials. The hungry need attention now, for this elemental need should be met morning, noon and night—not in "fiscal 71".

I have attempted, then, this morning, to explain the concern of many of our friends for the problem of hunger, offered several suggestions for reform of food stamps, and finally, given a number of sound reasons why positive action is to everyone's interest.

As I testified before both national party conventions last year:

> The solutions cannot be based on what is politic, what is popular, or what is practical, but on what is right! We suggest you ask yourselves not what can be afforded in dollars, but what cannot be afforded in human lives.

This concludes my statement and I would be glad to discuss any questions or points you might have.

The CHAIRMAN. Thank you, sir. Any questions?

Mr. Belcher?

Mr. Teague?

Mr. TEAGUE. No questions.

The CHAIRMAN. Mrs. May?

Mrs. MAY. No questions.

The CHAIRMAN. Mr. Zwach?

Mr. ZWACH. No questions.

The CHAIRMAN. Mr. Kleppe?

Mr. KLEPPE. Yes, Mr. Chairman, I do have a question I would like to ask Mr. Anderson.

Mr. Anderson, I think you made an excellent statement here. I just want to ask you—you are aware, I believe, that the attitude of this committee at least as it appears to me, is very sympathetic to the question and the problem that we have before us. What we have been looking for in these hearings is some guidance and some help about the language that needs to go into this legislation.

The chairman has asked a number of questions along the lines of what limitations, if any, should we be putting in this language, because this is our responsiblity. And I am not going to pursue that line but I did want to ask you one specific thing which is very general with most of the testimony we have received, and this has to do with free stamps for a certain category of people.

Personally, I feel that if anybody that is needy, or hungry, pays something for food, it has a way of upholding their pride to some degree, and when I say something, it can be very, very little, but I think that everybody ought to pay some little thing for the food they eat. So, maybe it is a dollar for $100 worth of stamps, whatever it is. It may be some very little item but do you agree that a compromise or situation of that kind makes some sense so we just do not have a total free handout from the standpoint of food stamps?

Mr. ANDERSON. Yes, Mr. Kleppe. The reason I stress the point of $2,000 was to get that kind of reaction. One specific case comes to my mind where a family of 10 worked as tenant farmers, sharecroppers, all of last year, a family of 10, and earned $12.

Mr. KLEPPE. My only question is——

Mr. ANDERSON. Twelve dollars for a family of 10 that have, you know, social service needs, health, clothing, rent, transportation, all of those other needs.

Mr. KLEPPE. Did they get any money from welfare?

Mr. ANDERSON. No.

Mr. KLEPPE. No money at all?

Mr. ANDERSON. No. The only way they could buy food stamps was to raise a small cucumber garden of their own outside of the crop they had to tend to, and the proceeds from the cucumber garden had to go to food.

I visited this family last week and talked to them about their problems, why were they not getting more money. They told me that the farmer had told them that he could not get free food stamps. He could not get food stamps at all. So they did not need money for food stamps.

It is my strong feeling that to solve hunger and malnutrition we are going to have to solve that as itself and not to ask people to cut back on a meager budget already to do other things that must be done.

Mr. KLEPPE. My only point is that $12, maybe a nickle of it, maybe 10 cents of it, would buy them $100 or $200 worth of stamps, so they would spend something for food. Something. That is my only point at all. The total aspect of free food stamps per se is eliminating any idea of independence and pride on the part of that individual because he is not spending anything that he has got for food. And it seems to me that the principle here is the thing that I am talking about.

I want to feed the hungry people and the malnourished as bad as anybody does and I want them to get it as reasonably, as cheaply as they can get it. Almost for nothing, but not quite. That is the point I am asking you.

Can you compromise your thinking in that regard at all?

Mr. ANDERSON. But nothing—I have heard this analogy used before and I am sure will recognize it—nothing from nothing leaves nothing, if you have no income. Another family, no income, no visible income during the winter because she works on the farm during——

Mr. KLEPPE. Not on welfare?

Mr. ANDERSON. Not on welfare. The reason she is not on welfare is because her morality will not——

Mr. KLEPPE. I think those people ought to get some income so they can buy some food stamps and buy them cheap.

Mr. ANDERSON. That may be so. We will not argue that point. Because she has no income she borrows a dollar and a half a month to buy the food stamps. To me the most humiliating thing would be for me to go to my boss and say would you give me a few dollars to feed my family. I would rather get the free food stamps.

Mr. KLEPPE. There are relatively very few examples where a family does not have anything to put into food. I want to make these food stamps awfully cheap for these people, I mean awfully cheap, but I would like to have them pay something for them. That is the only point I am trying to make here, to see if you are perfectly rigid in your own beliefs on this because your testimony is very consistent with most people that have testified here, that they think we ought to have free food stamps and I am only trying to arrive at a point here that considers the fact that every family should pay a little something for food because it is such a basic item and then help them with the rest.

Mr. HARKER. I certainly agree with what I think your purpose in this is, to try to provide an opportunity for a person to exercise some dignity in response to the program. I just have difficulty in saying I think that something that is so much of a token really accomplishes that.

Mr. KLEPPE. I would feel it would be better than nothing. That is the point.

Mr. HARKER. Perhaps so. It seems to me that it is sort of—really in reality people know that this really is just covering up and it seems to me that it really does not quite do what you are trying to do.

Mr. KLEPPE. Thank you very much. Thank you very much, Mr. Anderson.

The CHAIRMAN. Mr. Jones?

Mr. JONES of Tennessee. No questions, Mr. Chairman.

The CHAIRMAN. If there are no further questions, we are much obliged to you, Mr. Anderson. We appreciate your attendance.

Mr. ANDERSON. Thank you, sir.

The CHAIRMAN. The next witness will be Mr. John Heimburger. Nice to have you back with us, John.

STATEMENT OF JOHN HEIMBURGER, ATTORNEY AT LAW, WASHINGTON, D.C.

Mr. HEIMBURGER. Thank you, Mr. Chairman.

Mr. Chairman, I have always had trouble with this microphone and I notice the gentleman before me——

The CHAIRMAN. You always manage to make yourself heard. So go right ahead.

Mr. HEIMBURGER. Mr. Chairman, my name is John Heimburger. I am an attorney here in Washington with offices at 1030 15th Street NW. However, I do not appear before the committee this morning in my capacity as an attorney but simply as one of those sometimes neglected witnesses before the committee, a volunteer who has some feelings on this matter, and I speak only for myself and with no special knowledge of the subject except for the years that I spent in contact with it as counsel to this committee.

Now, Mr. Chairman, I just have a few observations to make and I apologize for not having a prepared statement.

This committee has had this matter under consideration for very many years. The charges which have been made in various places that the committee has dragged its feet on this subject and refused to consider seriously a food-stamp program, of course, have no substance to them at all. I recall that back in 1956 this committee in searching for a workable food stamp program directed the Secretary of Agriculture to conduct a study of this subject and submit a report to the committee. When that report finally arrived it was rather discouraging.

Many bills have been before this committee over the past 10 years or so to set up a food-stamp program but practically all of those bills were unworkable. They were based on a theory of trying to tie food distribution through the retail store with specific surpluses of agricultural commodities. This was tried by the Department of Agriculture back in the late thirties and the early 1940's. We have reports on that, and it was administratively unworkable. You simply cannot work that kind of a program.

It was not until rather late in the history of food stamp legislation and then I think only after the Department of Agriculture took the lead in 1961 and started up a pilot food-stamp program that the procedures which are written into the act today of issuing food stamps which could be used for any food, any domestically produced food in the retail grocery, were developed and adopted and have proved quite workable.

The chairman will recall that back in 1963 when the bill which became the present Food Stamp Act was introduced, this committee gave it immediate consideration. The bill was introduced in April. Hearings were held on it in May, very thorough hearings, and at that time no really workable procedure for handling this problem was developed.

The committee did not give up and the then chairman, Congressman Cooley, the next year appointed a special subcommittee, and I see here one member of the committee, Mrs. May, who was a member of that special subcommittee, to carry on a further study of this subject and see if a workable bill could not be developed.

To make the story short, it was developed. It is the Food Stamp Act that is on the books today and I think it is very much to the credit of this committee, which conducted this study and to the Department of Agriculture, on whom a good deal of the responsibility had rested to develop procedures, that the law which the committee wrote back in 1964 is here up for amendment after the most intense kind of public scrutiny, and there are so very few substantive amendments being proposed to that law. It is a good law.

So, Mr. Chairman, my main plea to you is to continue and expand the law along the sound lines that it has been developed in the past, and I want to make a few specific comments on the bill, the primary bill before you, the administration bill, and the one which is in the Senate. And these will be very brief.

I find only two or three things to comment on in Mrs. May's bill. I am opposed to free food stamps. This program is set up as a joint Federal-State-local cooperative program. I believe it should be kept that way. I think it changes its character entirely when you merely put up a sign saying go down to the post office every 2 weeks and pick up your free food stamps.

I think we need local participation in this thing. I realize that there may be a few cases as the gentleman before me described where the people simply do not have 50 cents to put up for a $100 worth of food stamps but I am not convinced that there is any community in the country where the Chamber of Commerce or the Salvation Army or some local agency cannot put up the 50 cents for such a family and I do believe that this matter of local participation is of extreme importance in this program. I hope it will be continued.

So, I would disagree with the provision in Mrs. May's bill which authorizes the free food stamps.

I think that the technique in Mrs. May's bill of authorizing appropriations through fiscal 1973 and then requiring that new authorization be obtained from the Congress is sound. I think this committee should review this program periodically from time to time.

Certainly some way should be found to try to get those counties which do not now have a food stamp program to adopt a food stamp program and to share that part of their responsibility which is assigned to the local community. I do not know that I have the answer to how to do this. I do feel rather strongly that the method proposed in your bill, Mrs. May, is not the method. This would deny food stamp participation to those counties in the State which already have it if the State does not, by a certain time bring all the counties in.

I cannot quite see the justice of denying the benefits of the progam to those who have done everything they can to obtain them just because some of their fellows in the State do not assume the responsibility that they should.

The Senate has perhaps a little better provision than this but I think it could be improved.

Let me turn for a minute, Mr. Chairman, to the Senate bill. I have discussed the bill—the Senate bill is not before the committee at this time, I understand, but the Senate has given some very serious consideration to this matter and they have come out with a bill, S. 2547, which I would commend to your attention.

This seems to be a pretty well worked out bill and one which I think solves some of the problems which the House bill does not. The authorization in the Senate bill is not open ended but it is sufficient in the opinion of the people of the Department I have talked to, to carry out the program for the fiscal years it covers.

It changes the definition of the objective of the program from "To seek an adequate diet for all persons" to "To assure participants of a nutritionally adequate diet," and I think this change is important.

It requires to the extent that a Federal law can, the State to pay the charge for the food stamps if the individual cannot pay it. I do not know whether the State should have to do this or whether the local community should have to provide it, but this is a step in the right direction.

Now, its solution to what do we do about a county that does not choose to participate is to say in effect, well, if the county does not choose to do it and the State cannot make the county do it, the Governor can ask the Federal Government to come in and carry out the program for them.

This does not seem to me to be quite the right answer to this question either, of how you persuade a county to participate in the program. I am not sure this is much persuasion to say to a county, well, if you just drag your feet long enough, good old Uncle Sam will come in and take over and pick up the tab and you will not have any responsibility in this area.

Again, I want to stress what seems to me to be basic to this program, the area of local responsibility, and I think this is very important.

The Senate bill also, Mr. Chairman, has a provision for setting out procedures for the hearing of grievances by people who feel—individuals who feel they are aggrieved by the issuance or nonissuance of food stamps. You were the author of the provisions in the current act which set up very adequate procedures for the appeal of people, retailers, and others participating in the program, if they have a grievance against the administration of the act. I think this is a good thing, that individuals should be given some chance to come in and appeal a decision by the local issuing authority that they get no food stamps or that they have to pay what they consider to be a disproportionate amount for these stamps.

These are the main points of the Senate bill and again, Mr. Chairman, just out of my belief that this is one of the finest programs this committee has ever enacted into law, I hope that your—I know your action will be sympathetic. I hope it will be adequate to do an even better job with the program than has been done in the past and that you will continue to have the sympathetic interest in it which you always have had.

Thank you very much.

The CHAIRMAN. Thank you, Mr. Heimburger. I think you raised a point that needs to be answered; whether we look upon this as some-

thing that the Federal Government should undertake to do and pay for. There is not any sense talking about the Federal Government paying only part of it unless you are putting the responsibility somewhere else, and if you assume that the Federal Government has the responsibility, then you have got to assume the Federal Government has got to pay the bill.

What do you think about States participation? You remember this was in the House bill.

Mr. HEIMBURGER. Well, this is good in theory, Mr. Chairman. I recall I think this was espoused especially by Mr. Quie, the effort to have the States pay for part of the free coupons. In theory this is good. In practice, I think there would not be very many coupons bought if the States had to pay even 20 percent of it. I think we probably would agree on this. So in this case I feel that the objective of trying to see that everyone in this country has freedom from starvation is more important than the principle of that kind of State participation.

Now, I for one, would not change the provisions in the act having to do with the State payment of the administrative costs, the cost of distributing the coupons, and so on. I think this should be retained just as it is, and again I say that I think that there should be no free coupons, that somebody in the local community should have to pay something for these coupons, just to get community involvement in this.

The CHAIRMAN. I think you get a whole lot better citizenship if the citizens pay something.

Mr. HEIMBURGER. I think the citizen should pay for the coupons if he has any money at all.

The CHAIRMAN. Of course, the philosophy of this bill was originally that everybody already is paying something for their groceries.

Mr. HEIMBURGER. That is correct.

The CHAIRMAN. Everybody is. I do not care where it is. For everybody who is eating, somebody is paying, whether he is in the penitentiary or whether he is in Iceland or wherever he is. Somebody is paying.

Mr. HEIMBURGER. That is certainly correct.

The CHAIRMAN. And the philosophy of this was that we were going to keep that amount going in while the Government was going to come in and supplement that diet. The individual would get a good diet, and would pay for food stamps what he had been paying for groceries. Instead of getting maybe $15 worth of the groceries that he had been spending, he would get perhaps $75 worth of groceries.

Mr. HEIMBURGER. That was the exact theory of it.

The CHAIRMAN. That was the philosophy. I think it is a good philosophy, but there has not been a witness before us this year that I can recall who indulged in that philosophy at all. They all seem to feel that now that the Federal Government has undertaken to be helpful, it should assume the entire burden of feeding any citizen who wants to be fed, regardless of whether he is interested in helping feed himself or not.

The witness just ahead of you said that he had a right to receive food, and he had a right to make his own choice of the food and charge it to somebody else. In other words, I have a right to go down

to the store here and buy a suit of clothes, the one I like, regardless of cost, and charge it to you. Is that not the philosophy that——

Mr. HEIMBURGER. Yes. I think that is the philosophy, Mr. Chairman.

The CHAIRMAN. I think that is an unsound philosophy.

Mr. HEIMBURGER. And let me say that nothing that I have said here this morning would change—would differ from your approach to the person, to the family that has some income, and can afford to pay something for its food stamps. I think they should pay a reasonable amount for the food stamps. In talking about the free stamps——

The CHAIRMAN. Everybody has had some income from some source. They did not necessarily earn it. Maybe they gambled for it. But they had some income from some source. Maybe it was pure charity but they have been putting something in to eat.

Mr. HEIMBURGER. That is right.

The CHAIRMAN. And we thought it wise that they continue to put in.

Mr. HEIMBURGER. I do not disagree with that at all, Mr. Chairman.

May I make one comment on the testimony of the gentleman before me, Mr. Anderson, I believe. Referring to food stamps also for people who are in institutions, now, I think it should be remembered that the law provides for continued direct distribution of commodities into charitable and eleemosynary institutions and I would hope the dietary needs of older people who are in some kind of an institution could be met in this manner, and I think they can be, rather than by a food stamp issuance which is completely impractical in their case.

And this brings me to one other point, Mr. Chairman, I had intended to touch on. I hope that this food stamp program will be kept to food and not include shoes and——

The CHAIRMAN. You do not have any idea that it will be, though; do you?

Mr. HEIMBURGER. I think this committee should make a valiant effort to do this. Certainly, people need shoes to go to school in and they need pencils to write their lessons after they get there, and they need lots of other things, but I do not think that we improve our chances of having a successful program by trying to cover all human needs in the issuance of food stamp coupons, and I sincerely hope that we will keep before us the objectives of an adequate nutritional diet for people in this country and not be sidetracked by all the other things that people certainly do need and would like to have.

The CHAIRMAN. Well, now, you have made one of the best statements that I have heard when you suggested that we ought to be practical about it. And the witness just before you said we should not be practical. That is exactly what he said, that we should not bother with the practicalities.

Mr. HEIMBURGER. Mr. Chairman, our backgrounds are different. He is dealing daily with human want and misery and I dealt for 20 years with legislation and what you can enact in Congress and what is administrable after you get it enacted. It is from this standpoint that I am talking and we have got to be practical about this.

The CHAIRMAN. Well, of course, we have to be practical, and I think that your statement is helpful because you did meet some of the practicalities, but the previous statement was to the effect that solutions cannot be based upon what is practical. You cannot get results unless

you base them on what is practical, and I think that you are so right in pointing out that we are likely to lose the good that we have—and I think we have got a good program. I supported it. I expect to support its enlargement and extension, but I know that we can kill any program by loading it down. One of the——

Mr. HEIMBURGER. We certainly can.

The CHAIRMAN. One of the most effective ways of killing legislation in this Congress is to load it down.

Mr. HEIMBURGER. That is correct.

The CHAIRMAN. And I know that we can kill the food stamp program effectively by loading it down with soap and perfume, with leggings and shoes, and with hats and belts and everything else. We can load it down where it cannot walk, cannot be passed.

Mr. HEIMBURGER. This is what I intended to say, Mr. Chairman. You have got a workable program now. Let us keep it workable.

The CHAIRMAN. I would like to keep it working and I think we can keep it working, but I do not think that we can take on all of the ills of the world. There are many ills in the world and they need solving, but I do not think we can put them all on the food stamp program and have an acceptable food stamp program.

Mr. HEIMBURGER. I agree with that completely.

The CHAIRMAN. Mrs. May?

Mrs. MAY. Mr. Heimburger, I certainly appreciate your contribution this morning because we have had a series of excellent witnesses over the past 2 days on the need for expansion and change in this program. But you are a welcome oasis in that you have given us constructive criticism, which is what we seek.

It has never been a matter of whether this committee is going to expand and change the food stamp program. This, we have all assumed we want to do and must do. It is what is the wisest way to do it, to strengthen the program and not, as the chairman and others have said, lead to its eventual demise.

I might comment on that editorially, that there has been overwhelming testimony about the people of this country wanting to feed the hungry and I agree with that. But I think we would be very unwise not to recognize that throughout every State in this Union, those who have watched the food stamp program and are paying for it as taxpayers have also sent us hundreds of thousands of complaints where in certain areas they do not feel it is working fairly, that the help is going to the wrong people, and we in Congress get more of those complaints I think, too, so our great practical responsibility comes to make this program more workable and more responsive to the needs as we expand it. But as the chairman put it, and as you have put it, not to give further cause for criticism which in itself will start the seeds of self-destruction of a good program.

I would in that connection, Mr. Heimburger, like to tell you that in my own bill, the two areas that you have criticized are those that have given me the greatest cause for concern.

Mr. HEIMBURGER. I thought they might have, Mrs. May. I have not talked to you about it.

Mrs. MAY. I have been reading, talking, listening to the debate, and may I say that although I introduced this bill, I am not committed

to every portion of it. It is only one vehicle. We have the chairman's bill, Mr. Foley's bill, and others before us. Eventually there will be a committee bill. It may reflect many suggestions from the Senate bill which you have talked about, my bill, and the chairman's and others. I have no questions, John. Just thank you very much for what I think is very sound and reliable criticism.

Thank you.

Mr. HEIMBURGER. Thank you, Mrs. May.

The CHAIRMAN. Mr. Jones?

Mr. JONES of Tennessee. No questions, Mr. Chairman.

The CHAIRMAN. Mr. Miller?

Mr. MILLER. Yes, Mr. Chairman.

Mr. Heimburger, yesterday we had testimony that indicated that private agencies would furnish seed money for people to pay or to make the downpayment so they could purchase food stamps.

This point was brought up and I would like to read from part of the testimony:

> It surely is ironic that private dollars must be used as seed money for those otherwise too poor to take advantage of Federal aid.

The intent was that the Federal Government should supply all of the dollars as the chairman stated this morning.

Do you feel that this may be a method by private organizations furnishing money so that people can make payment for food stamps? Do you think this would be a good thing because the local people would know whether it is possible for these people to work, or whether they have turned down jobs that were offered? Would this be one way of screening people who would receive food stamps?

Mr. HEIMBURGER. Without going into those specifics, Mr. Miller, I would agree completely, yes; that what I hope we will continue to have is local participation in this thing, and certainly if there are people in a community absolutely without funds to make the downpayment or their payment on food stamps, there are organizations and individuals in that community who know it, and conversely, as you point out, if these people are able to make the downpayment but for some reason would rather not, they are likely to know this also.

I do feel that it is necessary to have some kind of a downpayment on the stamps, some kind of local participation, either by the individual or by local organizations.

Mr. MILLER. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Miller.

Mr. Montgomery?

Mr. MONTGOMERY. Mr. Chairman, somebody answered for Mr. Jones. He might have a question. I think Mr. Alexander got the names crossed up.

The CHAIRMAN. I asked Mr. Jones.

Well, Walter Jones.

Mrs. MAY. Mr. Jones, would you yield for just a moment?

Mr. JONES of North Carolina. I will be delighted.

Mrs. MAY. I would like to correct the record, that in my one-sided colloquy with Mr. Heimburger I neglected to include in my reference to very fine bills before this committee that of Mr. Montgomery's bill. I am sorry. That was an inadvertent oversight.

Mr. JONES of North Carolina. Mrs. May, you have, so to speak, stolen my thunder here.

Have you read Mr. Montgomery's bill?

Mr. HEIMBURGER. I am sorry to say I have not, sir.

Mr. JONES. I would recommend it to you.

Mr. HEIMBURGER. I will take a copy of it away with me.

Mr. JONES. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Jones.

Mr. Mathias?

Mr. MATHIAS. No questions, Mr. Chairman.

The CHAIRMAN. Mr. Montgomery?

MR. MONTGOMERY. Mr. Chairman, I would like to thank Mrs. May for clearing up the record.

Mr. Heimburger, the reason we were laughing is the problem I have experienced getting people to read my bill and I have had to take some time and explain it. Certainly, I know you, as a learned and certainly highly respected attorney, are very busy, and I can understand how you have not had the chance to read by bill, but I think it is a very practical one and I think it does the job.

Mr. HEIMBURGER. You have recruited a reader right now, Mr. Montgomery, and I will take a copy with me and if I may, I will give you a ring the first of the week and we will discuss it on the phone.

Mr. MONTGOMERY. Briefly, my bill is the least costly of the bills that has been introduced, but I think it authorizes sufficient funding levels. For fiscal 1971 it would be $450 million compared to the fiscal 1970 authorization of $340 million.

My bill also requires the States to participate in the program. You said in theory that this is good, but in practicality it probably would not work.

Well, of course, that is a matter of opinion. The bill I have introduced requires the States to participate 2½ percent the fiirst year until they reach the maximum of 10 percent which would actually be over a 4-year period.

My bill makes it easier for participants to get food stamps. However, there is a small cost of buying the food stamps and that is basically the bill I introduced.

I have come around to support the food stamp program. I voted against it the 2 years it has been presented, but if we can come up with a workable, practical bill, I will support the food stamp program this time.

Mr. HEIMBURGER. Well, may I reiterate, Mr. Montgomery, that I do not disagree in principle at all with the idea that the States should bear a rather substantial part of this cost. However, at a time in our history when we find the States in difficulty, particularly many of the cities in the States in great difficulty, and in large part it is on the cities that the States have to depend for their tax revenue and into which a great deal of their public funds go, at a time when we are talking very favorably apparently about some kind of a bloc grant from the Federal Government, remission of taxes back to the States, while I do agree with this in theory, I just feel that it is not practical to expect this program to expand and to do the things we all want it to do if we should say to the States, well, out of your

already hard-pressed treasuries, and you are going to have to take some additional money to put into the food stamp program, particularly if we turn right around and say, "well, since you are doing this we will give you an extra x millions of dollars a year out of the Federal taxes.

Mr. MONTGOMERY. Thank you. I yield to the gentlemen.

Mr. JONES of North Carolina. Mr. Heimburger, are you aware of the proposed revenue-sharing plan with the various States?

Mr. HEIMBURGER. Only what I have read in the newspaper, sir.

Mr. JONES. In the event that becomes an actuality is it not reasonable to assume that the States then should share more of this type program than they have in the past and reduce the load on the Federal Government?

Mr. HEIMBURGER. This is sort of a merry-go-round deal here and the fact that it can be fixed so the State gets an additional $30 million a year, let us say, with the understanding that it puts this back in the food stamp program, that evens out. But does not this take the State one step further away from some local responsibility on the thing?

Now, they have to pay a good share of the administrative cost of this program now. They have to pay the cost of stamp distribution and that sort of thing and the investigation of the people or the certification of the people who take part in the program. I am thoroughly in favor of retaining this.

As I say, I do not disagree in principle with what you are talking about at all. I just do not think it is practical from the standpoint of getting the utmost good out of a pretty good food stamp program.

Mr. MONTGOMERY. Thank you. Only one other comment, Mr. Chairman. Actually some of these States are in better financial shape than the Federal Government, I think. This should be pointed out, that some of them fiscally operate on a more sound basis than we do in the Federal Government. When I first came to Congress, I believe this program was around 35 to $40 million. Within 4 years the program would have reached 1 billion dollars or more.

Mr. HEIMBURGER. It seems to me, if I may comment on that, Mr. Montgomery, it seems to me, that the amount of money which is authorized for this program, and that is what this committee does, has to be gauged on the need, a need as measured as practically and as hardheadedly as it can be measured, but nevertheless it has to be based on the need, and I do not pretend to have the knowledge to say what that figure ought to be, Mr. Montgomery.

Mr. MONTGOMERY. I have no other questions.

The CHAIRMAN. Thank you.

Mr. Mayne?

Mr. MAYNE. No questions.

The CHAIRMAN. Mr. Alexander?

Mr. ALEXANDER. No questions, Mr. Chairman.

The CHAIRMAN. Mr. Zwach?

Mr. ZWACH. As a coauthor of the administration bill on food stamps, and as having some personal concerns about it, I just want to say that I appreciate your criticisms and constructive suggestions.

Mr. HEIMBURGER. Thank you, sir. I hope they were constructive.

Mr. ZWACH. That is all.

The CHAIRMAN. Thank you, Mr. Zwach.

Mr. Ed Jones?

Mr. JONES of Tennessee. No questions.

The CHAIRMAN. Mr. Kleppe?

Mr. KLEPPE. No questions.

The CHAIRMAN. Mr. Melcher?

Mr. MELCHER. No questions.

The CHAIRMAN. Mr. Price?

Well, I believe nobody else wants to ask you questions. We are delighted to have had you with us here.

Mr. HEIMBURGER. Thank you, Mr. Chairman. It is a great privilege to be back.

The CHAIRMAN. Our next witness will be Mrs. Thelma Rutherford, Chairman, Food Stamp Advisory Committee, Department of Public Welfare, District of Columbia.

Mrs. Rutherford, we will be glad to hear from you.

STATEMENT OF MRS. THELMA V. RUTHERFORD, CHAIRMAN, FOOD STAMP ADVISORY COMMITTEE, DEPARTMENT OF PUBLIC WELFARE OF THE DISTRICT OF COLUMBIA; ACCOMPANIED BY MRS. ANNA M. CHAPMAN, CORRESPONDING SECRETARY, SENIOR CITIZENS CLEARING HOUSE COMMITTEE, INC., DISTRICT OF COLUMBIA

Mrs. RUTHERFORD. Thank you, Mr. Chairman, I have with me Mrs. Anna Chapman and at the time that she is going to add to my testimony, she will further introduce herself.

The CHAIRMAN. You mean you want to have two witnesses?

Mrs. RUTHERFORD. I suppose, and then she is here to answer any specific questions.

The CHAIRMAN. We are glad to have Mrs. Chapman and I am sure we will have time for her.

Mrs. RUTHERFORD. Thank you.

Mr. Chairman and members of the committee, my name is Thelma Rutherford. I appear on behalf of the Food Stamp Advisory Committee to the Department of Public Welfare of the District of Columbia. I am grateful for the opportunity to appear before you.

As Chairman of the Food Stamp Advisory Committee, I represent 18 groups specifically interested in the food stamp program. Consumers are represented on the committee by a number of social agencies and neighborhood centers. Producers and administrators are also represented, and you will have a list attached to your report of these agencies represented.

(The list referred to follows:)

FOOD STAMP ADVISORY COMMITTEE TO THE D.C. DEPARTMENT OF PUBLIC WELFARE

United Planning Organization; Change, Inc.; Senior Citizens Clearing House; Urban League; Friendship House; Health and Welfare Council; Neigborhood Center No. 2; Southwest House; Southeast House; Martin Luther King Center; Welfare Rights Alliance; Safeway Stores; Dairy Council; Department of Public Health; Department of Public Welfare; United States Department of Agriculture; Family and Child Services; Migrant Research Project; Neighborhood Legal Services; Giant Stores; and Metropolitan Citizens Advisory Council.

Mrs. RUTHERFORD. This committee of lay and professional persons has the following functions: to coordinate educational activities, to evaluate the effectiveness of these programs, and to devise new ways and means of publicizing the food stamp program in the community. Also to encourage food stamp participants to make the most of their food money and their bonus food coupons by buying and using the foods most needed in their diets, in an effort to raise their nutritional status according to the standards of the recommended daily dietary allowances of the National Research Council.

The Welfare Department has stated that the advice and recommendations of the Food Stamp Advisory Committee were vital factors in the expansion of the food stamp program. This committee made significant input in the hearings by the Senate Select Committee on Nutrition and Human Needs for the District of Columbia April 13, 1969. As you may know from reading the newspaper, the food stamp program in the District of Columbia is not meeting the serious needs of the people. It is also a fact that many persons knowingly entitled to receive the food stamps are not doing so for many reasons, such as lack of information, and poor administrative practices in some of the rural areas. In an effort to cut out all-day waits for food stamp customers, and to prevent turning away many other persons who by law are entitled to food stamps, the Department of Agriculture and the Department of Public Welfare have attempted to speed up and simplify procedures.

Nevertheless, the food stamp program has only begun to reach the population which is eligible for the program. After 4 years in operation, close to 40,000 persons are participating in the program. A conservative estimate tells us that 160,000 persons should be participating. We are confident that with added staff and more rapid service as well as more liberal policies, more persons will apply.

We must reach out into the community and enroll more of our senior citizens. These folk are often not strong enough to travel long distances to reach certification offices and then sit in an overcrowded waiting room for hours. Many of the senior citizens live on the most meager incomes, so have an acute need for the additional food purchasing power provided by food stamps. Many of these citzens are too proud to go to a welfare office, so they are being left out. The District of Columbia food stamp manager plans to send certification officers to residences of the elderly and to neighborhoods where they live in private apartment buildings to inform them of their rights.

This does not mean that there are not substantial numbers of senior citizens who participate regularly, or that the number is not increasing. We know, however, that there are literally thousands of elderly people here in the District of Columbia who must subsist on a limited retirement check or similar income that is meager. These are the most "invisible of the invisible poor" and their number includes a host who are confined to their homes or who have little contact with the outside world. We are concerned about these people. It is a truism to say that older folk need to eat well; it is even safe to say that they need better diets than young people. In times of seasonal illness or in case of accident or injury, their ability to survive may depend on body reserves that only good diet can maintain. And it is for these wonderful older people that the Food Stamp Advisory Committee is pleading, as well

as for all the other eligible persons. It is true that senior citizens centers "can do a great deal to help feed the aged and needy," according to the U.S. Department of Agriculture. We have several of these centers in the District of Columbia providing this service today, but what provisions are being made for those persons physically unable to reach these centers? Are we shutting them out of all such programs because of rigid administrative rules or due to lack of facilities for cooking as the present food stamp law requires?

At this time Mrs. Chapman will give you some case histories that substantiate my statements.

Mrs. CHAPMAN. Mr. Chairman, my name is Anna May Chapman representing the Senior Citizens Clearing House Committee of the District of Columbia.

We feel that the food stamp program should be extended. Many of our elderly citizens do not know about the food stamps or that they are eligible for the program. In most cases the senior citizens, especially those who are not living in public housing, are paying so much for rent and living on limited incomes they cannot afford to purchase food stamps.

One excellent example would be of this elderly lady. This lady is 75 years of age and is receiving $85.90 per month from social security. Her rent is $95, utilities included. The remaining $9.10 needed for her rent is paid by her sister.

This lady cannot afford food stamps on her present income. Possibly if she lived in public housing some of her problems could be solved. If the elderly people who are living in public housing as well as those who are on the outside make sacrifices to purchase the stamps, they still do not get enough stamps to last throughout the month.

One elderly lady, age 77, buys food stamps. However, she is on a special diet because of her physical condition. She does not have enough food stamps to last throughout the month because she gets a limited amount of stamps for the meager amount of money she is able to pay each month.

She pays $8 for food stamps and receives $18.

This lady is 79 years of age. She lives in public housing. Her total monthly income in $97.70. Her rent is $47 per month. She pays $16 for food stamps and receives $22 worth of food coupons. This is only a bonus of $6 in food stamps. This is not enough stamps to last her for the month because she is ailing with diabetes and a bad heart.

Many are making sacrifices to purchase the stamps. She as well as others, do not have enough stamps to last throughout the month, especially with today's high cost of food.

We, the members of the Senior Citizens Clearing House Committee, feel that stamps should be issued upon need, not income, and should be given more than once a month to these people. This is only a few of the cases which we have. We are asking that this committee will give some consideration to them immediately, that they may be able to receive more stamps for the food which they need.

Thank you.

The CHAIRMAN. Thank you very much.

Mrs. RUTHERFORD. To continue, in addition to our plea for senior citizens, we are asking for aid to families with teenage members in

the family composition. We are all aware that most teenagers are considered "hearty eaters" and that it requires more money to feed a family of four, with two in that family teenagers, than it does for a family with two 6- or 8-year-olds. The case examples that I have attached here are Mrs. E., a former welfare mother with eight children, earns $211 every 2 weeks but is ineligible for food stamps because her income is too high. Mrs. E. is caught in the squeeze between rising prices and increasing teenage appetites. Her children range in age from 15 to 5.

"I really have to stretch it," she says, "to get two chickens to last for one meal. We always have two vegetables and extras. Before long my meat eaters will make us a three chicken family," says Mrs. E. Her hearty teenagers who are still relatively young can polish off five hotdogs apiece at a meal. She buys hamburger at the bargain rate of $1.89 for 3 pounds for a single meal. In this household 100 pounds of potatoes is gone in 2 weeks. A gallon of milk at $1.09 disappears at one meal.

Case No. 2, Mrs. T.'s husband works in a parking lot and brings home $66.67 a week. They have three small children and live in public housing. They are also considered "over income" for food stamps. "I can make it now but what will I do when the kids are bigger and eat more," says Mrs. T., whose children are now 2, 3 and 5 years old.

Mrs. J. uses food stamps. She pays $60 for $110 worth of food stamps. She feeds 10 persons—herself, five teenage children and four grandchildren whose mother was killed in a traffic accident. Of teenage appetites Mrs. J. says, "My 17-year-old son eats three times as much as my 7-year-old granddaughter." Lately, the cost squeeze has meant that the family often has a simple meal of beans as the food stamps begin to run out at the end of the month. Mrs. J. would also benefit from nutrition education.

We had hoped to bring to this testimony substantial evidence to plead for food stamps for other categories, but time will not permit, however, I will mention the great need of persons with dietary problems and the lack of adequate legislation to take care of these persons.

To increase the effectiveness of the food stamp program, nutrition and education should be a built-in component in any piece of legislation. The Welfare Department, at present, has one home economist assigned to the food stamp service in the community for 40,000 people. We appreciate this position—it is a beginning—but it is not sufficient to give the food stamp participants maximum value from the program. We have requested in the fiscal year 1970 budget an additional number of positions for 12 food stamp certification officers and 12 additional home economists who would give the following kinds of services to food stamp customers through the nutrition and education service:

1. Provide an "orientation" for every new food stamp customer in the consumer education.

2. Plan and participate in consumer and nutrition education programs with other related agencies.

3. Plan and participate in television programs, with community assistance on how to get the best from the food stamp program.

4. Train neighborhood workers to serve as shopper's guides in grocery stores and as consumer-aides in the Welfare Department (Home Economics Service).

5. Teach money management and give individual counsel in financial matters for those having difficulties in participating in the food stamp program.

6. Present mammoth food demonstrations with community cosponsorship—emphasizing consumer education.

7. Operate a "foodmobile"—a station wagon equipped with visual aids to give programs on location.

8. Prepare visual aids and materials for instructional purposes.

Some of these suggestions, if not already inserted in the proposed bills, could be added incentives in the administration of the food stamp program.

Hunger and related topics have been researched, documented and written up in the last 3 years by many people. Yet, we know that children, youth, adults, and old people who are too handicapped to provide fully for themselves, and unless the Appropriations Committees make available the funds to implement these basic tools, malnutrition will not be eliminated, and persons suffering and/or dying from hunger will continue to add to the vital statistics. Therefore, it is important that legislation for financing the food stamp program be included in the bills. Both political parties have presented programs to Congress which would liberalize the Food Stamp Act and this new thrust will increase the number of customers to be served.

The Food Stamp Advisory Committee held its second annual luncheon workshop on May 13 to study and discuss the various food stamp reform proposals now before Congress. They were addressed by the general counsel for the McGovern committee, William C. Smith, who compared the McGovern bill and the proposal of May 6, 1969, by President Nixon on hunger. From the study and discussion, the group presented 30 or more recommendations to be considered for the food stamp program. Following the workshop a task force was organized to bring together all recommendations regarding current legislation. Much that was suggested in the April testimony has been incorporated in the pending legislation, but committee members felt certain specific safeguards must be spelled out more clearly in the law. Few groups representing low-income persons have ever before had an opportunity to work as closely on legislation directly affecting their interests. The following recommendations, which we would like to have this Agriculture Committee review and consider are as follows:

1. Food stamps should be given on the basis of need or the price lowered and the amount of bonus increased.

2. Food stamps should be used to purchase items of household sanitation and personal hygiene such as brooms, mops, paper towels, detergent, toilet tissue, soap, insecticides, roach bombs, and rat poison.

3. More community workers should be hired by the food stamp program—as certification officers and outreach workers to seek out the elderly and others needing food stamps.

4. All food stamp applicants must be treated with dignity.

5. Stores participating in the food stamp program must be required to provide certain specific standards of quality.

6. Every State agency should provide in-service training for public assistance caseworkers in the food stamp program.

7. Food stamps should be distributed at certification offices after hours when they are not available at banks.

8. Guidelines should be set up to cover persons needing food stamps who have no fixed income.

9. Provision should be made for additional food stamps for persons on medically prescribed diets. They should be given identification cards which would make them eligible immediately and prevent further verification.

Someone has said that—

The food stamp program increases the food-buying power of low-income people with Federal help. It is spending money normally used to buy food on coupons worth more in buying power.

It is this "buying power" that we are seeking for the low-income and no-income people in order to help them secure adequate and nutritious diets.

A breakthrough on hunger came on February 19 when Secretary of Agriculture Hardin approved a pilot project to provide free food stamps to the poor in two counties in South Carolina. The authority to give free food stamps came from a provision added to last year's Agriculture Department appropriation bill adding funds to help the poor. The District of Columbia Department of Public Welfare issued its first press release May 13, 1969, making free food stamps available to District families who have no income, and I have a copy of that press release attached to the testimony.

(The press release referred to follows:)

NEWS FROM DISTRICT OF COLUMBIA DEPARTMENT OF PUBLIC WELFARE OFFICE OF PUBLIC INFORMATION

"Free food stamps are now available to District families who have no income. This means that the District of Columbia has become the first state to make the bonus coupons available to needy families without a cash payment."

Clyde H. Reid, Special Assistant to the Director of Public Welfare, announced the new program at a Food Stamp Workshop Tuesday, May 13, adding that "The only free food stamps given previously were in pilot projects set up by the Department of Agriculture in Beaufort and Jasper Counties of South Carolina."

According to Mr. Reid, food stamp applicants must meet the existing rules and regulations established by the U.S. Department of Agriculture and have no income if they are to receive the free stamps. None of the individuals and families getting free food stamps will be certified for longer than three months without review.

Under the present system, persons who have no income fall into the Department of Agriculture's "minimum purchase requirement" category; that is, their income ranges from zero to $19.99 per month. As many as 1,000 persons a month have fallen into this category in the District of Columbia, and Welfare officials believe that most of these people have no income.

In the past, a single person with no income paid $0.50 for $18 worth of food stamps. A family of five with no income paid $2.50 for $60 worth of food stamps.

Under the new system, a person with no income receives a certificate marked "No Cash Payment Required," which he takes to the bank or credit union (40 banks and 5 credit unions now participate) and receives his food stamp coupons.

Banks are later reimbursed by the Department of Agriculture which in turn will be paid by the Department of Public Welfare for the customers' portion of the payment (the $0.50 to $3 previously paid by persons in the minimum purchase category).

Mrs. RUTHERFORD. I would also like to read, and this I did not have, a statement from the Department of Welfare which states:

The free food stamps for persons with no income were introduced on May 12th. By the end of May, 593 households had obtained food stamps without cash payment. During this period, $24,932 worth of food stamps for which no cash had been paid were used. Of that amount, $883.75 in minimum purchase requirements

will be paid by the Department of Public Welfare. The balance is paid by the Department of Agriculture under regular procedures. Before May 12th persons with no income were required to pay the minimum purchase requirement of 50 cents to $3. The source of these funds varied. Relatives, private agencies, and the Department of Welfare all provided money for food stamps. Finding the money usually required an extra trip for the client before he made the necessary stops at the certification office, bank or credit union, and the grocery store.

Incidentally, both the McGovern and Nixon plans for food stamp reforms before Congress this year contain provisions for free food stamps for persons with no income. The District program is leading the way because we are the first "state" in the Nation to try such a plan.

I would like to also add that during last year, the Family and Child Service Agency, a private voluntary agency, contributed something like $25,000 to purchase food stamps for people who had no income or source of income at the time of their need. And this is just one agency. As a social worker in the District, I know there are many other agencies who are doing, as our speaker ahead said, contributing and have community participation in helping to meet the needs of people without income or those who have for the period of time lost their income. We have had many robberies and I am not for saying that a person has to go out and steal to get 50 cents to buy food stamps. I think there ought to be provisions in our local welfare for that.

To close, I would say, I would conclude this testimony by pleading, yes imploring of you Mr. Chairman, and your committee to do all within your power at this time to increase the "food buying power" of low-income and no-income people by providing enough stamps to purchase nutritionally complete diets with Federal help. You have that power.

Thank you very much.

The CHAIRMAN. Thank you very much, Mrs. Rutherford. I was told that you lived and worked in Texas at one time.

Mrs. RUTHERFORD. That was my birthplace.

The CHAIRMAN. Fine. Mine, too.

Mrs. RUTHERFORD. Thank you. We have mutual acquaintances there, I am sure, because I lived just a block from Baylor University at that time. Of course, now they have taken over our old home place.

The CHAIRMAN. For the campus.

Mrs. RUTHERFORD. Right.

The CHAIRMAN. We are glad to have you with us.

Mrs. RUTHERFORD. Thank you.

The CHAIRMAN. We appreciate your statement.

Mrs. RUTHERFORD. If there are any questions about the senior citizens program, Mrs. Chapman is well versed. She is now working with the National Capital Housing in locating some of these senior citizens for public housing, but in her travels she is not only finding the need for public housing, she is finding the need for food stamps.

Many of them know nothing about the food stamp program. She is finding the low-income people who do not even know they may qualify for welfare. There are many proud people and I want to say to the Congressman who mentioned the cost that somebody—they have to pay something, you know, when a person expends his pride, this is something, to purchase food stamps. When you have nothing and you have to go with a feeling of begging, and I have seen this happen, this to me, is much more costly than the 50 cents or the $3 that the Federal Government would put in for free food stamps.

The CHAIRMAN. Mr. McMillan?

Mr. MCMILLAN. Mr. Chairman, I heartily agree with the witness, that we should do everything possible for the senior citizens and children. I am willing to pay more taxes myself to see that these people are properly fed and assisted in every way possible with their problems.

I do not have much sympathy with these middle-aged people who are able to work. We have a number right here in the District of Columbia on public welfare that should be working, and I hope that your group will help expose these people who are able to get out and work as I believe that every person in the District of Columbia who wants to work can get a job. Do you not think so?

Mrs. RUTHERFORD. Well, I have to differ with you. Being in the field, I know people want to work but I know there are many who are not qualified for anything that is available.

Now, we have to create jobs and this is one of the problems of our District. We do not have sufficient jobs of certain types to suit the exact wishes of every applicant or employee. The people who are in low-income or underemployed may need some kind of help in the food area. I do not know just what the answer would be on the food stamp program.

Mr. MCMILLAN. I know there are not jobs enough to fill everybody's wishes, or I should say the high salaried, soft jobs they may want.

Mrs. RUTHERFORD. Or that they are qualified for.

Mr. MCMILLAN. Well, they can qualify for some kind of job. I cannot get anybody to work on my yard, cannot get anybody to do other things. Right here outside of the District of Columbia. If people are able bodied, they should be willing to do something, even though it is a job that they are not qualified for. It might be a man wants to be a bookkeeper. He might have a course in bookkeeping. But before I would sit around and draw public welfare, I would go out and mow the grass, I would dig ditches or anything else if I could get a job. They will not do that around here.

I agree with you that we ought to do more for the children and the senior citizens.

Now, how many people in the District of Columbia are taking advantage of these breakfasts at schools? Very many children?

Mrs. RUTHERFORD. We have had reports that there are many children that are getting into the program, the breakfast, school lunch, school breakfasts, but it does not meet the need in some areas as it should.

Mr. MCMILLAN. I know the District of Columbia is one of the few places where they do serve breakfasts in schools. I was wondering how many take advantage of that.

Mrs. RUTHERFORD. I was talking with one of my sorority sisters not long ago and this is a project that they are considering, providing breakfasts for children who live in the area around U Street, 14th, 12th, in that area, who go to school without breakfast because there is no money in their area. Nor at this time is there any service of that kind. So this is one of the projects they are thinking about. And I think there is a lot of community involvement that we just do not know about to help the programs that are going on now.

Mr. MCMILLAN. Thank you.

The CHAIRMAN. Thank you, Mr. McMillan.

Mr. Miller?

Mr. MILLER. Yes, Mrs. Rutherford, Mrs. Chapman, I believe you presented very good, down to earth statements and I agree with most of them. At the end you stated that you were pleading and imploring this committee to increase the food buying power of low-income and no-income people. You stated "you have that power."

This is true, but along with that power is responsibility. I am not sure what you mean when you mentioned the Congressman who felt that people should pay something for food stamps. I had questioned the previous witness and wanted to draw a line, but not on the basis that I felt people should pay something for food stamps. Where do we stop the free-loading so that we will have the ample food for those that truly need it as you described? This does seem to be a problem. The purpose of the questioning at that time was to inquire if it be good for private individuals or private agencies to determine the people that truly need and those people who would attempt to freeload?

That was the purpose at the time of asking the question because there seems to be some way—or we should find some way to draw a line so that those people that are hungry will be fed.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Miller.

Mr. Walter Jones?

Mr. JONES of North Carolina. No questions, Mr. Chairman.

The CHAIRMAN. Mr. Mayne?

Mr. MAYNE. Mrs. Chapman, it is your area of responsibility to work with the senior citizens here in the District of Columbia.

Mrs. CHAPMAN. Yes.

Mr. MAYNE. I wonder is there very much movement of population in this age group? Are the senior citizens that we have here largely people who have lived in the District of Columbia for many years?

Mrs. CHAPMAN. Yes.

Mr. MAYNE. There are not many elderly people who are moving into the District?

Mrs. CHAPMAN. No. Many of them are lifelong residents of the District of Columbia. And many have been here over a long period of years. 20, 25 years or more.

Mr. MAYNE. And very, very few are——

Mrs. CHAPMAN. Coming in recently.

Mr. MAYNE. Thank you.

The CHAIRMAN. Thank you, Mr. Mayne.

Mr. Montgomery?

Mr. MONTGOMERY. Mr. Chairman, I have no questions.

The CHAIRMAN. Mr. Zwach?

Mr. ZWACH. Mr. Chairman, I would like to ask you, since you are welfare workers: To what extent do the people buy nutritious foods? To what extent do they not use good judgment in the purchase of food with the food stamps? To what extent need we go into this area?

Mrs. RUTHERFORD. Well, I really could not say to what extent because I am not in the homes of these families to see or at the time shopping with them. I think this is something that perhaps the consumer education worker could enlighten us on and perhaps if you would like, we could get a person in for that, to give you that information.

Mrs. CHAPMAN. May I say something there?

Mr. ZWACH. Yes.

Mrs. CHAPMAN. As far as the Senior Citizens Clearing House Committee is concerned, we do visit quite a few of these senior citizens who purchase food stamps. Now, we do find, as I have mentioned in some of these cases, that they are paying whatever they are able to pay for the stamps and they get such a small bonus amount in the stamps which does not last them throughout the month.

Now, we find, as I said here before, that many are on special diets and we know that this diet food is very costly. So that takes up quite a bit of their stamps at one time.

Now, they cannot go—if they run out of food within that month, they cannot go back to the food stamp office and ask for more stamps. They have to wait until the next month before they can purchase any more stamps.

Mr. ZWACH. Do your institutions for the elderly also participate in the commodities programs?

Mrs. CHAPMAN. No. We do not.

Mr. ZWACH. You do not have any commodities programs in the District?

Mrs. CHAPMAN. No. This is a nonprofit organization.

Mr. ZWACH. And those people that cannot—that are not ambulatory, those that cannot move around, how do they get their food stamps? Does somebody come and deliver them?

Mrs. CHAPMAN. Yes. We try to serve them that type of service if they are not able to go to the store.

Mr. ZWACH. Do you know, is pop considered food? Can you buy pop with food stamps?

Mrs. CHAPMAN. No.

Mr. ZWACH. Orange drinks?

Mrs. CHAPMAN. Yes. Yes. But now for the elderly, they very seldom drink soda.

Mr. ZWACH. You know, the interesting thing, I spend about every Saturday afternoon an hour or two in the big stores and I always watch and the amazing thing to me has been how little milk goes out and how much of these great big bottles of soda and pop are purchased. Just an amazing amount of that goes out. I was wondering to what extent really nutritious food was being considered when they make these purchases.

Mrs. CHAPMAN. Well, I think as far as the elderly are concerned, I do not know——

Mr. ZWACH. These are not elderly. These are ordinary people.

Mrs. CHAPMAN. I do not know too much about the family unit. I do know quite a bit about the elderly.

Mrs. RUTHERFORD. There is one comment, though, on the purchase of pop and drinks. There is sugar in it. Sugar has a way of satisfying the appetite so that when you are hungry, if you get enough sweets, that kills the hunger, and I just have an idea that that is why a lot of it goes. Plus the soda pop does not cost as much as the gallon of milk.

Mr. ZWACH. Almost as much.

Mrs. RUTHERFORD. Almost but not quite. And those extra pennies add up. So that may be it. I have no way of knowing this.

Mr. ZWACH. Generally, I see they buy meat cuts, rather low-priced meat cuts, and so on.

Mrs. RUTHERFORD. They have got to stretch their budget.

Mr. ZWACH. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Zwach.

Mr. Alexander?

Mr. ALEXANDER. Mrs. Rutherford, I have no questions, but I would like to thank you for your testimony today and I think that the reason that I do not have questions is because of the hour and a half that you spent in my office some weeks ago.

I appreciate your coming by and the grassroots, as we refer to it, experience that you have had in this field, I feel that you have given me a great deal of information that will help me and better prepare me in order to vote and discuss this legislation.

Mrs. RUTHERFORD. Thank you.

The CHAIRMAN. Mr. Price?

Mr. PRICE. No questions, Mr. Chairman.

The CHAIRMAN. Mr. Ed Jones?

Mr. JONES. of Tennessee. No questions, Mr. Chairman.

The CHAIRMAN. Mrs. Melcher?

Mr. MELCHER. Mrs. Rutherford, do I understand correctly that you are with the Department of Public Welfare?

Mrs. RUTHERFORD. No. Just as a—well, community relations person. I work for the Health and Welfare Council, National Capital Area, as Director of Information and Referral Service. That is my paid job. I serve in the capacity as the Chairman—as the person in the community. This is one of the functions that our agency allows.

Once a month this Food Stamp Advisory Committee comes together, the members, and we work on these programs and what is going into it. We have helped Miss Thompson, Mr. Saunders, the food stamp manager, to know some of the things that are happening in the community and we feel that this has been one of the most important committees in the District.

My agency is very gracious in allowing me the time to come and be a part of this.

Mr. MELCHER. Well, perhaps my question is not entirely appropriate, then, but I will ask for your opinion. To the extent that people on public welfare are receiving stamps, could we anticipate a reduction or a saving in welfare funds? In other words, the food stamp appropriation would offset some public welfare funds, would it not?

Mrs. RUTHERFORD. I think it would.

Mr. MELCHER. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much. If there are no further questions, we are very much obliged to you, Mrs. Rutherford. Glad to have you both present.

I believe that is the last witness for the day.

Mrs. RUTHERFORD. Thank you.

(The following letter was received by the committee concerning food stamps to be used for seeds:)

STATE OF TENNESSEE,
DEPARTMENT OF PUBLIC WELFARE,
Nashville, July 25, 1969.

Hon. W. R. POAGE,
Chairman, House Agriculture Committee,
House Office Building, Washington, D.C.

DEAR CONGRESSMAN POAGE: Considering the recent publicity and Congressional activity concerning the Food Stamp Program, I am taking this opportunity

to call your attention to the U.S. Department of Agriculture's matching funds policy in relation to the administrative cost of this program.

According to USDA's interpretation of the Food Stamp Act of 1964, matching funds are provided only for the Certification Workers (Welfare Workers) who certify clients for participation in the Food Stamp Program. There are, however, three other areas essential to the Program the cost of which is presently provided by either the county or the State government. These three areas for which no matching funds are provided by USDA are as follows:

(1) Clerical Personnel,
(2) State Office Personnel, and
(3) Office Space and Utilities.

(1) Presently the cost of clerical personnel is shared between the county government (60%) and the State government (40%). Since clerical personnel is absolutely necessary to the operation of this program, we strongly feel that we should be allowed to claim matching funds for these positions, thereby reducing the counties' cost of the Program. (2) The cost of State Office personnel to administer the Program is paid one hundred per cent (100%) from State funds. (I am attaching a copy of a letter which we submitted to the Regional USDA office in Atlanta on May 9, 1969, concerning this segment of matching funds and a copy of their reply dated May 15, 1969.) (3) Office space and utilities for each of the eighty-one (81) counties participating in the Food Stamp Program is paid one hundred per cent (100%) from county funds.

With the tremendous strain on county court budgets, the cost of the Food Stamp Program is about to become prohibitive to a number of our counties. This is especially true of the smaller and more poverty-stricken counties where the source of revenue is very limited. Unfortunately, these are usually the counties whose need for the Program is greatest since a large per cent of their population can qualify for participation in the Food Stamp Program. It would be a great service to both county and State governments if any or all of these three segments of possible matching fund claims could be extended by USDA to include the local level of government.

We would greatly appreciate any assistance you can give us in (1) obtaining a broader interpretation of the Food Stamp Act of 1964 to cover these areas, or (2) providing in the upcoming revisions of the Food Stamp Bill a coverage of these segments of matching funds.

Your consideration is most appreciated and we shall look forward to hearing from you regarding this matter.

Sincerely yours,

HERMAN L. YEATMAN,
Commissioner.

Enclosure.

UNITED STATES DEPARTMENT OF AGRICULTURE,
CONSUMER AND MARKETING SERVICE,
Atlanta, Ga., May 15, 1969.

Hon. HERMAN YEATMAN,
Commissioner,
Department of Public Welfare,
State Office Building,
Nashville, Tenn.

DEAR MR. YEATMAN: Please refer to your letter of May 9, 1969, regarding the United States Department of Agriculture's Matching Funds policy in relation to Food Stamp Administrative time at the State level.

As always, we appreciate your comments and suggestions pertaining to policies of the Food Stamp Program.

We realize that State Administrative Costs of the Food Stamp Program is ever increasing as the Program grows in size.

Therefore, we are forwarding your letter to our Washington, D.C., Office along with our comments for consideration.

We will keep you advised of any developments pertaining to this segment of matching claims.

Thank you for your continuing cooperation.

Sincerely yours,

RUSSELL H. JAMES,
Director, Southeast District.

MAY 9, 1969.

Mr. RUSSELL H. JAMES,
Director, Southeast District
Consumer and Marketing Service
U.S. Department of Agriculture,
Atlanta, Ga.

DEAR MR. JAMES: This is in reference to the procedure that is presently used in calculating the matching funds paid by the U.S. Department of Agriculture to the Tennessee Department of Public Welfare. At the present time, the Food Stamp Program is the only program administered by the Tennessee Department of Public Welfare which receives absolutely no federal matching funds to cover salaries of the Program staff on the State Office level. Practically all State Office positions in other programs, both professional and clerical, are matched by HEW at fifty (50) to eighty-five (85) percent.

Consequently, since it is absolutely necessary to maintain State Office staff to administer the Food Stamp Program in the participating counties, we feel very strongly that the State should be allowed to claim matching funds for these positions.

We will be interested in having your consideration and hearing your opinions regarding this matter in the near future.

Yours truly,

HERMAN L. YEATMAN,
Commissioner.

FOOD AND NUTRITION SERVICE,
BUFFALO, N.Y., *June 27, 1969.*

Hon. W. R. POAGE,
Chairman, Committee on Agriculture,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN POAGE: The Board of Directors of the Food and Nutrition Services, Inc., has authorized me to write to you in their behalf about improvements which we believe should be made in the Food Stamp Program.

We are pleased that the House Committee on Agriculture is considering amendments to bills introduced to the Food Stamp Act, because we believe attention should be paid to the problems of many of the elderly about meals. Their problems are distinguished by loneliness, lack of incentive, frailty, illness, or handicap.

Certain amendments to the Food Stamp Act could help materially in facilitating older persons' partaking of sociability and nourishing food together. Such promotion would be not only an attack on malnutrition, but should be preventive in relation to mental health, and avoid or delay other types of institutional care.

We speak from this background:

The Food and Nutrition Services in Buffalo is funded by the Administration on Aging nine-tenths, and the County of Erie one-tenth, for us to demonstrate and evaluate services to a special group among the elderly, and also the utilization of homes for the aged for group dining and social activities. Although our volunteers are delivering meals, prepared in homes for the aged, to the apparently homebound, our emphasis is on encouraging as many as feasible, and others as they gain in strength, to come out of their homes to dine at homes for the "well aged."

This group is one which falls between that of the homebound on one hand, and those persons on the other hand who have the motivation and energy to seek sociability at senior-citizen centers. At noon, we deliver a hot meal and a packaged cold supper in disposable dishes. We also encourage persons not homebound, but needing sociability, to join the group dining and social activities. So far, all of both groups have needed transportation by our volunteers.

We offer a sliding scale for the price of the meals. For their clients, the Erie County Department of Social Services pays a reasonable charge (figured in regard to overhead on a larger volume than we will attain in a project with a large evaluation component). However, there are factors which mitigate against people on low Social Security or other small income from parting with even a minimal fee. The food budget is the only flexible item poor people have, so it gets dipped into for emergencies and pressing needs. We view the action by Congress to allow for the purchase of meals from non-profit meals agencies as a substantial means of stretching their food dollars.

We are finding that too large and distressing a number have withdrawn their application for our meals service, electing to continue on "tea and toast" rather than pay their allotted part of the welfare payment or out of meager independent incomes. We are convinced also that food stamps so allowed would go far in solving the meals problem for those eligible, but who refuse, to "go on welfare." In our experience, for many of their generation the latter is unthinkable.

Our specific suggestions are as follows:

1. An Amendment to the Food Stamp Act

If those elderly persons who are unable to prepare meals themselves are to be given the advantage of being able to use food stamps to pay for prepared meals provided by non-profit meals agencies, an amendment to the Food Stamp Act is needed.

Your interest and influence in this regard would be deeply appreciated.

2. Surplus Commodities Used by a Source of Meals for a Non-profit Meals Program Should Not Prevent an Individual From Using Stamps for Those Meals.

We are aware that non-profit agencies may take advantage of the free distribution of agricultural surplus commodities. However, it seems that purchase of meals is less expensive than for an agency to prepare them.[1] It so happens that the "pilot" home for the aged from which we are purchasing meals for delivery does not use surplus commodities; it uses a commercial food service, a growing trend, as you may know, among institutions. We undoubtedly will find, as we expand to other areas of Buffalo and Erie County, that other homes for the aged from whom we purchase meals do use the surplus commodities. However, with whatever economy may obtain, the cost of the meals to our agency would still be above the purses of those elderly people who live on small incomes.

This leads us to the point that it would be too bad to keep in the Food Stamp Act the provision that there cannot be a combined benefit to individuals from food stamps and surplus commodities. Such a benefit would be only indirect and minor in effect in our operation and in any non-profit meals program buying meals from a non-profit institution that receives surplus commodities. We urge that such meals programs be allowed to receive and redeem food stamps from their clients. These clients either receive meals in their own homes or are served meals in a group setting for sociability.

3. Need for Use of Food Stamps for Both Meals and Groceries

Most meals agencies serve two meals a day, five days a week. Most clients also need to use food stamps as well to purchase food for weekends and breakfasts. Therefore, clients of such programs should not be restricted in using the stamps for both purposes.

We are most grateful for your attention and help.

Sincerely yours,

ALICE D. HEFFRON
MRS. WILLIAM G. HEFFRON,
President, Board of Directors.

THE AMERICAN PUBLIC HEALTH ASSOCIATION, INC.,
New York, N.Y., September 18, 1969.

HON. W. R. POAGE,
Chairman, House Committee on Agriculture,
Longworth Building, Washington, D.C.

DEAR MR. CHAIRMAN: I am writing on behalf of the American Public Health Association, the oldest and largest public health organization in this country, to urge the enactment of legislation to expand and improve the Food Stamp Act. Since 20 bills to amend the Act have been referred to the Committee on Agriculture, including your bill, H.R. 12430, I will not attempt to express the recommendations of the Association on the provisions of each bill. As an alternative, I will set forth the principles recommended to be adopted by this Association in legislation to amend the Food Stamp Act.

The Department of Health, Education and Welfare, through its National Nutrition Survey, is documenting the extent and severity of malnutrition in this country. The Department of Agriculture in a nationwide household food consumption survey in 1965 also discovered that low income households had diets that were deficient in recommended dietary allowances. Studies of universities

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[1] The Administration on Aging has data on this.

have confirmed the findings of the Departments of Health, Education and Welfare and Agriculture.

The food assistance programs of the Department of Agriculture are now reaching approximately 3 million low-income individuals through the direct distribution of commodities and another 3 million persons through the food stamp program. Thus, only 6 million poor persons are participating in the food assistance programs while the Office of Economic Opportunity reports that there are in excess of 25 million poor people in the United States. In addition, it is anticipated that the commodity distribution program will be phased out in favor of the food stamp program. As a result, the authorization for appropriations for future years should be at least four times larger than the $340 million that is authorized for 1970. It might be preferable to provide for an open-end authorization for appropriations when the new welfare program recommended by the President is adopted.

The administrative aspects of the food stamp program are undoubtedly a factor in its failure to more effectively combat malnutrition. Any legislation to improve the program should provide for national standards with respect to eligibility, certification, and purchase requirements. Such criteria would increase the poor rates of participation in counties where the food stamp program is in operation.

Section 10 of the Food Stamp Act provides for enlisting the voluntary cooperation of existing Federal, State, local or private agencies to carry informational and educational programs for consumers. This provision of the Act is inadequately implemented. This Association recommends that a nutrition education program be financed through specifically earmarked appropriations. Legislation recently approved by the House of Representatives to amend the National School Lunch Act authorizes one percent of the appropriation to be used for the education and training of participants and personnel. Such a provision would greatly strengthen the food stamp program.

In recent years the Department of Health, Education, and Welfare has recommended setting aside a portion of the appropriations for grant-in-aid programs for program evaluation. Under section 314 (d) of the Public Health Service Act, for example, authorizes "such sums as the Secretary may determine, but not exceeding 1 per centum thereof, shall be available to the Secretary for evaluation (directly or by grants or contracts) of the programs . . ." Such evaluation on a continuing basis would provide the Congress with a mechanism for identifying problem areas in the food stamp program.

This Association also recommends that a Nutrition Advisory and Coordinating Council be established in the office of the President. This Council should have responsibility for recommending national food and nutrition policies and coordinating all federal food and nutrition programs.

The American Public Health Association appreciates this opportunity to make recommendations on legislation to expand and improve the food stamp program. May I respectfully request that this letter be made a part of the printed record of hearings.

Sincerely yours,

BERWYN F. MATTISON, M.D.
Executive Director.

AMERICAN SEED TRADE ASSOCIATION, INC.,
Washington, D.C., September 5, 1969.

Subject: Food stamp program.

Hon. W. R. POAGE,
Chairman, Committee on Agriculture,
Longworth House Office Building, Washington, D.C.

DEAR MR. POAGE: The American Seed Trade Association, a national organization representing the U.S. seed industry, requests that this letter be filed for the Committee record indicating support for the Food Stamp Plan.

This national effort to assist in providing children and low income families a nutritionally adequate diet is commendable and is a popular undertaking with American taxpayers.

The Association would like to make a strong request for expansion of the Food Stamp Program to permit the use of stamps for the purchase of vegetable seeds.

Stamps in the amount of $5 to $10 per family for the purchase of vegetable

seeds would go a long way towards supplementing and balancing their diets with fresh garden vegetables.

Many of the families eligible under the program are generally unemployed and therefore could devote time to producing a garden. Including vegetable seeds under the program would help people to help themselves and they could take pride in their efforts.

There would be no distribution problems under this proposal as almost every retail food outlet has vegetable seeds available for sale.

The addition of seeds to the list of eligible commodities can only tend to strengthen the overall national program.

Your favorable consideration of this recommendation would be greatly appreciated.

Very truly yours,

JOHN I. SUTHERLAND,
Executive Vice President.

The CHAIRMAN. The committee stands in recess until Monday morning at 10 o'clock.

(Whereupon, at 11:45 a.m., the committee was recessed, to reconvene at 10 a.m., Monday, September 8, 1969.)

GENERAL FARM PROGRAM AND FOOD STAMP PROGRAM

MONDAY, SEPTEMBER 8, 1969

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The commmittee met, pursuant to recess, at 10:05 a.m., in room 1301, Longworth House Office Building, Hon. W. R. Poage (chairman) presiding.

Present: Representatives Poage, Purcell, O'Neal, de la Garza, Vigorito, Jones of North Carolina, Montgomery, Alexander, Burlison, Rarick, Jones of Tennessee, Melcher, Teague, Miller, Mathias, Mayne, Zwach, Kleppe, Price of Texas, Myers, and Mizell.

Also present: Christine S. Gallagher, chief clerk; William C. Black, general counsel; Hyde H. Murray, associate counsel; John A. Knebel, assistant counsel; and L. T. (Tex) Easley, staff consultant.

The CHAIRMAN. The committee will please come to order.

We have with us today our colleague, Mr. Skubitz, who would like to present Mr. House. Mr. House will be accompanied by Mr. McMillan. We will be glad to hear from Mr. Skubitz.

STATEMENT OF HON. JOE SKUBITZ, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF KANSAS

Mr. SKUBITZ. Mr. Chairman, first I want to express my appreciation to you for giving me this opportunity to present the first witness. Ofttimes we who serve in the legislative arena are called upon to pass judgment on legislation that affects the various phases of our economic life. And ofttimes because of our limited knowledge in certain areas, we usually call on those whose experience, background, judgment, and advice we respect.

Now, Kansas not only raises the best wheat in the world, Mr. Chairman, but we also raise the best beef in the world. As evidence of that I would like to call attention to the fact that only 10 days ago I traveled half way around the world and while sitting in the Hong Kong Hilton Hotel restaurant we were given this menu. There is no Texas or Nebraska or any other State meat on the menu but right at the top of the list is Kansas porterhouse steak. [Laughter.]

The CHAIRMAN. Now, may I say off the record——

(Discussion off the record.)

Mr. SKUBITZ. Mr. Chairman, since cattle production and meat production dollarwise have both surpassed wheat production in the State

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of Kansas, I often turn to our witness for advice and counsel on matters affecting the meat and cattle industry.

I do not know of anyone in the State of Kansas that is better qualified to speak on the economics of cattle and meat production than he, because of his background and his experience. He now serves as president of the National Cattlemen's Association, which speaks not only for all the State associations but for all of the various cattle associations on national matters.

He has also served as president of the American Hereford Association at one time, and as president of the Kansas Livestock Association.

Mr. Chairman, it is a privilege for me to present to this committee my friend, Bill House, of Cedar Vale, Kans., whose judgment and integrity I respect.

Mr. Chairman, Bill House of Cedar Vale, Kans.

The CHAIRMAN. Mr. House, we are delighted to have you with us and we are delighted to have Mr. McMillan with you. They are both good customers of ours. We are glad to have them with us.

STATEMENT OF BILL HOUSE, PRESIDENT, AMERICAN NATIONAL CATTLEMEN'S ASSOCIATION; ACCOMPANIED BY C. W. McMILLAN, EXECUTIVE VICE PRESIDENT, AMERICAN NATIONAL CATTLEMEN'S ASSOCIATION

The CHAIRMAN. We will be glad to hear from you.

Mr. HOUSE. Thank you, Mr. Chairman. Thank you, Congressman Skubitz.

We have a written statement if you are ready for it, Mr. Chairman.

The CHAIRMAN. Yes, sir. Now, did you want to insert this in the record or did you want to read it?

Mr. HOUSE. I want to insert it in the record and I would prefer then, in the interest of time, to make remarks on it.

The CHAIRMAN. Let me explain that the committee will be glad to insert it in the record without any objection. If, however, it is done that way, then that is what will appear rather than your present remarks.

Mr. HOUSE. Correct.

The CHAIRMAN. Thank you, sir. Then, without objection, it will be inserted in the record.

Mr. HOUSE. The reason I would like to speak and just use it as background material is that everything I have to say will be basically in it, but we have some charts that we consider important items to show you and go through with you; and then we would hope that we would get some questions because some of these things I probably will not cover adequately.

We would like for you in turn to ask the questions. In fact, we will be terribly disappointed if you do not ask questions that would clarify our position or our problem in any way, shape, or form.

Now, to begin with, as you know here, but many consumers do not know, the cattle industry and the beef industry has tried to operate in a relatively free market, and by free market I mean that we have not particularly tried to price our production. We have always offered it on the market and said, "What will you give us?" And generally speaking, our only choice is to postpone the sale if we do not like it.

In other words, the consumer has almost total control of our business as to what we get. It is one of the few items that the consumer buys that the producer has not set a price on and said, "If you do not give this, we will not sell it to you. We will quit making it." In fact, we have been extremely lax, I would say, maybe so much that we are not even appreciated for what we have done. We have rather let the consumer set the price all the way and quite frankly we are not very happy. Over a period of years we have had little, if any, rise in price.

One of the disturbing things is that beef will run along for 10 years and the price will never increase, and then economics dictate a little price rise and everybody thinks that is inflation. This time we saw the price peak in June, about 34 cent cattle, and it was a 20 percent rise over what we had had probably for a 5-year average. They called it inflation but they do not look back 5 years, 10 years, 20 years. We have not broken any records for 10 years and we have run along at a real low figure pricewise for 20 years. It has already dropped back to where I do not suppose today it is any more than 7 or 8 percent over last year, maybe not quite that much.

There is one other thing I think I should say in the beginning. The price rise came in fed cattle first.

Now, the way we produce beef in this country, the producers way out in the marginal range country primarily raise the calves and raise the yearlings. These folks have not had a real price rise yet because many of them have not been to market and by the time they get to market, this price is not going to be much different than it was last year. And yet, we have heard all this talk in the meantime about how good the cattle business is, but when you talk to a producer that is raising calves or yearlings, speak very gently to him because he is irritated. He is afraid this thing is going by him. We are delighted that the feeders have had the opportunity. They had some tremendous losses the last 2 years. Back about 1963 and 1964 they took tremendous losses and they needed the money real bad.

So, let us just say that the industry has recovered somewhat but there are a lot of people in it that have realized no difference in price this year from last year yet and they are just hoping. They are the people to whom if you mention and say anything about a price rise will become irritated immediately because they feel that at this point their income is in jeopardy and they are a little bit unhappy.

Now, what we want to say is that the beef industry is extremely important to the economy and materially affects the economy of at least 38 States. We have several States where it is the largest business, including my home State of Kansas. Coming right behind it is the meatpacking industry.

We represent about 20 percent of the total income of all agriculture. Not only that, but we provide the market for a lot of the other products. If you are in the cotton business, of course, it is the cotton seed that is used for meal. If you are in the soybean business, we still use a lot of soybean meal—right on down the line.

Now, we want to tell you that anything that happens in the rest of agriculture does affect us. We are vitally affected by everything you do, by all farm programs, although we try to operate in a relatively free market. Eventually what you do in legislation and the way you affect other things comes right back and affects the beef industry.

Because we sell our cattle, operate in a free market, and our people basically are still in the mood to continue in this manner, we think that eventually all farm programs and policies will be routed more and more toward the marketplace and that they will be produced, perhaps through self-discipline, perhaps through farm programs, just on a basis of what we need in this country or need to export on top of it. And we scubscribe to the theory that eventually these farm programs have to be oriented more and more to a market. And we are basically committed to this.

We have doubled beef production in the United States since 1946. It went from 60 pounds per person to 109 pounds, but in the meantime, we added a lot of people. So, poundwise it went from 9 billion pounds to 21 billion pounds, which is more than double. There is one thing we have done. We have provided people with more and more beef. At this point the consumer has been inclined to want fed beef. So what used to be 30 percent fed is now 70 percent fed and, of course, one of the greatest developments in the beef business has been in the Panhandle country of Texas, Oklahoma, and western Kansas. The big jump has been there although if you look at the pounds you will find the traditional areas are still producing as much as they did and maybe more, but the violent increase in pounds has been in these new areas where the climate is a little drier and they had a lot of maize to feed, and so this is our area of development at this point, although we still feel the corn belt will be a major production area forever.

TABLE I.—TOTAL PRODUCTION AND UTILIZATION OF FEED GRAINS, 1940–68

[In millions of tons]

Year	Production			Distribution [1]		
	Total supply	Livestock feed	Food, industry, seed	Exports [2]	Total use	Carryover at end of year
1940	114.7	80.5	10.4	0.7	91.6	23.1
1941	121.6	89.6	12.5	1.0	103.1	18.5
1942	133.4	104.0	12.8	.4	117.2	[3] 16.2
1943	124.0	99.5	12.3	.6	112.4	11.6
1944	122.4	92.2	14.3	1.0	107.5	14.9
1945	121.0	96.6	12.0	1.5	110.1	10.9
1946	125.6	93.0	13.5	5.3	111.8	13.8
1947	101.1	79.4	12.1	1.8	93.3	7.8
1948	135.5	87.7	11.9	5.5	105.1	30.4
1949	143.1	95.2	12.6	4.8	112.6	30.5
1950	144.4	95.7	13.7	6.4	115.8	28.6
1951	134.7	97.7	12.1	4.8	114.6	20.1
1952	132.8	88.8	11.7	5.3	105.8	27.0
1953	137.5	89.9	12.1	3.8	105.8	31.7
1954	146.7	89.7	12.4	5.5	107.6	39.1
1955	160.7	96.9	12.5	8.1	117.5	43.2
1956	163.4	94.3	12.6	7.7	114.6	48.8
1957	182.2	100.9	12.5	9.8	123.2	59.0
1958	203.5	110.4	13.0	12.6	136.0	67.5
1959	217.5	116.9	13.2	12.8	142.9	74.6
1960	230.5	119.4	13.4	12.7	145.5	85.0
1961	225.3	122.0	13.8	17.3	153.1	72.2
1962	214.1	119.0	13.9	16.8	149.7	64.4
1963	218.6	116.2	14.3	18.8	149.3	69.3
1964	203.9	113.0	14.5	21.6	149.1	54.8
1965	212.5	126.3	15.0	29.1	170.4	42.1
1966	200.0	125.7	15.2	22.0	163.9	37.1
1967	213.4	126.4	15.4	23.3	165.1	48.3
1968	216.7	139.2	15.5	18.0	172.7	44.0

[1] October–September year for corn and sorghum grain, July–June year for oats and barley.
[2] Imports and exports include grain equivalent of products.
[3] Stocks of grain at interior mills, elevators, and warehouses, not included in computing 1942–43 disappearance.

Source: Feed statistics through 1966, table 14, for years 1940–65; 1966–68, USDA.

We consume the major part of all grains and there is a chart, table I, that I would like for you to look at if you do not mind taking the time. Table I. It is the utilization of feed grain. You look down at the bottom, in 1968, this past year. You will find that feed grain to livestock accounted for 80½ percent of our total production. The food industry used 9 percent and export took 10½ percent. In 3 years our exports of feed grain were down 34 percent. Actually, it was down 11 million tons. But here comes the livestock industry and increased their use and utilization of feed grain 13 million tons to make a total of more than had been consumed before, and what we see developing throughout our industry is that the beef cattle industry is absorbing a lot of the growth, a lot of the problems of the rest of agriculture, and here is a clear case. Exports of grain are down 34 percent and livestock feed use is picking it up. That is just in 3 years.

We picked up a little more in utilization at home than we lost in exports since 1965, and this is an extremely important figure.

TABLE II.—TOTAL PRODUCTION AND UTILIZATION OF WHEAT, 1940–68

[In thousands of bushels]

Year	Total production	Distribution		
		Domestic disappearance	Carryover	Exports
1940	814,646	675,456	279,721	33,848
1941	941,970	651,513	384,733	27,852
1942	969,381	920,635	630,775	27,769
1943	843,813	1,173,928	618,897	42,622
1944	1,060,111	936,535	316,555	143,500
1945	1,107,623	873,781	279,180	389,600
1946	1,152,118	743,770	100,086	396,700
1947	1,358,911	754,180	83,837	485,200
1948	1,294,911	672,209	195,943	503,600
1949	1,098,415	676,637	307,285	302,900
1950	1,019,344	676,545	424,714	365,900
1951	988,161	672,610	399,871	475,000
1952	1,306,440	645,359	255,978	317,500
1953	1,173,071	618,955	605,544	216,700
1954	983,900	598,134	933,506	274,000
1955	934,731	589,023	1,036,178	346,000
1956	1,004,272	574,451	1,033,415	549,100
1957	955,800	591,700	908,800	402,300
1958	1,457,435	608,600	881,400	442,800
1959	1,117,735	596,900	1,295,100	509,800
1960	1,354,709	603,400	1,313,400	661,500
1961	1,232,359	608,000	1,411,300	719,400
1962	1,091,958	580,300	1,322,000	643,800
1963	1,146,821	588,500	1,195,200	856,100
1964	1,283,371	643,600	901,400	725,000
1965	1,315,613	731,200	817,300	867,400
1966	1,311,702	681,200	535,200	744,300
1967	1,522,382	647,800	425,000	761,100
1968[1]	1,570,433	758,600	539,400	542,000

[1] Preliminary.

Sources: Agricultural Statistics, 1952, table 11; Agricultural Statistics, 1959, table 11; Agricultural Statistics, 1968, table 10; 1967–68 "Domestic Disappearance and Carryover from July 1969 Wheat Situation." Exports: 1940–43, Agricultural Statistics, 1962, table 8; 1944–65, Agricultural Statistics, 1967, table 11, 1966–68, "Wheat Situation," July 1969, table 1.

Now, turn to table II and you will find the utilization of wheat and, of course, we call that the bread grain. Yet, we have lost our export markets to the tune of a little over 200 million bushels in the last 3 years and we know that it is continuing. We still have a major problem because other countries are using our technology and are going ahead and developing a lot of their country at our expense.

But look at what the cattle-feeding industry has done. Cattle feeding has picked up from a normal consumption of wheat of about 50 million bushels. We have jumped it to 200 million this year.

Now, actually, we have picked up in feeding of wheat over half of what we lost in an export market, and this is an interesting figure, and being in Kansas, I know this because I have done it myself. We raise a good deal of wheat and it is all in the granery and it is all going through cattle.

Mr. KLEPPE. Mr. Chairman——

The CHAIRMAN. Of course, if you want to ask him how he can pay a price that will support that wheat plan, but——

Mr. KLEPPE. No. I just want to ask for clarification of these figures that you just gave. You said that there was an increase of 150 million bushels in the utilization of wheat through cattle. Where on table II do you see those?

Mr. HOUSE. That is a new figure and it does not show up here, but we think the new figure for wheat consumption will be 200 million bushels and you will just have to write that in there.

Mr. KLEPPE. Thank you.

Mr. HOUSE. This is a new figure that you do not have. We would like for you to write it down because it is not included in the statement.

The CHAIRMAN. Could we write down at the same time the approximate price?

Mr. HOUSE. Well, the price now—it moves as a feed grain, Mr. Chairman.

The CHAIRMAN. I know it does.

Mr. HOUSE. And the price has been terribly low, but at least it gets it out of the way, and it has to be consumed in competition, but with feed grains, so the price runs about 2 cents a pound or a little less in some cases. Pricewise to the wheat man, he is not happy with this, but volumewise he is delighted to have it out of the way and, of course, our problem is—no, your problem in this case—is to mesh it with existing programs, but what I am trying to say is that we are rescuing them to a certain extent. We are assisting the wheat growers.

Now, we will take more questions on that pretty soon. Any questions you would like, I would be delighted to try to answer. These figures show that nothing happens in agriculture that does not get back to the beef business. Here we are in competition with feed grain—with wheat, and utilizing it throughout the livestork industry. Espe-

cially in the Panhandle areas, we are using a tremendous amount of wheat and it is going to be gone some day, but it is at a price basically that is the same as feed grain. I want that understood, that it comes into competition when the market price moves down.

TABLE III

Year	Total beef cows 2 years and older [1] (thousands)	Percent of change [1]	Annual change in commercial beef production [2] (thousands)	Percent of change [2]	Total beef per capita consumption (pounds) [3]	Percent of change [3]	U.S. population [4] (thousands)	Percent of change
1940	10,676	+6.9	6,948	+2.4	54.9	+0.4	132,594	+1.2
1941	11,366	+6.5	7,858	+13.0	60.9	−11.0	133,894	+1.0
1942	12,578	+10.7	8,592	+9.3	61.2	+.5	135,361	+1.4
1943	13,980	+11.2	8,306	−3.3	53.3	+13.0	137,250	+1.1
1944	15,521	+10.2	8,801	+6.0	55.6	+4.3	138,916	+1.1
1945	16,456	+6.0	9,936	+12.9	59.4	+6.9	140,468	+1.2
1946	16,408	−.3	9,010	−9.3	61.6	+3.7	141,936	+1.1
1947	16,488	+.5	10,096	+12.0	69.6	+13.0	144,698	+1.9
1948	16,010	−.3	8,766	−13.2	63.1	−9.3	147,208	+1.7
1949	15,919	−.6	9,142	+4.3	63.9	+1.3	149,767	+1.7
1950	16,743	+5.2	9,248	+1.2	63.4	−.8	152,271	+1.7
1951	18,526	+10.6	8,549	−7.6	56.1	−11.5	154,878	+1.7
1952	20,863	+12.6	9,337	+9.2	62.2	+10.9	157,553	+1.7
1953	23,291	+11.6	12,055	+29.1	77.6	+24.8	160,184	+1.7
1954	25,050	+7.6	12,601	+4.5	80.1	+3.2	163,026	+1.8
1955	25,659	+2.4	13,213	+4.9	82.0	+2.4	165,931	+1.8
1956	25,371	−1.1	14,090	+6.6	85.4	+4.1	168,903	+1.8
1957	24,534	−3.3	13,852	−1.7	84.6	−.9	171,984	+1.8
1958	24,165	−1.5	12,983	−6.3	80.5	−4.8	174,882	+1.7
1959	25,112	+3.9	13,233	+1.9	81.4	+1.1	177,830	+1.7
1960	26,344	+5.0	14,374	+8.6	85.2	+4.7	180,684	+1.6
1961	27,102	+2.8	14,930	+3.9	88.0	+3.3	183,756	+1.7
1962	28,305	+4.4	14,931	+.1	89.1	+1.3	186,656	+1.6
1963	29,960	+5.9	16,049	+7.5	94.6	+6.2	189,417	+1.5
1964	32,794	+9.5	18,037	+12.4	100.1	+5.8	192,120	+1.4
1965	34,238	+4.4	18,325	+1.6	99.6	−.8	194,590	+1.3
1966	34,433	+5.7	19,493	+6.4	104.2	+4.2	196,920	+1.2
1967	34,685	+.7	19,991	+2.6	106.3	+2.0	199,100	+1.1
1968	35,300	+1.8	20,662	+3.4	109.0	+2.5	201,100	+1.0

[1] Livestock and Meat Statistics, 1962, table 7.
[2] Livestock and Meat Statistics, 1962, table 113.
[3] Livestock and Meat Statistics, 1962, table 209.
[4] Business Statistics, 16th biennial ed., 1967, p. 65.

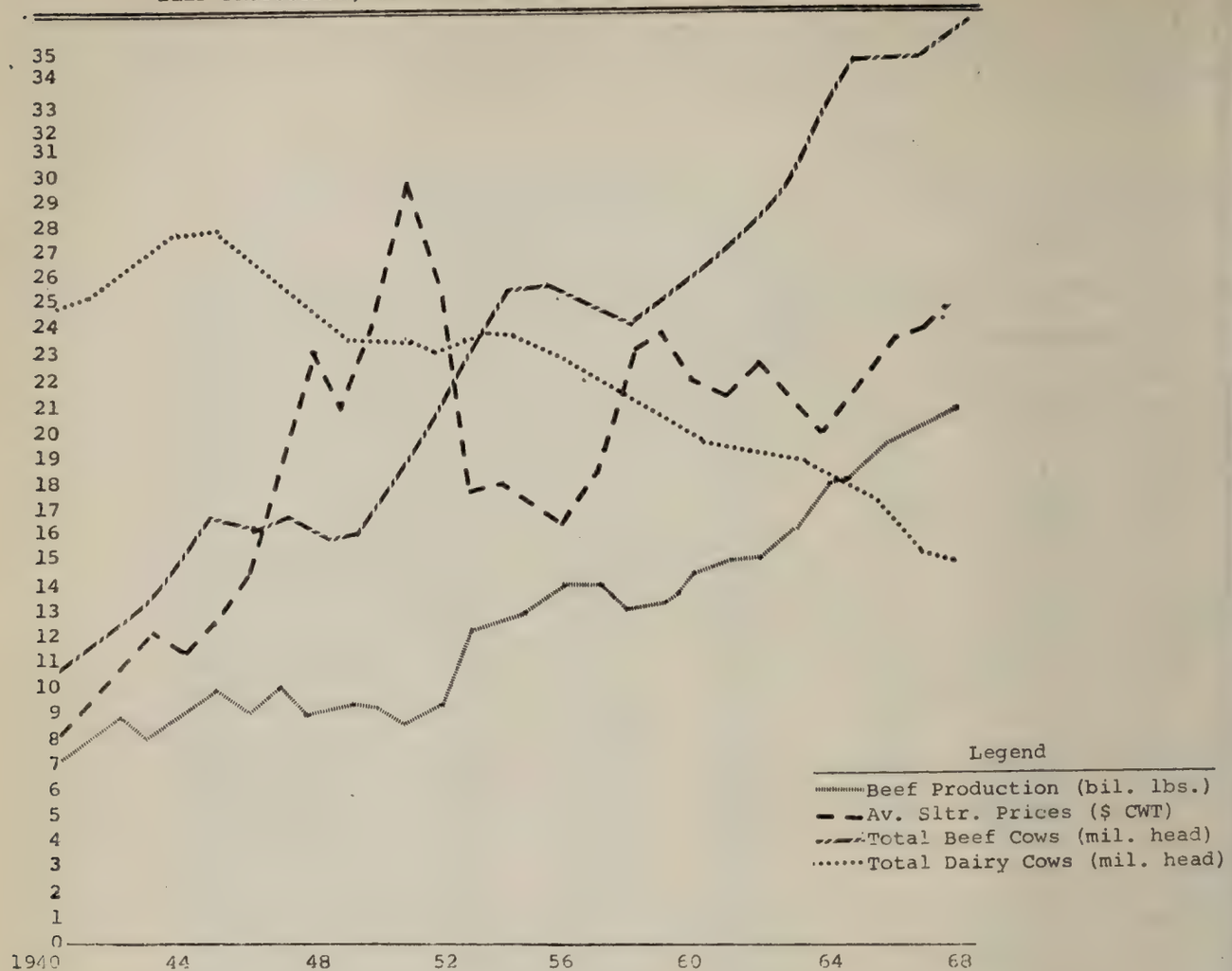
Now, I think we ought to go on to table III because this shows what is happening in the beef business and it involves us directly. It shows the changes that are taking place.

The first column over there shows from 1940 we boosted the total beef cows from 10 million to 35 million in 1968, and they are still up a little again, it looks like, with the new figures. But in the meantime, dairy cattle population has dropped and it has been a tremendous drop, and we have a chart on the last page that shows the drop in dairy cow numbers and it is the dotted line.

Now, this is chart A. And it has been attached to the back because we felt it was necessary to include these figures in the dotted line as dairy cow numbers and you see how radically they have dropped, from 25

CHART A

BEEF PRODUCTION, COW POPULATION AND AVERAGE SLAUGHTER PRICES



million to 14 million cows. In the meantime, we have doubled the number of beef cows and that chart is a rather zigzag line here that catches your attention. It starts at 11 million and goes up to 35 million. It goes out at the top of the chart.

Now, the reason we could increase beef cows so fast is because of the dairy cows decreasing so fast. There used to be twice as many dairy cows as beef cows, two-thirds of the total number dairy and one-third beef. It is now reversed, in fact, more than reversed. Now it is over two-thirds beef and one-third dairy but there is an interesting development in the feeding business. Pretty nearly all these dairy calves are moving through the feedlots now instead of as veal and are being utilized as feeding cattle. Here again, we are providing a market for the dairy industry and the interchange between the cows as far as we are concerned has to be considered constantly when you are projecting how many cattle we can use in the future. We have to look at the figures on dairy. If they continue to go down, we can use more beef cattle. If they become static they must be taken into consideration because their calves are going to be used and utilized as feed cattle.

Now, I think I would like to go back—I have mentioned the utilization of wheat. Now what we would like to point out is that we think that we are moving and increasing the number of beef cattle about as fast as we can and remain on a cost-plus basis.

Last year we increased beef cows 2 percent for almost 700,000 cows. But we decreased the dairy herd again over 500,000, leaving a net of just a little over a 200,000 increase in total cow numbers.

We received a little increase in price and now it has fallen back. We are not sure at this point whether there will be any increase in price

over last year. So it indicates that probably at 110 pounds of production of beef, we have hit a peak that we dare not break at this point because it looks like the consumers have balked at going on and paying the price of further expansion of beef production.

A 2-percent increase in the cows, beef cows, with a 4-percent decrease in the dairy cows, comes up with about a 200,000 cow increase a year that has been true for several years now, but it seems if we go that far, we can in turn through the feedlot increase production 3 to 4 percent in total pounds of beef. In other words, the cows do not control the pounds. The pounds at this date are primarily produced and increased in the feedlots and we have to watch real careful what is going on there with cheap grain. We are moving real fast with an increase of about 3 or 4 percent production a year. The population only increases 1 percent, so we are offering people more and more and more beef every year.

We think we are going as fast as we could possibly justify because we are running into an extremely high-cost period, and I would like to bring this to your attention.

Our costs are going up real fast in the field of wages first. Most farm and ranch operators today are finding that they are having to compete with the defense industry or an industry which has moved into their area that draws out labor. For years and years we had a labor cost average far, far, below the industrial wage. Now we are having to face an increase every day. In fact, we think we are into an era when we must pay industrial wages to keep the kind of people that can take care of a cowherd, operate machinery, take care of grain or dairy cows. So, our wages are going up real fast. We do not have charts on it but we can tell you this, that we think you can look at the industrial wage scale and say that agriculture is going to have to pay it from now on or no people will be left in it.

Second, our interest rates. Our interest rates have gone up 40 percent in one year to the average cow-calf operator and the average feeder, all of us are in the 8½ to 10 percent bracket now and most of us came from the 6 and 7 percent, and this is a reality and the bankers at this point tell us that we cannot expect any relief from this.

Now, another thing that affects the cost of production in the cattle industry is local taxation. Take my little community. It lives almost entirely on the land and the cattle—the taxes they can pay. It has been up 10 percent a year for 20 years, and this more than triples your taxes in 20 years, and somebody asked me the other day what does it cost to raise a calf in your community. I said, well, the first thing I have to do is make $15 that year to pay for the taxes on the cow and the land alone to support our schools and county government.

Now, a lot of people say, Well, boy, your community must be really moving. It must be really prosperous."

I will tell you how prosperous it is. In the last year, and I live in a cow town of 800 people, we have lost a 40-bed hospital. We have lost the last of three implement dealers. We have lost one of two cafes. The lumberyard is selling out this morning, the only one we have. We have lost 50 boxes in the post office in the last year. And what I want to notify people about, especically in the consumer areas, is that there is nothing good happening in the cattle business. It may sound good and we are getting a lot of talk of boycotts and consumer problems. We know those folks do not understand our problems. We

do not know how to tell them this, that if things do not change for the better and remain better, that they are killing my town and my community and every one like it in the United States and the people are going to move in on the city and take their jobs. They have no choice.

We either solve this one or we do not solve the total unemployment problem in the United States, and we had better solve it out here now. And I am sympathetic when a housewife gets up and starts a boycott. I am sympathetic for one reason. She has a problem that inflation has caused her and I understand that with everything she reaches for, the price has gone up. My God, it has for us, too. We do not reach for a thing that has not gone up 20 percent, when we buy to maintain our farms and ranches and feedlots. This problem of taxation is just as great as any one of them.

Now our machine costs have gone up. They are raising trucks again this year. They have announced the price rise, all companies, $75 to $200 on a truck. The machinery companies announced a price rise.

Now, this what I am trying to show you and as a committee I know you are well aware of it, but yet it needs to be in the record. These folks set their price. Why do they not boycott them? We are the only commodity that says, "What will you give?" the only one that can say, "Well, I will walk away and probably tomorrow it will be down if I do not buy."

Now, the price of a truck will not go down because you do not buy it. You just do without because they will close the production line before they take less than cost. But agriculture has always offered its products in a free market.

TABLE IV

Year	Cattle prices [1]	Percent of change [1]	Disposable personal income [2]	Percent of change [2]
1940	$7.95		$75.7	+7.7
1941	9.14	+20.1	92.7	+22.4
1942	10.98	+10.1	116.9	+26.1
1943	12.22	−9.3	133.5	+14.2
1944	11.08	+10.9	146.3	+9.6
1945	12.41	+20.3	150.2	+2.7
1946	14.66	+18.1	160.0	+6.5
1947	18.88	+28.8	169.8	+6.1
1948	23.29	+23.3	189.1	+11.4
1949	20.74	−10.9	188.6	−.3
1950	24.06	+16.0	206.9	+10.0
1951	29.69	+23.4	226.6	+10.0
1952	25.71	−13.4	238.3	+5 2
1953	17.66	−31.3	252.6	+6.0
1954	17.44	−1.2	257.4	+2.0
1955	16.92	−3.0	275.3	+7.0
1956	16.34	−3.4	293.2	+7.0
1957	18.50	+13.2	308.5	+5.2
1958	23.11	+24.9	318.8	+3.3
1959	23.91	+3.5	337.3	+5.8
1960	21.98	−8.1	350.0	+3.8
1961	21.41	−2.6	364.4	+4.1
1962	22.95	+7.2	385.3	+5.7
1963	21.10	−8.1	404.6	+5.0
1964	19.71	−6.6	438.1	+8.2
1965	21.37	+8.4	472.2	+7.8
1966	23.36	+9.3	508.8	+7.8
1967	23.76	+1.7	543.0	+6.7
1968	24.63	+7.9	585.5	+7.8

[1] Average slaughter cattle prices per 100 pounds for all cattle under Federal inspection, Livestock and Meat Statistics, 1962, table 150.

[2] Billions of dollars, Business Statistics, 16th biennial ed., 1967, p. 7; 1967, 1968; Survey of Current Business, April 1969, vol. 49, No. 4, p. 25.

In table IV, note that average slaughter cattle prices have not yet achieved the level which existed in 1951. Meanwhile, the public is consuming nearly twice as many pounds of beef per person, while annual disposable income is at an alltime high. Consumers now spend only about 2.3 percent of their disposable dollar for beef, whereas in 1951 that figure was 3.3 percent.

TABLE V

Average Weekly Choice Steer Prices, Seven Markets, 1969

Week	*Average price per 100 pounds*	*Week*	*Average price per 100 pounds*
January 16, 1969	$27.67	May 8	$31.60
January 23	27.94	May 15	32.89
January 30	27.89	May 22	33.89
February 6	27.47	May 29	33.58
February 13	27.53	June 3	34.36
February 20	27.78	June 12	34.24
February 27	27.93	June 19	33.87
March 6	27.99	June 28	33.19
March 13	28.40	July 3	32.73
March 20	29.14	July 10	32.42
March 20	29.14	July 17	31.32
March 27	29.92	July 24	30.07
April 3	29.03	July 31	29.49
April 10	30.02	August 7	31.06
April 17	29.88	August 14	30.47
April 24	30.34	August 21	29.98
May 1	31.20		

Source: Livestock, Meat, Wool Market News Weekly Summary and Statistics.

In table V, your attention is called to a dramatic rise in fed cattle prices in early 1969. This peaked in early June, but there was just as dramatic a price fall in late June and extending into July and August. What this says is that although we did have a substantial increase in prices, the beef cattle business is not yet ready to absorb additional supplies into the pipelines without having an extremely detrimental effect upon live cattle prices.

Now, I think I would like to read the statement itself concerning our final analysis of what we can do in the future. And in the middle of the page. I think I would like to read it because we have had all kinds of recommendations and people have thought the cattle price was good and that we should boost it, that it could stand a lot of increase in production.

At this point we are telling you that we do not think we can absorb any more troubles for the time being. We have used some wheat, we have taken a lot of people out of the dairy industry, and they have come into the beef business. We are getting a lot of normal economic movement into the beef business out of all segments and we have about all the troubles we can handle.

Here is the way we believe, and we think this is real important for planning for the future.

The commercial beef production in the United States in the long term can increase from 3 to 4 percent annually without adversely affecting the economic condition of cattlemen as long as the following conditions are in force.

Here are the things that affect the beef business.

The ratio of total cows—now, that has to be both beef and dairy, in this case you are talking about 50 million cows—that are in production should remain at a ratio of about four people to one cow, because we make our beef so fast in the feedlots. If we move this above 4 to 1, in other words, if we get one cow to three people, we are going to be in overproduction. We are going to be in surplus when you consider a cost plus basis. And I might say this 3- to 4-percent increase presumes that we can meet our expenses and get a reasonable wage for what we do and stay out of surplus column, so that we do not have to call for help; that we will get our money in the free market.

Now, this says that the expansion of the cowherd should not exceed 2 percent, and then we can in turn get 3- or 4-percent increase in total tonnage of beef. And I want to make it plain here what happens to the dairy industry. If dairying does not go down, then we cannot continue to take 2-percent increase in cows which at this point would be about 700,000 cows. If the dairy numbers do not go down another 500,000, then we could not do that. We would have to slow down a little bit because we do have a marketing problem at 110 pounds.

Second, under this premise we are assuming that the beef consumption would increase about 1⅙ pounds a person. Now, if consumers do not want to do this, then we are again in trouble. If they balk at 109 pounds, then we are again in trouble. We know that is a long way up, there are only a few countries that have gone to 120 pounds per person and they have not maintained it. They have all dropped back, to my knowledge. Australia at one time went to 120 pounds, they backed off and are only running about 85 to 90 pounds of beef per person and shipping the rest to us. Maybe this is the level where you get in trouble and you cannot sell it at a profit.

We are just assuming—now that the population increase dictates a small increase of 1.1 per year. We would like to feed that additional 1 percent 110 pounds of beef at this point. We are anticipating that disposable personal income should increase 5 to 7 percent annually to maintain our market.

Most people have doubled and tripled their income while we maintained a steady price for beef but doubled the production. And they would not have bought it had they not had this increase of income from 5 to 7 percent.

Fourth, we are assuming that the imports of beef will not be any greater than they are now. We are absorbing a sum equal to 6½ percent of domestic production of fresh, frozen, and chilled meats, and then another 1½ percent in cooked, canned, and cured beef, so the total is probably running about 8 percent of our domestic production coming from the water. We have absorbed this amount gradually into our structure so that it is there and it is real. We are assuming it will not increase any faster and that we, therefore, could increase our beef production just a little.

There is one other thing we have written in that is not now there. We do not think we should increase the beef production and could not do it on a cost plus basis unless unemployment remains below 4 percent. We know a lot of low-income families moved into the beef-buying business with a job and a higher income. We are afraid that we have hit the peak on this for the time being, and this is what puts a lid on that

110 pounds. It was not everybody eating 110 pounds. It was some people not eating beef at all 10 years ago that are eating beef now that boosted consumption. But if any of them loses his job, then that drops down.

Now, we know in summing it up, and then inviting your questions, that a lot of people have looked at the beef business and felt that it could absorb a lot more problems, that maybe we could even take some subsidized grazing. We have studied this matter very carefully and we feel that we are absorbing all the production through normal economic development that we can have, and that we cannot stand subsidized grazing in the beef business to take care of the grain business.

We think the man that shifts out of grain into beef on a subsidized basis will wake up in 3 to 4 years and be right back in trouble with beef as well as these grains. And we also think that any artificial attraction to beef production at this point will cause a shortage for 3 years and we do not want that either. If you keep too many heifers back, artificially, because somebody says, "Well, look, the Government is going to pay me to graze this and I am going to buy some heifers and get in the beef business," then we will almost guarantee you we will have a demand that we cannot meet because they will take heifers that should be moving in a normal manner to the feedlots, hold them out, and short us for about 2 or 3 years in meat production.

We would like to see this thing handled very, very carefully with all farm programs considered on a changing basis but on a gradually changing basis. We do not want the rug jerked out from under anybody, any grain groups, any dairy groups. We want every change that is made to be considered carefully. Otherwise, we think that if you subsidize grazing, that you will wind up with another farm program of subsidy which we think the public is beginning to resent. We think it will be going counter. And if you subsidize the people in, that are not now in, then the rest of us will eventually have to have a subsidy to meet our costs and we will have another program instead of working out the other way.

And so at this point, I think that I will just say that I think the natural increases in the beef business will keep the customers reasonably happy. We know that there is a little fussing going on at this point. We think it was completely unfair to pick on beef. It went up the least of any commodity and it went up the latest and it never got back to the cowman or has not yet, although the feeders have enjoyed it and they needed it to retire some indebtedness. But we pledge ourselves to the consumer to continue to make it the best product in the world and to produce enough of it to keep everybody happy. But when you do that on a free market, then the market has to indicate when the price should rise so that we will in turn increase production, and people resent it a little when the market does tell us that we need some more cattle.

There is one other thing I should tell you that has developed in the last 60 days. There has been a definite break in the price of land because of low return, high interest rates, and various problems that go with it. This does not pose a problem as long as the break is small.

Now, this has happened in 60 days. It is not on the record yet. I invite you to read the magazine article in Top Op. There is a real good

story on the breaking prices of land just out. It is the Farm Journal news magazine and it lists the problem. Taxation, Federal tax reform, low returns and the threat of subsidized grazing have actually broken the price of land for the first time in years.

I doublechecked this. I have some friends in the corn belt at Bloomington and this is one of the places that is mentioned.

Now, the threat to the livestock industry is not in a gradual breaking of price but in a sudden break that drops a man's equity so low that he is foreclosed. We have a $55 billion agriculture debt. It exceeds our total gross income for 1 year. And in other businesses they do not like to have a debt that exceeds half of their gross income. Ours is over the total gross income for 1 year, and it is dangerous, and if the price of land breaks much, and the equities disappear and the foreclosures start, then we will feel like we are hanging on the cliffs of 1929 when everybody was just barely hanging by their fingernails, and I think I would be remiss if I did not tell you that this land situation at this point could become one of your serious problems for the first time.

I think with that I will close and invite questions, Mr. Chairman. I appreciate very much your kind attention because the beef industry has a lot of problems and a lot of troubles and we are glad you gave us the time that we have here to come before you and tell you about them.

The CHAIRMAN. Thank you. We want to thank you, Mr. House, for coming before us. I think you gave us one of the most intelligent discussions we have had. Too often I think we get automatic statements without any reason, and without any discussion of the background whatever. You have tried to give us a better insight into the background, and I think you have done a fine job of it. I know the committee appreciates it.

I wonder if it would be possible just to carry on a little discussion off the record here a moment.

(Discussion off the record.)

The CHAIRMAN. I recognize Mr. Purcell, on or off the record.

Mr. PURCELL. Mr. House, I want to be on the record because this does not work the way Mr. Poage has been acting like it works, I am afraid, and I want to compliment you on your statement and your knowledge of this entire industry.

Three questions that are fairly quick by my standards.

I have before me this same black-bound interim report and I wish you would look at it on page 6, please, sir, and where this economist from Mississippi—and I do not say that derogatorily, Mr. Montgomery—with all of the help that he had, says that, in the second paragraph at the top of the page:

> Under the estimate approach, half of this land or about 36,775,000 acres would be used in an expanded beef production program and the same amount of forest lands would be idle or directed toward timber production.

So that indicates how many acres they are talking about there.

Then in the paragraph that begins just above the middle of the page, under livestock production, it says, and I will just read part of it:

> In terms of per capita consumption, the expanded beef program would provide 144 pounds or 31 percent more than 1968, while the normal expansion would provide 127 pounds, or 16 percent more.

Then, in order to be fair to the statement here, I will read further:

It should be kept in mind that this relatively large figure, 127 pounds, relative to recent levels is an estimate based upon regression analysis of the quantity that consumers buy and still hold cattle prices at roughly the 1967 level.

Now, then, this estimated 144 pounds is directed at the year 1967. Now, do you think that these statements are realistic in line with your thinking, and what your earlier statements have been?

Mr. HOUSE. Well, that 144 pounds by 1975, if you project it over here on costs, shows that we would have to produce it at about 19 cents a pound. That is over on page 9. And frankly, we cannot do it in the United States. My community is dead completely. We might just as well wipe the town out and the whole State. We cannot get into a 19-cent situation.

So, let me say this. It is completely unrealistic on an economic basis unless they feel that agriculture can absorb a lot of the cost of production and not have any profit, and I do not think it is in that situation.

Mr. PURCELL. Well, in the next paragraph it says that the average cost of beef production in the United States, at the 144 pounds per capita level, is estimated to be 15.7 cents per pound. Only three of the 10 major production areas failed to cover costs at this level.

Now, do you know where those three production areas might be?

Mr. HOUSE. No, sir. But there is an interesting note. It says—table 5, right below that, it says land costs are not included, and this is an interesting thing because these projections are made without any land cost written in, and I have been informed by some foreign economists that that is the reason, one reason in the United States, that agriculture got out of bounds, that the economists in this country have never figured in the cost of land or the cost of or any return on investment. Therefore, we have been misled into thinking that 15 cents would do it, when a return on investment equals, say—a utility, at 7 percent, would boost that cost somewhere way up to 22, 23 cents.

Mr. PURCELL. It would be sort of like estimating the cost of automobiles if you do not include steel.

Mr. HOUSE. That is exactly right. And this is one of the most serious misleading statements that has ever been made and it has been consistently made by the agriculture economists in the United States, and it has contributed to the downfall of our total agriculture picture.

You fellows have never had a true story of what it took to produce beef and here is another clear case of it. And I have had this pointed out to me twice now, once by an industrial economist in the United States who says he does not understand why the projections never include a return on investment, and then here it comes along a second time and it took a foreign economist to tell me this, that we were headed for an imbalance and problems if we did not get this figure into it. And so I have objected especially on this ground, and you have pointed it out, but the estimates are completely vulnerable if you think that anybody should have a return on their investment in this country.

Mr. PURCELL. I would like to ask more questions but I take it you are not too stout for this land retirement program.

Mr. HOUSE. Not if we are going to graze it. If they are not going to graze it and they can justify taking it out, fine.

Mr. PURCELL. Under the formula indicated here you are not for it.

Mr. HOUSE. Well, I am not for it. In the first place, they are basing the need for beef on a regressive table or analysis that you mentioned, and regressive means on the history of the past. It has come up so fast so many years. Therefore, it should go on so many years and people eat more and more and more.

Now, the history of the world is that they will not do it. They will buy a color TV instead of black and white, instead of going to 110 pounds of beef, or put white wall tires on their car or air conditioners, and they will not buy 110 pounds at cost plus. We would love for them to buy beef but I am saying they will not and a regressive analysis in this case is vulnerable to misinterpretation.

Mr. PURCELL. Let me just observe, I do not know how long you were in politics before you got this job you have, but you learned well, and when Mr. Poage asked you an extensive question a while ago about this subsidized grazing the cattle industry has now, you got the whole committee clear off out in the horse pasture, and you have not come back yet, and that is our technique also. So, I just welcome you to the club. [Laughter.]

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Teague?

Mr. TEAGUE. Yes, Mr. Chairman.

I will only take a moment or two because I gather from what Mr. House has said that his philosophy and recommendations are very much closer to my own, I guess, than maybe to some of the other members of the committee.

I do want to make this point, however. You were talking about boycotts. There are other unfair boycotts. I read in this morning's paper some big rally was held here in Washington yesterday to support the California grape boycott.

Now, I doubt very much, with the possible exception of Hawaii, there is any farm labor anywhere in this country getting paid as much as the grape harvesters in California, and many of them are getting from one-half to a third less. So, this is another example of unfair boycott.

Thank you.

The CHAIRMAN. Mr. O'Neal?

Mr. O'NEAL. No questions.

The CHAIRMAN. Mr. Mayne?

Mr. MAYNE. Mr. House, you expressed some concern in your testimony about the price of land. I would like to ask you what you feel should be the price of land. What should the development in land prices be?

Mr. HOUSE. Well, on the price of land, we have no particular policy whether we want it to rise or want it to fall or want it to be static. I mean, we do not try to get into that. But here is what I was trying to say, and I think you are entitled to an explanation.

We are not necessarily committed to rising prices of land. We are not sure that it is even good for agriculture unless there is a systematic increase in the income that keeps the percent of return on investment steady or constant.

Now, what we have seen is a competition for land with no relationship to the income return and frankly, it has not helped agriculture, to the extent that it has boosted man's local taxation on a new appraisal

basis of inflated values and cost him more but it did not produce any more.

Mr. MAYNE. Is it not true that the price of land is so high in many areas that a young farmer or any independent operator is foreclosed from agricultural operations?

Mr. HOUSE. Absolutely. These inflated land values, a lot of people think they are of great value to us in agriculture. Frankly, if you are staying in and trying to produce, it is of no value to you. The only value it has is if you are going to get out or you get in trouble financially and have to borrow. You have two things for you and one thing against you. We do not have any fixed policy but I want to make plain that inflated land values are not part of our program. We do not promote it.

Mr. MAYNE. Well, I understood you to be expressing great concern and considerable alarm that you had evidence that in the past 60 days there has already been a serious break in land prices.

Mr. HOUSE. Yes, and it is because——

Mr. MAYNE. Are you not a bit inconsistent there?

Mr. HOUSE. No, because as of today, once land prices went up and agriculture borrowed on them and got in trouble with low income and borrowed to make up the difference, these people are vulnerable today to having their land taken away from them if the price breaks from the present level.

Now, if land prices had never gone up they would have been better off, but once it goes up and you borrow against it you become immediately vulnerable and nobody is more vulnerable than the corn-belt people today. I know someone who bought land for accretion and it did not bring as much in Lincoln, Ill., as the man gave for it, and he had to cancel the sale, but he had to raise money, and these kind of people become vulnerable and we have got a lot of honest operators who borrowed because of low income and that alone, and used it to live on.

Now, if we come up with programs that break the price of land intentionally at this point, which could happen, then this man is going to get cut clear out of agriculture. I am not saying to increase it but it does worry me if we drop the price at that time.

Mr. MAYNE. Well, more and more people are going to be cut out of agriculture, too, if the price of land continues to go up, are they not?

Mr. HOUSE. Correct. I would say if you are going to operate, a static price of land is more satisfactory if you are just asking a general opinion of me, and it is not policy. A static price that reflects production value is much better for agriculture than either inflation or deflation.

Mr. MAYNE. Yes. Now, you mentioned inflation in that respect. Stabilizing the price of land would be a part of the overall effort to bring inflation under control, would it not?

Mr. HOUSE. That is right. I agree with your stabilization statement completely on land personally, but we have no policy and the reason I am wondering, once you work under a condition where land prices are at present and you borrow on that basis, the thing that concerns me now, if we should get a break, the people that are extended and have gotten in trouble financially will be foreclosed, and so stabilization in my opinion is a word that we are really seeking if you want to stay in the business.

Now, if you want to get out, you want inflation, but the people that want to stay and produce want stabilization of land prices.

Mr. MAYNE. You also talked about the need for a moving economy and I do not think you made it clear in your testimony that you did not mean an inflationary economy. You would agree with the need for a curb on inflation, would you not?

Mr. HOUSE. You bet. Inflation hurts agriculture, in my opinion, worse than any other industry.

Mr. MAYNE. And even if an end to inflation meant that the price of your land did not continue to go up and up, you would be willing to take your chances on that along with other segments of the economy?

Mr. HOUSE. Correct. You see, as long as we are operating in a free market, if the general economy has to move down, we are saying that we will accept that and we will accept the price break. Also when it moves up we would like to have the price increase and we are still on the free market system and completely dedicated to it and willing to take ours generally, but we were talking about how many cows should we increase and what we are saying is that if you slow the economy, if less people work, and if their incomes do not increase, we need less cows in the herd or a smaller increase, let us put it that way, than we would otherwise.

I was not criticizing the fight against inflation in any way.

Mr. MAYNE. Well, you are not one of those, then, who feels that a little inflation is a good thing as long as it helps your particular industry?

Mr. HOUSE. No. In fact, our problem has been that our costs inflated and our income did not, because operating like we did, we probably were overproducing. Let us just face it. On a free market we have overproduced beef a little and did not keep up financially with the economy.

Mr. MAYNE. I want to thank you, Mr. House, for that additional clarification because I was a little uncertain as to the thrust of your testimony on this particular point, but I am not now. Thank you very much.

Mr. HOUSE. Well, I appreciate your questions because it is easy for me to make a short statement and mislead you and I do not want to. We are still dedicated to the free market and if it goes down we are willing to take it. If we cannot win it in the marketplace, fine, but if it goes up, we would like to get some of it.

The CHAIRMAN. Mr. Burlison?

Mr. BURLISON. No questions, Mr. Chairman.

The CHAIRMAN. Mr. Zwach?

Mr. ZWACH. Mr. Chairman—if I understand you correctly, the thrust of your statement is that the beef people in our country will do a good job of meeting the demands without Government payments on the side, subsidization, is that right?

Mr. HOUSE. Yes. We think we can. Thus far we are not completely satisfied with the results but we are still dedicated to taking it.

Mr. ZWACH. Is it not basically true that over the long period, that a lot of people in cattle business have been forced out of business? I have before me here, for instance, the parity figures since 1950. It was only a couple of years as you know, that producers had parity. I am a cattle feeder. I went through it all.

Mr. HOUSE. Sure.

Mr. ZWACH. All these years. Now, the other thing, this is a little different. But you know that you said we import roughly a month or more supply of beef. What is the possibility with regard to your thinking of also exporting about an equivalent amount of high quality beef to other countries? What do you find?

Mr. HOUSE. That is real interesting. I would like to tell you. We have arrived at a definite policy of setting up—we have an export committee. We are working with the Government, both the USDA and the Special Representative for Trade, and the State Department. We have gone to all three of them within the last few months and they are trying to build a trade in the finest beef and our policy has been to seek an equal amount of exports so that the overall total exports will equal imports.

Mr. ZWACH. Is there a rosy outlook for this?

Mr. HOUSE. Yes, sir. There is a rosy outlook. The demand is there and the Government barriers will not let us get into the market.

Mr. ZWACH. Who——

Mr. HOUSE. The Government barriers in those countries create the problem. We have the opportunity in the world now. You gentlemen travel and you know in the rest of the world they are looking for good steaks in the best trade. They do not have the money incomewise in wages to buy our best meat, a workingman in the rest of the world cannot do it, but there is a trade. There is a tourist trade. There is an executive trade that could buy our beef and the rosy part is they would like to do it, and the unhappy situation is that their trade barriers and their balance of payments policy will not permit the importation of our high quality beef, but we can sell it if you can open the barriers.

Mr. ZWACH. Are you also working in the area of shipping, trying to get down costs?

Mr. HOUSE. You bet. We are working with the airlines. We have not pulled in the shipowners but we have looked at this. This is a commodity that, because of its density, can be shipped across the world and with the speed you maintain the quality and it is a product that can be shipped around the world in 48 hours. But we have to have help breaking the trade barriers down in other countries to this extent and I would be delighted to have assistance. We can produce all the beef in the United States you can ever want and if we can just balance our exports against our imports with this high quality beef, it would take the pressure off and we could use a lot of land that you are having to pull out of production.

If we had this other 8 percent of business, in other words, that would equal our imports and we could use a lot of this extra land and gradually pull it in and on an ordinary economic basis without subsidy.

Mr. ZWACH. Thank you.

Mr. Chairman, I have felt the gentleman has made such a fine contribution that I would like a copy of it. I understand this will not go into the record.

The CHAIRMAN. Yes. All of it.

All of his questions will go into the record. I asked him to be off the record on some of it.

Mr. ZWACH. The rest of his statement, will that be in the record?

The CHAIRMAN. Yes.

Mr. ZWACH. I am very interested in the material he has presented.

The CHAIRMAN. His statement and the questions will be in the record.

Mr. ZWACH. Thank you.

Mr. HOUSE. We have set a goal as an industry to try to export as much as we can import. We recognize this high quality beef trade opportunity but we have to have Government assistance. Here is a case where the Government has a definite role and a role that we cannot fill in breaking the barriers down and we will try to make beef good enough and we will go over there and advertise it. We have State organizations now with money on the line to advertise beef in Japan. I asked to get into Australia, too, because they need some of our good beef in their hotels, but I got a cold shoulder on that one. But Japan and Western Europe are particularly fertile fields for the high quality trade.

Now, their wage earners cannot eat much beef. Ability is based on high wages and high-wage people eat beef and our people are the only ones in the world that can in large amounts. Everybody can get a big chunk of choice beef and I want that on the record—this is one reason I resent the boycotts. It is the only place in the world that people can all have high-quality beef. Even the low-income people can eat the same quality but they have to eat chuck and ground beef, but I have to eat it too, before I get to the other. So, there is an opportunity across the water and we are going after it and we would appreciate anybody's help that wants to help us.

The CHAIRMAN. Mr. Ed Jones?

Mr. JONES of Tennessee. Thank you, Mr. Chairman.

I would like to thank Mr. House for this very fine testimony he presented here. I think you contributed a lot to this committee's ideas. I will be glad to tell my people back home that they are quite well represented through you and the American Cattlemen's Association.

Mr. HOUSE. Thank you, Mr. Jones.

The CHAIRMAN. Mr. Kleppe?

Mr. KLEPPE. Thank you, Mr. Chairman.

Mr. House, I think your presentation here today indicates what I have known for some time and that is that you have strong convictions and you believe them and you know your business. You know this industry. And I think what Congressman Jones has just said is very indicative of the respect in which you are held with your organization.

Let me just ask you a couple of things. As you look at our present capacity of grass for cows in the United States, do you believe that we have got any expansive capacity on present grass?

Mr. HOUSE. Yes, sir.

Mr. KLEPPE. If so, how much would you estimate?

Mr. HOUSE. Well, I have discussed this and I have discussed it with the Department of Agriculture people in both administrations, and I think that if given the economic incentive, that we can increase beef production 10 percent a year on the land that is being used now.

Mr. KLEPPE. But you are talking—when you use that big a figure, are you not talking about planting a lot of land into tame grasses?

Mr. HOUSE. We might have to convert some but, you see, it would also entail the higher use of feed grain. Now, more grain produces

beef faster than anything. So, it would be a combination—I can use my land base. I have lots of land that I do not use in the most intensive nature.

Mr. KLEPPE. How many cattle do you have on your farm?

Mr. HOUSE. We run a little over a thousand cattle.

Mr. KLEPPE. And how many additional cows could you increase under the way it is set up right now?

Mr. HOUSE. If I had the economic incentive, so if I could hire one more man for better care of the cows and I could buy more fertilizer and more machinery, I can do my share. At least for 5 years I could boost my capacity 10 percent a year.

Mr. KLEPPE. Good.

Mr. HOUSE. So, the public has no problem. We can do it in the United States if you want. But it has to be at a price.

Mr. KLEPPE. That is——

Mr. HOUSE. I have to pay wages, fertilizer, machinery.

Mr. KLEPPE. That is very understandable.

Mr. HOUSE. Now, you would have to warn me a little bit ahead of time on this 10 percent. I have to have a little leadtime.

Mr. KLEPPE. You would need a little less warning for a 5-percent increase.

Mr. HOUSE. That is exactly right; and we are getting the 3 percent every year.

Mr. KLEPPE. Now, you used the phrase "cost plus" a few times when you were making your presentation. Either I got lost or I do not quite follow specifically what you are referring to on cost plus in this industry.

Mr. HOUSE. Well, I am switching over to the industrial working of an economic industry that is operating.

Mr. KLEPPE. I know what cost plus is in industry. I have been in it.

Mr. HOUSE. OK. I am applying it to agriculture and saying we can do almost anything on a cost plus basis.

Mr. KLEPPE. Cost plus what in this case?

Mr. HOUSE. Return on investment; reasonable return on investment and wages, and that is all.

Mr. KLEPPE. Well, were you making this reference and using this phrase in connection with the prospect of a Government subsidy of some kind?

Mr. HOUSE. No.

Mr. KLEPPE. You were not.

Mr. HOUSE. No. Operating in the free market.

Mr. KLEPPE. Strictly in the free market.

Mr. HOUSE. Yes. You see, when cattle in June reached 34 cents we thought that was cost plus for everybody. Now, the feeders were getting a little more than their share right at that time but the cowman thought he was going to share in it this fall and we were getting into a cost plus situation where everybody was going to be paid for what he does.

We lost it. But you did not hear us complain. We said we do not like it, we are unhappy, and we are going to shoot for 34 cents again and we are going to try to convince people that beef is worth it because you must remember, we have a promotional arm on the meat board that we work constantly telling people how great beef is. So, if we can convince them and take their money from them at 34 cents we would like a

chance to do it and then we would all be on a cost plus basis, in our opinion.

Mr. KLEPPE. Two things that seem to me came out of your presentation also were that, generally speaking, you are not encouraging additional production above and beyond the normal growth level which is something like 1½ to 2 percent.

Mr. HOUSE. Yes; in the cowherds you are talking about.

Mr. KLEPPE. In the cowherds; yes.

Mr. HOUSE. Yes. The cowherds have been running about a 2-percent increase each year for a long time and it seems adequate because calves are definitely not selling for any more than just what it costs to produce a calf.

Mr. KLEPPE. That is a true statement then. You are not encouraging any additional production above and beyond that in cowherds.

Mr. HOUSE. No; because if we encouraged more we would get more than 2 percent. If tomorrow our organization said, "We need a tremendous expansion of the beef business and it can be justified economically and you will be paid for it," members would put forth every effort to expand.

Mr. KLEPPE. That is different. Now then, another thing you said also was your concern about this new farm program that may come forth should not be designed to kill off the livestock industry and, of course, you are talking there about grazing rights on this land.

Mr. HOUSE. That is right.

Mr. KLEPPE. Thank you very much.

Mr. HOUSE. Now, this is interesting—Dr. Earl Heady, of Iowa State, has been given some credit for this possible program but he assures me that it was taken from data that he had gathered and summarized, and he tells me that he has a definite opinion—and I have it in writing—he has a definite opinion in farm program changing and he says that one of the basic principles that he believes in is a positive-sum policy. Do not shift one man's problems to another and cause a surplus and a break in price. And I have a letter from him to the president of the Beef Cattle Producers in Iowa which says this. He said:

> Hence, we should avoid as nearly as possible policies which make one group better off while making another group worse off in solving price and income problems. We should not solve them for one group by dumping them on other groups. I have enunciated this concept of positive sum policies clearly and broadly.

He has been misinterpreted and I would like to correct that, because this is his statement to Mr. Stevenson and I want it in the record that he is very sincere in believing that we should avoid dumping and causing surplus problems in beef because of problems elsewhere.

Mr. KLEPPE. I understand.

Thank you.

Mr. MAYNE. Would the gentleman yield? Just for one comment about Dr. Earl Heady of Iowa State?

The CHAIRMAN. Certainly, but I do want to point out that we have another witness here who has been waiting for an hour and three-quarters and we are hardly giving him a fair deal. But, go ahead.

Mr. MAYNE. Mr. Chairman, I want to thank Mr. House for clarifying this point. Dr. Earl Heady of Iowa State University was not associated with the Mississippi report that has previously been mentioned. His report is one prepared by the Center for Agricultural and

Economic Development in April 1969, which is an entirely different report.

Mr. HOUSE. Yes, and he was given credit for this.

The CHAIRMAN. I do not think we can just keep commenting. Mr. Melcher, I must recognize you.

Mr. MELCHER. Mr. House, I think the point you have brought out in your testimony and in the question and answer period with Mr. Kleppe regarding the use of wheat for feed should be enlarged upon for the record here.

You mentioned the figure 2 cents per pound as being an economic price, or a good price, for wheat to go into a feeding operation. What is the support price in your State or in your particular area for wheat?

Mr. HOUSE. Well, I cannot tell you exactly. It varies. But actually, the sale value of wheat at market this year was only $1.06 at my local elevator, and it moved all the way from $1.06 to $1.15 to the feedlots. This is the only figure I can give you accurately.

Mr. MELCHER. Which is below 2 cents a pound.

Mr. HOUSE. Yes, but historically, feed grains are worth 2 cents a pound. I am just going back on history.

Mr. MELCHER. Well, in my State, Montana, as well as yours the price at 2 cents per pound or less does attract feeders to buy wheat.

Mr. HOUSE. Every time.

Mr. MELCHER. And the 200,000 bushels, is that right or is it 200 million?

Mr. HOUSE. 200 million bushels.

Mr. MELCHER. That is the figure that you have projected for 1969 to go into the feed channels.

Mr. HOUSE. Yes. It is pretty well determined now there will be 200 million. Historically, it only runs from 50 to 70 million. There has always been a little feeding of the wheat but not much.

What I am saying is the beef industry absorbed that much, somewhere between 130 and 150 million extra bushels just this year and although it is not the price they would like to have, it helps. It makes use of it and does help solve some problems.

Mr. MELCHER. Now, one other point that you mentioned. You referred to the rigid sanitary inspection of meat here in this country under the U.S. Department of Agriculture. To your knowledge, is that rigid sanitation the same quality of inspection afforded in other countries such as Australia from whom we import large quantities of beef?

Mr. HOUSE. No; it is not. In the first place, Australia does not have the veterinarians to do it and we require a veterinarian on the killing floor under those circumstances. They use laymen for the same thing we will use a graduate veterinarian for and there are many other problems, although they are trying to improve. Without question they are being put under pressure. But they are a long way from our killing standards on the average.

As you know, Germany has a real rigid system. In fact, they say ours is not strong enough and they want to have their own veterinarian come look at us, but I am sure if he does he will approve. And this is an expensive thing and the reason I brought it up, it is for the consumer and the American consumer gets the advantage of it and the United States pays these inspectors around $10 an hour to do it, and it is added into the cost of beef and it is one of the consumer's costs. And yet, they want it. But it inflates the cost of beef in this country.

Mr. MELCHER. You are referring to Australia in particular. How about New Zealand and Mexico and others?

Mr. HOUSE. I have seen a packinghouse myself in Australia and I also saw some in Europe that were sending beef over here. Now, this is an interesting thing, and shows how fast they work. I am not going to identify the country but they told me they had a wonderful packinghouse that was sending beef from there to here, but I went to an old-fashioned killing floor out in a barn and they were loading the beef there and hauling it over to the modern packinghouse and exporting it to the United States. So, let us just say their standards at this date to my knowledge are not up to ours.

Now, here are some cases where it is and they are improving fast but definitely this is the only place where we have a veterinarian on the killing floor all of the time to look after the consumer. Nobody else does that consistently.

Mr. MELCHER. Thank you, Mr. House.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Myers?

Mr. MYERS. No questions, Mr. Chairman.

The CHAIRMAN. That completes all those members who were here and heard the testimony. I wonder, in order that we have a moment or two with Mr. Marsh, if we cannot proceed with him and then ask these gentlemen to remain with us so we may then come back to them for questions. We do not want to deny anyone the right to question them.

If there is no objection, Mr. Marsh, we will be glad to hear from you. Ed Marsh representing the National Wool Growers Association. When he is completed, we will question all of you.

STATEMENT OF EDWIN E. MARSH, EXECUTIVE SECRETARY, NATIONAL WOOL GROWERS ASSOCIATION

Mr. MARSH. Thank you, Mr. Poage, and members of the committee. It is a pleasure for me to have the opportunity to testify in behalf of the National Wool Growers Association.

This statement is presented on behalf of the National Wool Growers Association. Our organization, which has been in existence for 104 years, speaks for the farmers and ranchers of the United States who raise sheep for the production of both lambs and wool.

Our principal membership consists of 21 State and area sheep producer organizations operating in Arizona, California, Colorado, Idaho, Indiana, Iowa, Kansas, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, New York, Oklahoma, Oregon, Texas, Utah, Washington, South Dakota, Wisconsin, and Wyoming. In this 23-State area, 88.8 percent of the Nation's wool was produced in 1968. Wool, however, is produced in all 50 States.

At our 104th annual convention, held in January of this year, a resolution was unanimously adopted urging further extension of the National Wool Act of 1954. The National Wool Act, as a part of the Food and Agriculture Act of 1965, applies on wool marketed through December 31, 1970.

The Wool Act is now in its 15th year of operation. We think it is a unique program in that it has had consistent and almost unqualified support from the administrations of both parties, as well as all major segments of the wool industry from producer through manufacturer.

Wool, like sugar, is in deficit production in this country. Part of the congressional policy in establishing the Wool Act was to encourage domestic production of wool. The act was also to establish in lieu of a tariff duty increase on imported raw wool which was recommended by the Tariff Commission in 1954. Congress in the Wool Act has recognized that sheep are not only important to the economy of many semiarid regions where crop production is not feasible but has recognized the importance of having a supply of domestic wool so that our mills will not be entirely dependent on foreign supplies.

Operation of the Program

Under the National Wool Act, growers sell their wool in normal marketing channels. After the year is over, and the average price received for wool sold during the marketing year is known, payments are made to bring the national average price received by all growers up to the incentive level. The incentive level is determined each year by a parity index formula in the Wool Act. The payments are made at one percentage rate—the percentage required to bring the national average price for wool sold in the free market up to the incentive level. This one rate is applied to the net sales proceeds received by each grower to determine the amount of his incentive payment. By making the payments on a percentage basis, growers are encouraged to improve the quality and marketing of their wool to obtain the best price possible, because the higher the price the individual grower gets in the free market, the greater his payment.

Support for pulled wool is provided under the act to maintain normal marketing practices; that is, to prevent unusual shearing prior to marketing just to get the payment on shorn wool. This is being handled by making payments on sales of unshorn lambs.

The National Wool Act also provides for the support of mohair by payments similar to those on shorn wool. The act provides that mohair prices are to be supported within 15 percent of the comparable percentage of parity at which shorn wool is supported. During the first 14 years of the operation of the Wool Act, there were 9 years when payments were not required on mohair because market prices for mohair in those years were above the support level.

Factors Affecting Sheep Production

Shorn wool production in the United States increased during the first 6 years of the wool program—from around 235 million pounds in 1955 to 265 million pounds in 1960. Since 1960, wool production has been on the decline—down to 178 million pounds in 1968.

Factors contributing to the decline in stock sheep numbers and wool production since 1960 include:

1. A sharp drop in lamb prices in 1961 and 1962 and a slow price recovery up to 1968.
2. Inability to obtain adequate and dependable labor.
3. Severe losses from predatory animals.
4. Drought in some areas.
5. Continued reductions in grazing allotments on Federal grazing lands.
6. Shifts to other livestock and alternative farm enterprises.

Payments under the wool program have provided incentive on the wool portion of the sheep enterprise, but have not compensated for all of the adverse factors determining the trend of stock sheep numbers and, hence, wool production. We must recognize, however, that many growers are in sheep and wool production today who would have liquidated their flocks if it had not been for the wool payment program. Therefore, the Wool Act is encouraging wool production since the level of production would be considerably lower without the assistance the program provides.

The industry is endeavoring to solve or alleviate its problems in these ways:

1. We are working for stepped-up research on sheep production to increase the number of lambs produced per 100 ewes as a means of increasing the net income to the sheep enterprise.
2. We have cooperated with USDA in the recent formulation of a new marketing system to grade lambs on the basis of their yields, the aim being to secure better returns for growers producing lambs with higher "cut-out" values.
3. We have recently established a sheep industry development program in which sheep industry leaders are working with the Extension Service in an information and education program to encourage production efficiency. We also have a marketing committee considering possible ways through which we might increase our marketing effectiveness and efficiency to increase returns from the sale of both lambs and wool.
4. Where feasible, more areas are being fenced to reduce the need for herding labor.
5. We are continuing to work with the Bureau of Sport Fisheries and Wildlife both for better animal control under existing programs and for research to develop better control methods.
6. We are working with Government agencies for brush removal, reseeding, and other programs to increase the carrying capacity of grazing lands, in an effort to raise more sheep per acre.

We earnestly hope that these efforts to improve the industry, augmented by the important National Wool Act program, will serve to stem the liquidation tide.

Price Outlook

Returns from the sale of lambs represent two-thirds to three-fourths of the sheep producers' total income. Therefore, when lamb prices are low the economy of the industry is adversely affected. Farm prices for lamb from 1961 through 1967 were low and did not keep pace with rising production costs. This was a factor in reducing sheep numbers. In 1968 and so far in 1969 farm prices for lambs have been stronger and we have detected some renewed optimism in the industry. In fact, just last month at the national ram sale, which our organization sponsors, Rambouillet rams, the foundation breed, and other white-faced breeds were all in demand and sold at stronger prices. This is indicative of some interest in rebuilding flocks and in producing more ewe lambs to increase sheep numbers. Interest in purchasing ewe lambs for flock replacements is also strong at this time.

We hope that this increased optimism will not be dampened by greatly increasing imports of frozen lamb meat from New Zealand

and Australia. It is obvious that importers are trying to take advantage of higher prices in the United States by flooding our markets with lamb from New Zealand and Australia. This is clearly evident not only by the fact that in 1968 lamb imports were the highest in history, 22.9 million pounds, but it is even more evident by the fact that in the first 6 months of this year lamb import volume was approximately three times the volume for the first 6 months of 1968. Lamb imports have jumped from 2.1 percent of our domestic production in 1967 to 7.9 percent in the first 6 months of this year.

On the wool side of the picture, we have not as yet seen any substantial recovery from the worldwide cyclical decline in wool prices which started in the last half of 1966. The average farm price of wool in 1966 was 52.1 cents per pound, the second highest in the history of the National Wool Act, but in 1967 it dropped to 39.8 cents per pound. In 1968 a slight price recovery brought the average to 40.5 cents and present indications are that there will be a further slight recovery this year. Due to lower market prices in 1967 and 1968, these have been years in which higher-than-average payments were required to bring the average farm price up to the incentive level. However, some previous years, including 1966, have compensated for this in lower-than-average payments. Growers want to see good market prices for wool for this reduces the amount of payments that have to be made under the Wool Act and we, therefore, hope that there will be a more pronounced and prompt price recovery.

We would also like to point out that in addition to increased payments required for shorn wool in the 1967 and 1968 marketing years, due to the decline in the farm price of wool, substantial payments were also required on mohair. While no payments were required on mohair during 9 of the first 15 years of the operation of the National Wool Act, and while payments in 2 of the 6 remaining years were small, a rather drastic drop in mohair prices in 1967 resulted in mohair payments totaling $11.4 million, while a modest price recovery in 1968 reduced payments for that year to $10.6 million. However, during the first 8 months of 1969 we are pleased to see a substantial recovery in the mohair market with a simple average of farm prices for the 8 months of 63¼ cents compared to last year's average of 45 cents.

Cost of Production

During the first 11 years of the operation of the Wool Act, the level of incentive payments under the Act was continued at 62 cents per pound.

When the Wool Act was extended in 1965 this committee recognized that a higher incentive level was desirable in view of rising cost conditions. Therefore, a formula was added to the act through which the incentive level is adjusted on the basis of changes in the USDA parity index. This is the index of prices paid by farmers, including commodities and services, interest, taxes and farm wage rates.

Under this formula the incentive level has risen from 60 cents in 1965 to 69 cents this year.

The formula does provide a reasonable reflection of costs on the wool side of the sheep enterprise. Sheep raising and wool production are important to certain areas of our country. The present level of

production is in the national interest and desirable. As set forth in the act, it certainly is "a measure of national security and in promotion of the general economic welfare" to continue this wool program to encourage the maintenance of what production we presently have and, hopefully, to increase production if at all possible.

The added cost of the program resulting from the increases in the incentive level under the formula are modest.

Assuming wool prices in the free market return to reasonable levels, the increase in the incentive level provided by the formula should result in wool payments no higher than the $45.6 million average during the first 11 years, when the incentive price was held at 62 cents.

Funding of Program

We would like to point out that even though the funding of the program—the equivalent of 70 percent of duties collected on imports of wool and wool manufactures—is adequate to cover a considerably larger drop in wool prices than occurred in 1967, the wool growers naturally do not want low farm prices for wool. They want to see good market prices which in turn hold the costs of the wool program within reason. We should also point out that in 6 of the first 15 years of the Wool Act program, the farm price of wool was above the average for the 15 years and, hence, wool payments for those 6 years—including 1966—averaged $17.1 million less per year than the $45.7 million average for the first 15 years.

Self-Help Promotion Program

The National Wool Act has given the sheep industry the opportunity to promote its own products through a self-help program.

In September 1955, sheep industry leaders formed their own promotion organization, the American Sheep Producers Council, with headquarters in Denver, Colo. This organization is entirely supported and governed by sheepmen and almost every sheep producer in the United States contributes to the program through deductions from incentive payments he receives under section 708 of the National Wool Act.

The purpose of the American Sheep Producers Council programs is to expand the demand for lamb and wool through a self-help program of promotion, advertising, market analysis, and education on behalf of the sheepmen of the United States.

The year following each extension of the National Wool Act, the Secretary of Agriculture calls a national referendum in order that sheep producers can determine for themselves whether they want to continue with their promotion programs through their own organization, the American Sheep Producers Council. The sheep producers have voiced their approval of this self-help program in four referendums. The last referendum, in 1966, received 79.9 percent approval of the total producers who voted.

Funds for the sheepmen's promotion and advertising programs are derived by deductions from the wool incentive payments at the rate of 1½ cents per pound of shorn wool and 7½ cents for each 100 pounds of unshorn lambs.

It is to the credit of the sheep producer that he realizes the wisdom of promoting his products just as other industries in America are doing and is willing to spend his own time and money to improve the economic condition of his industry.

Mohair growers have also organized a self-help promotion and advertising program under section 708 of the Wool Act, designed to increase demand for mohair products. The mohair promotion program commenced in 1967.

Payments Limitations

The National Wool Growers Association adopted a resolution at its convention in January of this year opposing limitations of payments under farm programs. While we feel that payment limitations are economically unsound in any farm programs, in the case of the wool program they would be highly impractical, discriminatory, and would create serious economic hardships. This is especially true in the semiarid regions of the West and Southwest where crops cannot be grown and where a sheep producer has to depend on his wool and lamb production for his total income. In the semiarid regions, he frequently must graze over a wide area, must employ herders, and must have a large flock of sheep to provide an economic unit.

Furthermore, such a limitation would force larger producers to liquidate their production because on the open market today they would receive an average of only 47 percent of parity for that portion of their wool production that would be ineligible under a payment limitation program. Even with the present wool program, sheepmen frequently find production costs exceeding income.

Forcing a sheepman to liquidate is, of course, inconsistent with the purposes of the National Wool Act, aimed at maintaining and increasing production of a deficit commodity.

For these reasons we strongly oppose payment limitations.

Conclusion

We note that H.R. 12430, introduced by the chairman of this committee, would make permanent the National Wool Act and other farm programs. Speaking on behalf of the National Wool Act, we feel this is a sound approach. As I pointed out in the beginning of this statement, the Wool Act has been in operation for 15 years and has had consistent and almost unqualified support from the administrations of both parties and almost all segments of the industry from the producer through the manufacturer. It would therefore seem most logical to place the program on a permanent basis rather than to have to go to the time and expense of hearings and all of the other work in the legislative process every 3 or 4 years, especially when Congress could at any time amend or rescind a program if it should be deemed necessary or advisable.

We would like to again emphasize the importance of the National Wool Act in maintaining a sheep industry in the United States. In fact, the Wool Act is vital to the economic health of our domestic sheep industry. Extension of the act this year or as early as possible in 1970 would be advantageous to the sheep industry. Sheep production is a long-term enterprise. It takes 2 years from the time an ewe lamb is born until she reproduces. Clearly our production is different

from a yearly planted crop. Furthermore, in planning production for 2 years ahead, or even for a longer span, loaning agencies have to know what the economic outlook is going to be for the industry and whether or not the Wool Act will be in operation. Announcement this year, or as early as possible next year, of an extension of the program beyond 1970 would therefore be most helpful. Also, under the parity index formula in the Wool Act, the incentive level can now be determined a year in advance. Therefore, if the program is extended early in 1970, growers can determine the 1971 incentive level at that time and plan ahead in their operations.

In closing we would like to express our deep appreciation to this committee for the consideration you have given us both at the inception of the Wool Act in 1954 and at hearings since that time on its extension.

Thank you.

NUMBER OF STOCK SHEEP, SHORN-WOOL PRODUCTION, WOOL PRICES AND PAYMENTS UNDER THE NATIONAL WOOL ACT OF 1954, BY MARKETING YEARS, 1955 TO DATE

Marketing year	Stock sheep numbers Jan. 1, (thousand head)	Shorn-wool production, (thousand pounds)	Incentive price for shorn wool (cents per pound)	Average price received by producers (Cents per pound)	Payments required, average amount [1]	
					Cents per pound	Thousands of dollars
1955 (April–March)	27,137	234,058	62	42.8	19.2	57,614
1956 (April–March)	27,012	238,569	62	44.3	17.7	51,915
1957 (April–March)	26,538	235,366	62	53.7	8.3	16,104
1958 (April–March)	27,167	[2] 243,713	62	36.4	25.6	85,143
1959 (April–March)	28,108	[2] 259,939	62	43.3	18.7	53,865
1960 (April–March)	28,849	[2] 265,277	62	42.0	20.0	59,490
1961 (April–March)	28,320	259,161	62	42.9	19.1	56,895
1962 (April–March)	26,719	246,636	62	47.7	14.3	39,195
1963 (April–December)	25,122	232,446	62	48.5	13.5	27,179
1964 (calendar year)	23,455	212,333	62	53.2	8.8	20,329
1965 (calendar year)	21,843	201,463	62	47.1	14.9	34,174
1966 (calendar year)	21,456	195,053	65	52.1	12.9	26,300
1967 (calendar year)	20,661	188,919	66	39.8	26.2	57,900
1968 (calendar year)	19,105	177,767	67	40.5	26.5	[3] 53,800
1969 (calendar year)	18,184	----------	69	----------	----------	----------

[1] Includes payments on unshorn lambs in support of pulled wool.
[2] Excludes Alaska.
[3] Preliminary.

NUMBER OF GOATS CLIPPED, MOHAIR PRODUCTION, MOHAIR PRICES, AND PAYMENTS ON MOHAIR UNDER THE NATIONAL WOOL ACT OF 1954, BY MARKETING YEARS, 1955 TO DATE

Marketing year [1]	Number of goats clipped (thousand head)	Mohair production (thousand pounds)	Support price for mohair (cents per pound)	Average price received by producers (cents per pound)	Payments required	
					Average (cents per pound)	Amount, thousands of dollars
1955 (April–March)	2,983	16,923	70	82.2	----------	----------
1956 (April–March)	3,164	18,233	70	84.4	----------	----------
1957 (April–March)	3,246	19,072	70	88.6	----------	----------
1958 (April–March)	3,417	20,825	70	72.3	----------	----------
1959 (April–March)	3,755	24,151	70	96.4	----------	----------
1960 (April–March)	3,888	24,467	70	89.7	----------	----------
1961 (April–March)	4,021	26,411	73	85.6	----------	----------
1962 (April–March)	4,236	27,215	74	71.4	2.6	797
1963 (April–December)	4,363	29,007	76	88.1	----------	----------
1964 (calendar year)	4,568	29,736	72	94.3	----------	----------
1965 (calendar year)	4,803	32,420	72	65.6	6.4	1,900
1966 (calendar year)	4,659	29,576	75.8	53.7	22.1	6,500
1967 (calendar year)	4,113	27,127	76.4	40.9	35.5	11,500
1968 (calendar year)	3,955	26,022	77.4	45.2	32.2	[1] 10,600

[1] Preliminary.

The CHAIRMAN. Thank you very much, Mr. Marsh.

Now, are there questions of either Mr. Marsh or Mr. House? I think we can take them up together. Does anyone have any further questions?

Mr. PRICE. Mr. Chairman, I have but two short questions to ask the witness. Mr. Marsh: Would it be fair to say that the Federal Government's allowing the importation of so much sheep meat has driven producers of the production of lamb and sheep? Is not this the crux of the entire issue?

Mr. MARSH. Well, that I would say has become a factor, Mr. Price, within the last year or so. The imports were rather small up until about a year ago, that is, the imports of lamb. As far as the imports of mutton go, we recognize that we do not produce enough mutton to meet the needs for processed meats and that some boneless mutton for processed meat does have to be imported.

However, the import of lamb is becoming a serious problem and last November, for example, we saw the price of old crop lambs go down about $3 per hundred on some markets when our imports increased. While in past years imports of lamb have not been a great problem, they are becoming a serious problem, especially coming into our ports such as New York, which are price basing points, and they are having an adverse effect on our domestic lamb price.

Mr. PRICE. That is all, Mr. Chairman. I would like to talk to Mr. House afterward.

The CHAIRMAN. Are there any other questions? Just one question I would like to ask you for the record, Mr. Marsh.

About 5 years ago we were consuming about 5 pounds of lamb per capita in the United States, were we not?

Mr. MARSH. Yes.

The CHAIRMAN. About what is it now?

Mr. MARSH. It is between 3 and 4 pounds per capita. We consume all that we produce and, of course, our production is down now, as you know.

The CHAIRMAN. I know it is. And that is what I was wondering. How can we increase the consumption of lamb without some imports?

Mr. MARSH. We cannot unless we can solve some of our other problems and increase our domestic production.

The CHAIRMAN. I know, but we cannot possibly hope to build up a real market for lamb, as I understand it, unless we can have enough to maintain a distribution system.

Mr. MARSH. That is true.

The CHAIRMAN. It just seems to me that we are faced with the proposition that we must maintain—must distribute more lamb than we are distributing, or the whole distribution system is going to collapse on us.

Mr. MARSH. We would like to see what imports do come in channeled to some areas of the country where consumption is small. If we could work with the importers in a program of that type, I think it has some merit.

The CHAIRMAN. I would, too. I think that that comes to the proposition for which I have no answer. Maybe we need a lamb board that

would channel the imports. In other words, it seems to me that we need more imports. We do not need to just dump them in promiscuously. That would do us harm; if we could channel them to the right places maybe we could build up our demand for lamb over this country. It is not nearly high enough. You just heard Mr. House talk about the increased consumption of beef. Lamb is a good meat, but, instead of increasing our consumption, we have been going down. Our per capita, number of pounds per capita, has been going down. It ought to be increasing.

Mr. MARSH. That is right.

The CHAIRMAN. It ought to have gone up while the amount of beef has been going up in the last 20 years, but I do not believe it will ever go up unless we have a better distribution system. And you cannot have it for two or three pounds.

Mr. MARSH. Right.

The CHAIRMAN. Thank you. If there are no further questions, thank you all for your attendance.

(The following letter was also submitted to the committee:)

UNITED FARMERS ASSOCIATION,
Toledo, Ohio, August 8, 1969.

Hon. W. R. POAGE,
Chairman, Committee on Agriculture, U.S. House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: Acting upon the suggestion of Rep. Thomas Ludlow Ashley of Toledo, I submit herewith the views of the United Farmers Association in support of H.R. 12626—To provide a Federal subsidy for small family farms.

In the light of conflicting interests which seem to exist between the various farm groups and the many shades of opinion expressed by them, it is our hope that your committee will consider the contents of this letter strictly on its merit.

We have carefully reviewed the provisions of H.R. 12626 and believe that it possesses merit as a minimal effort to salvage an important segment of the farm population—the operators of the small family farms.

It is our sincere belief that it is neither sound economics nor good sense to allow an important part of the farming industry to be wiped out because of obvious differences between them and the upper and middle income farm groups. Who shall make the decision to let the small family farm operator go down the drain without at least making a gesture in his direction?

Briefly stated, H.R. 12626 provides that the Secretary of Agriculture shall pay to qualified farmers 80 per cent of the cost of farm machinery, grain storage buildings, fences and buildings for the storage of tools and equipment. The farmer must pay 20 per cent of the cost of the item. Payments to the farmer may not exceed $6000 in any one year for a five year period.

After study of this bill, we would like to suggest several changes and additions which we believe would add to the bill.

1. The maximum annual net income of $12,000 from all sources is probably too high. Farmers who net that much are probably not in need of the kind of help that H.R. 12626 would provide. It is our suggestion that this amount should be set lower at $8,000 and not more than $10,000.

2. We believe that the bill should be clarified and that it should spell out that the 80 per cent paid by the Secretary of Agriculture would be directly to the dealers in the specified items rather than to the farmer.

3. We suggest that the bill be enlarged to the point where it contains good business practice in dealing with the farmer, dealers and any others who might come under its terms.

It is our belief that enactment of H.R. 12626 is of value to the operators of small family farms for the following reasons:

1. It would enable the farmers to replace old, worn out machinery, grain storage buildings and other items outlined in the bill. This is a very important

item to many farmers, who, due to their lack of income, cannot afford the luxury of yearly repairs and parts.

2. It would provide an economic shot-in-the-arm for machinery and equipment dealers who would, as a result, gain an expanded market.

3. It would not provide unlimited opportunity for a farmer to secure the maximum subsidy since, based upon our knowledge, most farmers would not be able to afford paying the 20 per cent each year to secure the maximum benefits over the five year life of the measure.

4. At best, the bill will provide minimal help to the the small family farm at a very modest cost, compared to the more than three billion dollars which the current Farm Payments Plan is now costing the taxpayers.

Knowing of your desire to learn and understand all of the many phases of the farmers problems, we would like to express some of the thinking of farmers at our economic level.

In looking over last years committee reports, we noted with interest, statements made by the then Secretary of Agriculture, Mr. Orville Freeman.

Referring to the Food and Agricultural Act of 1965, Mr. Freeman expressed the hope for what he called "a continuing act", comparable to those relating to labor, the Federal Trade Commission, Federal Communications Commission, Federal Reserve Board, Anti-trust laws and Senior Citizens.

We think that we understand what Mr. Freeman meant. On the other hand, we believe that the continuous, if not the continuing agriculture legislation which have been enacted in the past 35 years, leaves us, Omar-like, coming out the same door wherein we went.

Despite the well meaning proposals of those who seem to want to correct our omnipresent farm problems, it appears that we are still as far away from a solution as we were in the 1930's, 1940's, 1950's and so far in the 1960's.

Plowing under crops and killing little pigs in the 1930's was a control which accomplished very little, but did create a national scandal.

Price supports, which stabilized farm income, resulted in such massive surpluses of covered crops that storage space was at a premium and found it necessary to use idle ships for the purpose. And, of course, the one million dollars a day that it cost for storage was paid by the taxpayers. No wonder that Mr. Freeman's last year told this committee that it was a "national scandal".

Now, under the current Farm Payments System, which is referred to in nearly all communications media as "paying the farmers not to farm", we have succeeded in creating another misfit which is costing the taxpayers 3.4 billion dollars a year and creating such inequities that it too will be looked upon as another national scandal. The current issue of the Reader's Digest contains an article, "The West Is Getting Lonely Again" which is just another of a long line of such critical articles stimulated by our current Crop Control.

Incidentally, I would suggest the above article from Reader's Digest should be must reading for members of both the House and Senate.

We apologize for having neglected to follow the example of some of our best citizens in expressing our pride on our brave astronauts who landed and walked upon the moon. We are equally proud of the scientific and technological brains who so greatly contributed in making this adjective-defying accomplishment possible.

Now that we are safely back on earth again, we are keenly aware of our long-standing and stubborn earthy problems. We keep thinking about the wealth of first class brains which our lucky nation harbors, and we find ourselves wistfully wishing that we too could secure the service of thinkers who, like NASA scientists, cannot be awed by difficult problems.

Several days ago, two of our Mariner space probes came within 2000 miles of the planet Mars. Already, scientists have told us that Mars cannot support life as we know it. Thus, it now appears that it will probably be many years, if ever, before man can find another world to colonize.

Obviously, the best thing, possibly the only thing that man can now do, is to improve his worldly condition by reversing, insofar as this may be possible, water and air pollution, urban and rural corrosion, chemical and bacterial warfare and the constant threat of atomic extinction.

These thoughts expressed are not digressions from the problems of our special agricultural calling. I have not the least doubt that every member of the committee agrees with me, that all of our problems, both rural and urban, are inter-related.

34-326—69—pt. 1——30

In conclusion, I am certain that it is not only the operators of small family farms who are looking to you for fair and just legislation in the field to which you relate, but the sadly over-burdened taxpayers who pay the bills and reap the results, good or bad, of all legislation.

Sincerely,

EDWARD KISNER, *President.*

The CHAIRMAN. The committee will stand adjourned until tomorrow morning.

(Whereupon, at 12:15 p.m., the hearing was adjourned, to reconvene Tuesday morning, September 9, 1969.)

GENERAL FARM PROGRAM AND FOOD STAMP PROGRAM

TUESDAY, SEPTEMBER 9, 1969

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to recess, at 10:10 a.m., in room 1301 Longworth House Office Building, the Honorable W. R. Poage (chairman) presiding.

Present: Representatives Poage, Abernethy, Foley, de la Garza, Vigorito, Jones of North Carolina, Montgomery, Burlison, Rarick, Jones of Tennessee, Melcher, Belcher, May, Goodling, Miller, Mayne, Zwach, Kleppe, Price, Myers, Sebelius, and McKneally.

Also present: Christine S. Gallagher, chief clerk; John A. Knebel, assistant counsel, and L. T. Easley, staff consultant.

The CHAIRMAN. The committee will please come to order.

We are met this morning to further consider general farm legislation and our first witness this morning is Mr. Glen Hofer, the executive vice president of the National Association of Wheat Growers.

Mr. Hofer, we will be delighted to hear from you.

STATEMENT OF GLEN HOFER, EXECUTIVE VICE PRESIDENT OF THE NATIONAL ASSOCIATION OF WHEAT GROWERS; ACCOMPANIED BY E. L. HATCHER, PRESIDENT, NATIONAL ASSOCIATION OF WHEAT GROWERS

Mr. HOFER. Thank you, Mr. Chairman. I would like to introduce Mr. E. L. Hatcher, from Lamar, Colo., our national president.

The CHAIRMAN. We are glad to have you with us, Mr. Hatcher, and anybody who lives in Lamar, Colo., and grows wheat out there in the valley. I am just hoping that you have had good rain.

Mr. SEBELIUS. Grows most of his wheat in Kansas. Mr. Chairman.

The CHAIRMAN. That is a little safer.

Mr. HOFER. Mr. Chairman, I will read our brief statement. Before I start I would like to say that there is a little error in the exhibits, in the last three pages. The page that says the wheat producers plight goes with a graph at the end of the exhibit. So, it should be labeled "Exhibit B" also.

Mr. Chairman and members of the committee, my name is Glen Hofer and I am the executive vice president of the National Association of Wheat Growers. We appreciate this opportunity to present our

views on general farm legislation for 1971 and subsequent years. While our organization, as a commodity group, necessarily concentrates its attention and efforts on affairs concerning wheat, we also appreciate the interrelationship of the various commodity programs. In this vein and in the interest of demonstrating unity, the National Association of Wheat Growers has joined with 16 other farm organizations, representing a very large segment of U.S. agriculture, in supporting a continuation of the present program with suggestions for amendments designed to strengthen its positive aspects. This so-called coalition proposal has been the subject of previous testimony before this committee, so we will confine our comments today to the rationale behind the four suggested amendments in the wheat provisions of that proposal.

Mr. Chairman, the National Association of Wheat Growers was deeply involved in the evolution of the wheat title regulations in the 1965 Food and Agriculture Act. Last year, faced with termination of the 4-year bill in 1969, we strongly recommended an extension of that legislation on a permanent basis, subject, of course, to the prerogative of the legislative branch to alter it in any manner and at such time as conditions should warrant. Our association's support for the 1965 act stems from our belief that it embodies the best combination of administrative tools necessary for coping with the problems that beset our industry. The fact that wheat stocks are again on the increase and that world and domestic wheat prices are disastrously low does not in our eyes, constitute a condemnation of the program provisions. A slight hysteria about a crisis in world food production—a green revolution which has abruptly and dramatically changed the world wheat production pattern—a 3-year period of good wheat weather which negated attempts to cut back U.S. production—a vicious spiral in production costs—these are the reasons the U.S. producer is in serious trouble—not because the 1965 act was ill-conceived.

But he is in trouble, so we are suggesting four ways the program could be improved in terms of providing financial relief from the inevitable ruin the commercial dryland wheat areas face if no help is forthcoming.

Export certificate.—The major change that the coalition bill recommends is a certificate for export wheat. The suggested amendment would require the Secretary of Agriculture to provide total support (loan plus certificate) at 65 percent to 90 percent of parity on 40 percent of a complying farmer's normal yield.

As an illustration of how this would work, let us assume that:

1. An export certificate was available for the 1970 crop.
2. Parity for wheat was $2.77 on July 1, 1970.
3. The Secretary chose 65 percent as the support level.

In that case a complying farmer would receive:

Domestic.—$2.77 per bushel for 48 percent of his normal yield.

Export.—$1.80 per bushel for 40 percent of his normal yield.

Noncertificated.—$1.25 per bushel for 12 percent of his normal yield.

The blend price would be $2.20 per bushel for the normal yield on allotted acres.

The export certificate would be worth 55 cents, and if 500 million bushels were the export target used, the additional program cost would be $275 million.

Change of effective date of support loan.—Under present regulations, an eligible producer requesting a support loan receives the basic country loan rate minus 10 cents storage when he places his wheat in a commercial storage elevator at harvest time. He does not receive the full national average loan rate provided by law unless he leaves his wheat in the elevator until loan maturity time, 10 months later. The proposed amendment would make the effective loan date coincide with the date the loan was taken out at harvest time.

When domestic market conditions exist, as they do presently with prices hovering at loan level, this change would have the effect of raising market prices by 10 cents.

Advance payments.—The success of a voluntary production-control program is dependent upon attracting a high percentage of potential producing acres into program participation. By the act of officially indicating his intention to commit his farm to compliance with program regulations, a producer makes his first contribution to the success of the program. We feel that upon request he should then be eligible to receive up to 50 percent of the diversion payments and certificate values due him.

There is precedent for advance payments in other commodity programs, and certainly it would be a relatively inexpensive method of providing financial assistance when a farmer needs it most—when fieldwork begins in the spring.

Limit on projected yield reduction.—There is presently no protection from having a very low per-acre yield caused by fire, hail, flood or other natural disaster, used as part of the formula setting an individual farm's yield. We ask that a limit of 5 percent be set as the most a projected yield might be reduced as the result of any one bad year due to natural disaster.

Those are the four recommendations outlined in the coalition bill mentioned earlier. None of them are particularly new ideas. Several of them have been debated before this committee at previous hearings, but not since the early 1930's has the wheat farmer's need been so acute.

The National Association of Wheat Growers is fully aware of the budgetary pressures our Government is operating under today. We recognize the priorities that must be placed on our national defense and on correcting the conditions that are blighting our cities. Programs to relieve poverty and provide equal opportunity to those who remain disadvantaged must be implemented. We know that an urban oriented Congress is out of sympathy with expenditures on farm programs and that justification must be made in terms of the national interest. Our proposal to add $275 million to the Government cost of the wheat program has drawn reaction ranging from stunned disbelief to barely controlled amusement. Yet, something must be done to relieve the cost-price squeeze on the producer or the commercial dryland wheat area faces financial disaster.

There is no point for me to enumerate before this knowledgeable committee the conditions which are squeezing the financial juice out of today's farmer. But I am not sure that even the members with agricultural backgrounds realize how close we are to seeing a major breakdown in land values in the wheat areas. This, of course, will trigger a corresponding collapse of credit, buying power and eventually the viability of huge sections of the Plains States and the Pacific Northwest. Please believe that we are not simply crying "wolf." We have a great

deal of evidence that the deterioration is already well underway. In an effort to document our analysis of the situation, we have solicited comments from a number of financial institutions in our member States. With your permission, I would like to read a reply from a banker in McCook, Nebr., which typifies the series of letters we have received. This letter is from Mr. Dennis Utter, vice president of the McCook Bank.

DR. MR. HOFER: I am Vice President and agricultural loan officer of a $15.5 million bank in Southwest Nebraska. Our bank has approximately $5 million invested in agricultural loans in the McCook trade territory. McCook is a rural city of 9,000 people serving as the trade center for a large rural population in Southwest Nebraska and Northwest Kansas. The economy of our city is almost entirely dependent upon the agricultural economy in our area. It is then, with a great deal of sincere concern that I write you this letter.

The agricultural population in America is undergoing a period of severe stress in which the survival of the farmer is being challenged. Certainly, during these periods of unfavorable economic conditions for the farmer, not only does the farmer suffer, but all people in the rural areas who are dependent upon agriculture for their livelihood. Needless to say, our community and the smaller communities in our area are also experiencing, with the farmer, this unfavorable economic climate. We are witnessing day by day, the financial decline of the independent businessmen in our communities. Many of them are being forced out of business.

Being in a position to keep track of the financial situation of my farm customers, I am deeply concerned that a great many of them cannot endure a continuation of the present agricultural situation. Many farmers, operators of efficient well-managed units, are quitting in desperation and in an attempt to salvage any net worth they may have heretofore accumulated.

Farmers, under the cost-price situation that has prevailed for a number of years, have not been able to earn a rate of return on their investment commensurate with returns earned in other segments of our economy. Now, not only is the rate of return unsatisfactory, we are witnessing a decline of land values in our area. This is particularly true in the dryland wheat areas. Dry cropland of the type that commonly sold for $150 to $175 per acre in the recent past, is now on the market at $125 per acre and there is considerable buyer resistance even at these prices In the last 12 months, I feel we have experienced as much as a 25 per cent decline in the price of some of the good farm land in our area.

The wheat program for next year calling for another 12 per cent decrease in wheat allotments with no compensation for diversion of cropland or alternative crops to which this additional idle land can be planted is going to add to the already untenable situation for the farmer. It is unrealistic to think that even the most efficient managers can continue to operate under these conditions.

The elimination of the investment credit, steadily rising costs, declining commodity prices further magnify the unsatisfactory conditions. The economic decline in agriculture is exerting increasing economic pressure on all of rural America. It is my sincere hope that the important contribution of agriculture to the national economy be recognized and that farm programs and national policies be designed to relieve, rather than increase the pressure being exerted on agriculture. I hope that you will have the opportunity to express my deep concern for the plight of the farmer to the Department of Agriculture and to Congress.

Very truly yours,

DENNIS UTTER.

I think that is very typical of perhaps 15 letters we have received so far and they are coming in every day. I think the situation in the farm area certainly has deteriorated in regards to land values and we are afraid that might trigger further deterioration.

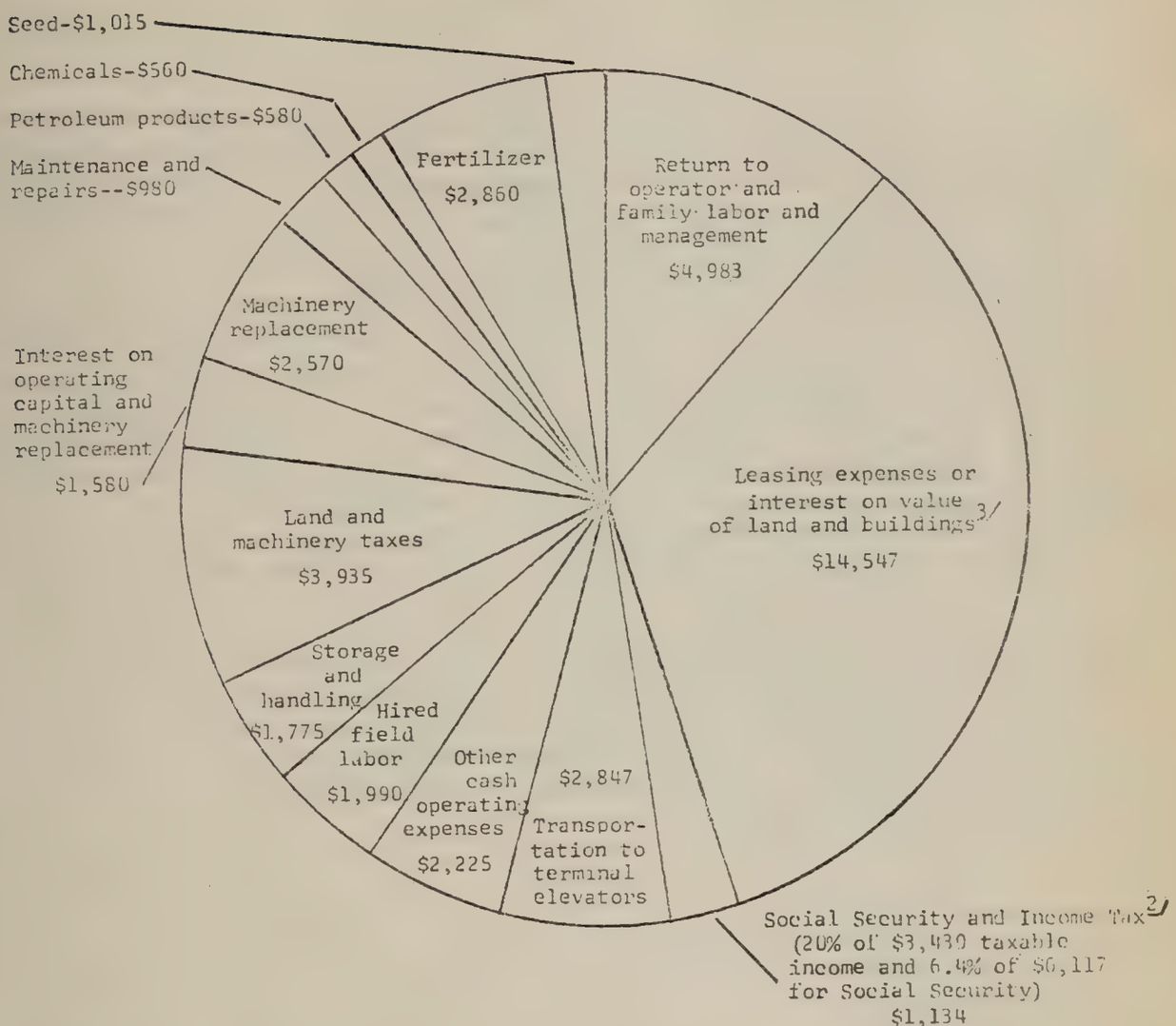
I will continue with my few pages here.

Also attached to this statement are two exhibits excerpted from a study completed by Dr. Dennis Oldenstadt and Dr. Elden Weeks of Washington State University. Exhibit "A" demonstrates with clarity how a gross wheat income of over $43,000 is decimated by today's operating costs.

(Exhibit A follows:)

Exhibit A

DISTRIBUTION OF GROSS INCOME[1] ON A REPRESENTATIVE
P.N.W. WHEAT-FALLOW FARM, 1968
(1,255 acres)



Source: Expenditure data from Washington Agricultural Experiment Station Circular 501. The average of all ten producing regions was used.

1/ The gross income was $43,581 (Portland blend price including wheat certificate payments of $1.99 x 43.8 bu./acre x 500 acres).

2/ Social Security tax estimated as 6.4% of $6,117, self employment income. Income tax estimated as 20% of taxable income after subtracting four standard deductions or $2,400 ($6,117-2,400= 3,717 x 20%).

3/ One-third of gross income or 4.42% of farm market value of $329,437, (the tax free income if farm were liquidated and money were invested in tax free municipal bonds).

Mr. HOFER. Exhibit "B" illustrates the impact that farm programs—or the removal of them—would have in the Pacific Northwest.

(Exhibit B follows:)

EXHIBIT "B"

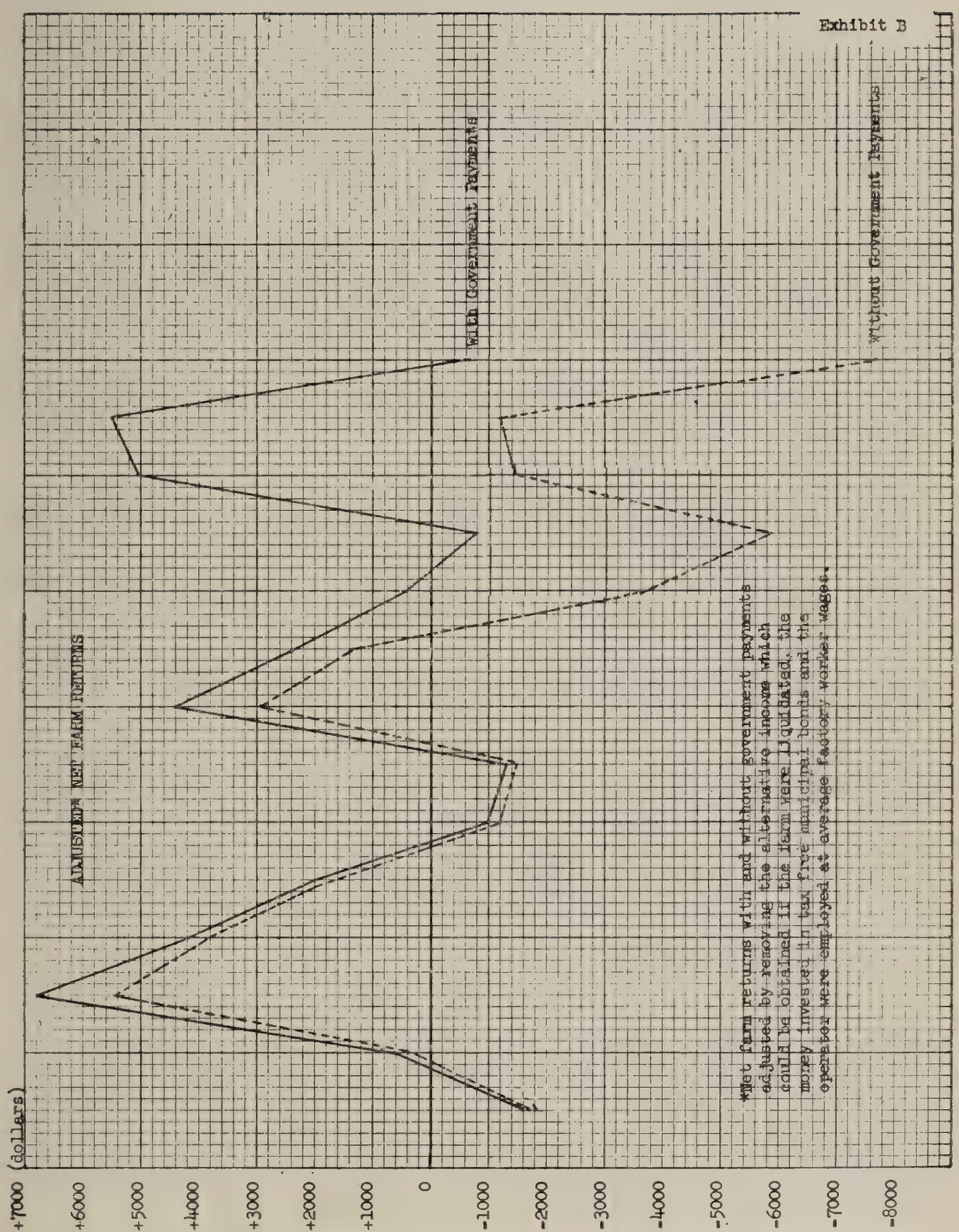
THE WHEAT PRODUCER'S PLIGHT

The following table best illustrates the impact of changing conditions on the individual wheat producer in the Pacific Northwest. Data on a representative wheat-fallow farm in the PNW were obtained from the USDA which show net farm retruns with and without government price support payments. These are the returns to the representative farm for operator and family labor, management, and interest on investment in land and buildings.

From this net return we subtracted the dollar amount the operator and landowners could have obtained had they liquidated their holdings and invested the money on tax free municipal bonds. In addition, we subtracted the dollar value of the operator's labor had he been employed at the average hourly wage of a worker in the U.S. manufacturing industry. This yielded the so-called adjusted net returns with government payments and the adjusted net returns without government payments shown on the accompanying graph.

The result is startling. With government payments to the representative farm, the return to the operator and landowners is small and has been negative in five out of the past 14 years. Without government payments, the adjusted net farm return would have been negative in eight out of the past 14 years and has deteriorated very markedly in the past seven years since 1962.

These results indicate that the PNW wheat producers are heavily dependent on government payments. Without them (assuming no change in market prices or loan rates) farmers would face financial disaster. And the communities, business firms and individuals so dependent on a financially healthy wheat industry would also suffer greatly.


Exhibit B
ADJUSTED* NET FARM RETURNS
(dollars)
+7000
+6000
+5000
+4000
+3000
+2000
+1000
0
-1000
-2000
-3000
-4000
-5000
-6000
-7000
-8000
'55
'56
'57
'58
'59
'60
'61
'62
'63
'64
'65
'66
'67
'68
With Government Payments
Without Government Payments
*Net farm returns with and without government payments adjusted by removing the alternative income which could be obtained if the farm were liquidated, the money invested in ten five municipal bonds and the operator were employed at average factory worker wages.

Mr. HOFER. We feel that the letters from our midwestern bankers and the Washington State exhibits provide emphasis to the negative side of our story. We cannot believe that the most urban of Congressmen would remain unmoved if he really understood the precarious nature of the rural scene. No one can doubt that a collapse of the extent we fear possible would not deal the total U.S. economy a serious blow and, indeed, an agricultural depression could quite conceivably lead the United States into the same dreary mess as it has done before.

But that is the negative side—we feel a strong positive case can be made in the national interest for the United States to have a healthy, solvent agriculture. Perhaps the percentage of the U.S. population actively involved in farming is not impressive, but agriculture can provide imposing statistics establishing a vital role in our overall economy. Again, there is no use for me to reiterate before this committee the facts relating to balance of payments, agriculture-related employment, the farmer as a customer—you know them all. But I am afraid that 90 percent of the House of Representatives does not understand fully the positive or the negative side of the story. If they did—if the Representatives with a district of apartment dwellers and commuters would have the patience to hear our story and to appreciate the obscure but direct relationship between the interests of his constituents and those of the farm belt—then I think he would agree to some priority for farm problems.

Perhaps we are wrong—perhaps the frenzy to reduce Government expenditures will wipe us out, but the National Association of Wheat Growers and the other 16 organizations supporting the coalition approach are committing ourselves to the effort of placing the facts before every Member.

Thank you again, Mr. Chairman, for the opportunity to appear before this committee.

The CHAIRMAN. Thank you very much, Mr. Hofer. Now, I think that in order to proceed this morning, we are going to have to withhold questions until we have heard all of the witnesses, because the committee will have to adjourn within about an hour for the memorial service that is to take place.

If there is no objection, I am going to ask that you stay with us, Mr. Hofer. We will call Mr. Goeppinger of the National Corn Growers Association, and then we will call Mr. Hadley of the National Livestock Feeders Association. When we get through with these statements, whatever time we have remaining we will devote to questions.

Mr. Goeppinger, we are glad to have you with us. We have had Mr. Goeppinger before and we have always had an interesting discussion on the feed grain situation. We are glad to hear from you.

STATEMENT OF WALTER W. GOEPPINGER, PRESIDENT, NATIONAL CORN GROWERS ASSOCIATION

Mr. GOEPPINGER. Thank you, Chairman Poage, and the members of the House Agriculture Committee. We appreciate the opportunity to be here to represent corn. I know that you are planning to adjourn early and I am going to merely speak from the hip, so to speak, this morning.

I have filed a statement with you which I believe all of you have before you. If you do not, we will see to it that you do have it. I think that in the interest of time it would be better if I review the major points verbally here and not read my statement.

The CHAIRMAN. We are trying to follow that procedure, and without objection, we will insert your entire statement in the record. That is what will appear, and that which you summarize, if you care to, will not appear.

Mr. GOEPPINGER. That will be fine.

My name is Walter W. Goeppinger and I reside on a farm near Boone, Iowa. I am president of National Corn Growers Association with headquarters in Boone, Iowa. The association has members located in 34 U.S. corn-producing States and was directly involved in the original activation of the U.S. Feed Grains Council as its market development arm. This council has eight corn market development offices in foreign countries with projects in almost 20 countries.

Mr. Chairman and members of the committee, we wish to express our appreciation to you for holding these hearings now which should permit the enactment of farm and food stamp legislation in the near future.

We have been and are a part of a group of 17 general farm and commodity organizations which have expressed opinions and presented them to the national officials both in Congress and in the U.S. Department of Agriculture. These organizations met recently and found they were in accord on the extension of the basic features of the Food and Agriculture Act of 1965 and the extension of the food stamp program. Most of them had worked in unison for its passage in 1965. We in National Corn Growers Association support H.R. 12430, introduced by your chairman, Mr. W. R. Poage from Texas, which would extend the Food and Agriculture Act and the food stamp program for 1971 and succeeding years. Although I do not speak for any of the other 16 organizations in our unified group that support the extension of the Food and Agriculture Act of 1965, and the food stamp program, we in National Corn Growers Association are most encouraged by the unity that exists among these important farm groups.

The feed grains section which is a part of this proposed bill is widely supported by feed grain farmers throughout the United States. This program represents a refinement of operations which has kept supply and demand in balance over a long period of years and has been eminently successful in maintaining its balance. Over 1,661,000 farms are participating in the feed grains program in 1969. These farms account for more than 70 percent of the feed grain base acreage of all farms. This alone attests to the acceptability of the program and the desire on the part of farmers to keep production and consumption in balance through it.

Since the enactment of the feed grain program's basic statute in 1961, it has gotten rid of burdensome surpluses built up during a period when there was no control on production in the late 1950's. It has stabilized production, supplies, and prices and has been most helpful to the livestock industry which is profiting from this control now. Therefore, it likewise has stabilized meat supplies available to the consumers. U.S. feed grains of which corn is by far the largest component are the basis of our high-protein diet of meat, milk, and eggs

both for the citizens of the United States and the countries to whom we export our feed grains and our meat products.

Corn is by far the largest crop raised in the United States in both bushel and dollar value. At $5 billion annually its value is that of our wheat and soybean crops combined. The producer of it needs production control guidance from the U.S. Department of Agriculture as our productive capacity is far beyond what the market can take at any reasonable price. If the approximately 28 million acres of corn which will be diverted from production under the voluntary feed grain program this year were to be planted to corn we could raise about 6.7 billion bushels of corn instead of the 4.3 billion bushels the USDA currently estimates for 1969 production.

Because of our great agricultural productive capacity Congress enacted the 4-year feed grain law in 1965 that has now been extended to include 1970. Producers can or may not choose to participate in it depending on how attractive USDA makes the compliance. In any event the USDA acts as a referee in determining how the administration of the law should be carried out. Their decisions in a large measure influence how much corn will be raised and what the price will turn out to be. The purpose of this testimony is to acquaint you with the policies of National Corn Growers Association concerning recommendations for the period starting January 1, 1971, that would aid and abet the extension of the Food and Agriculture Act of 1965 as proposed by your chairman, Mr. Poage.

This testimony will discuss what we call a blend program covering the following subjects:

(1) Limited whole farm retirement—permanently removing some agricultural lands from production.

(2) Capability to adjust year-to-year production via short-range program in conjunction with No. 1.

(3) Continued emphasis on exports.

(4) The need for a consumer food reserve.

(5) Corn pricing and loan policy.

(6) Need for a favorable climate for new farmers.

(7) Assistance in providing adequate diet for all U.S. citizens.

1. Whole Farm Retirement

It is our suggestion that part of the acres needed to be taken out of production in the United States to balance production of basic crops with probable demand be removed through sufficient funding of the present CAP program to supplement the regular year-to-year adjustment program. We recommend that a special effort be made to rent the farms that have already been taken out of economic circulation permanently under the old soil bank program in years gone by and the present CAP program.

In a conference with Iowa State University Center for Agricultural Economic Adjustment officials last month were told by them that it would probably take about 102 million acres in whole farms to get enough of our total of 350 million crop acres in the United States out of production in order to balance production and consumption of our products, if the pattern of low productivity acres being rented prevailed and the entire adjustment was attempted on a whole farm long-term basis.

Secretary of Agriculture Clifford M. Hardin has said that the problem of U.S. agriculture is ability to produce too much and that production must be cut back by the retirement of acres. We have been saying ever since the inception of farm programs that we have had nothing more or less than a land rental program so far as getting corn acres out of production. Our present rental program under the Food and Agriculture Act of 1965 is as cheap as it can be done. Farmers look at the overall feed grain payment for their farm and then divide it by the number of diverted acres to determine whether the land rental payment is high enough to entice them into participating in the program. They of course want to be a part of a cooperative movement to hold production and consumption in line but nevertheless it must have its economic answer and incentive. We feel that any other proposal propounded by people who say that it can be done cheaper are not being practical. It will take just so many dollars to get this job done and if whole farms are bought out at a cheaper cost per acre, it is just going to take many more acres to achieve the results desired. We will wind up with as costly or more costly a program without the advantages of the present one.

With the great increase in farm technology continuing, it is possible that it would in the future take over 120 million acres in whole farms to be retired to achieve a balance in production. Recently we have been retiring about 60 million acres under all Government farm programs which includes many of our best acres. Therefore, we think of the CAP long-term land retirement program now provided for in the Food and Agriculture Act of 1965 as an adjunct to the functioning of the main segment of that act which adjusts anticipated needs to probable market each year.

Now, also on this point, Chairman Poage some time back introduced a bill that had to do with the purchase of farmland for various purposes on a long-range basis and we think that this was a pretty good act that he introduced and I think it should be given consideration at this time also when there is consideration of how to handle land use for other than agricultural purposes.

2. Capability To Adjust Year-to-Year Production Via Short-Range Program in Conjunction With the CAP

The mainspring of the Food and Agriculture Act of 1965 has been the ability of that law to adjust production of the various important commodities of the United States to the probable market therefor on a year-to-year basis. Corn farmers believe that the ability to produce should be ever ready on short notice. If adjustment of acres was on a long-term whole farm retirement basis then the ability to turn on the production faucet on each individual farm is lost. Under the present law each farm that is participating in the program has diverted acres which can be increased or decreased from year to year according to the anticipated needs when the program is announced a few months before planting time. From corn's standpoint it is self-evident that adjustment is imperative. In 1960 our U.S. corn consumption was 3.6 billion bushels. It has grown to about 4.4 billion today and by 1975 could easily reach 5 billion brought about by the great increase in consumption of meat, milk, and eggs, both at home and

abroad. We must be ready to adjust to these continuing changes on an annual basis.

3. Continued Emphasis on Exports

Because the United States is the largest exporter into the world corn markets, it will be faced with the problem of producing more corn than can be utilized in the United States each year in order to have corn "on the shelf" at all times for all its customers. The uncertainty of production around the world due to weather variability will tend to put downward pressure on corn prices every year when it appears that world corn production might reduce our export demand. Producing a large amount of corn for which there is an uncertain market places a premium on having a consumer reserve food program that will also protect the farmer who is asked by U.S. and world society to take the risk of producing more than enough each year for it. We don't want to ever run short. The fact that a 10-percent reduction in world food production by unfavorable weather could wipe out our present U.S. food reserves puts pressure on us to establish larger reserves to protect the consumer. As the United States supplies more than half of all the corn moving between continents in world trade we must look on a consumer food reserve in terms of protecting not only U.S. consumers but also the needs of our export customers. We must look on our exports of grain as a big business that has great future potential for the benefit of the American farmer and the United States as a whole if properly managed. We must think in terms of a much larger reserve than we have considered in the past. It is therefore necessary that the food reserve we will mention later herein be considered a benefit to society and not just a protection to the farmer.

As the instigating agency for the formation of the U.S. Feed Grains Council, National Corn Growers Association is a stanch supporter of its activities and fully knowledgeable of the methods used by Foreign Agricultural Service of USDA and its cooperative agreements with the U.S. Feed Grains Council. Therefore we suggest that we continue to follow our present course of world corn marketing and market development policy with the exceptions noted below and attempt to further stimulate overall world demand for corn through the activities of the U.S. Feed Grains Council and Foreign Agricultural Service contract, hoping that we can get enough of an enlarged world market to keep our total exports on the increase.

U.S. farmers living in a country where all the items of cost of living and cost of operations continue to go up, it is necessary that their product prices increase also. However, U.S. corn sold on world markets must compete against producers who have much lower standards of living. In many cases they live without such taken-for-granted conveniences as electricity and inside plumbing. Taxes are low because educational availability is low and so are other public expenditures. We ask you in reviewing farm policy to consider the possibility of a two-price system for U.S. corn, a price for that portion of the U.S. corn crop consumed within our borders that would average the farmer in the neighborhood of $1.25 to $1.30 per bushel and then an export

price that would make our corn competitive on world markets and bring in the foreign exchange so desirable to the United States, plus assisting in increasing the dietary level of food consumers throughout the world. The two-price system could be effectuated by (1) creating a cash subsidy for U.S. export corn, or (2) reactivating the payment-in-kind subsidy program of the early 1960's. Even if the subsidy was set as high as 15 cents per bushel it would only cost about $100 million when we export 700 million bushels of corn. This would return to the U.S. Government almost $900 million in foreign exchange dollar credits or $10 back for each $1 invested. In addition we would have a 15-cent upward effect on the entire U.S. corn crop or an increase of $660 million in U.S. corn farmer's net income.

Other world producers have gone on expanding production while the United States has restricted production. We are the only country attempting to balance production and consumption and thus not glut the market. On the price upside, assurances need also to be given to United States and world purchasers of our corn that the United States can always supply their needs at reasonable prices. The consumer food reserve to be discussed next would guarantee this to them.

4. The Need for a Consumer Food Reserve

In order to make our whole system of food supplies function with assurance to domestic and world consumers, a consumer food reserve is a logical consideration. The four necessary components of such a reserve are:

(1) The reserve amount for corn for any marketing year should be established at a percentage of the estimated export and domestic demand for it.

(2) Whenever during any marketing year the uncommitted stocks of corn owned by Commodity Credit Corporation fall below the reserve level established for it, the CCC should acquire sufficient quantities of corn necessary to rebuild the reserve at a purchase price reflecting the prevailing market level.

(3) When the corn has been purchased and placed in the reserve it must be held in such a manner so as not to affect market price.

(4) To the very utmost practical, reserve stocks of agricultural commodities should be maintained under producer control.

5. Corn Pricing and Loan Policy

With all other major segments of the U.S. economy experiencing increases in wages and prices, corn farmers feel that corn loans and price support payments on U.S. corn should be higher than at present, in order to relate our corn prices to these wage and price rises that have taken place elsewhere in our U.S. economic structure. Only through a two-price system relating to the domestic portion consumed and the export portion as explained previously can farmers hope to have increasing prices for their corn production that will keep them in balance with the rest of the U.S. business world. As to corn loan policy and administration—we request that the present nonrecourse system be continued as well as the reseal program that we now have.

Modification of laws to make it more feasible legally for corn farmers to negotiate marketing contracts with buyers is a desirable objective also, we believe.

6. The Need for a Favorable Climate for New Farmers

One of the greatest problems facing Corn Belt agriculture is the lack of economic incentive to bring young men into farming. Too many people have already moved to the cities to aggravate the problems of urban living. More and more Corn Belt-reared boys are leaving the farm than ever before. As they reach the family formation age they seek other employment because there is not enough income in farming today to entice them to become farmers. As the years go on, the average age of the Corn Belt farmer rises. At some stage in the next 10 years we will find that there is a dearth of farmers to farm the land. This is already showing up in some areas. The high initial cost of equipment to get into farming, the high capital investment needed for the purchase of land, and the low returns from farming in relation to capital invested all discourage young farmers from entering the profession. The production of food and fiber for this country is paramount. Only after food, shelter, and clothing have been provided can people enter the other trades, arts, and sciences. We urge you to consider the urgency of improving the income of farmers as a step in preventing the breakdown of succession of one generation of farmers to the next.

7. Assistance in Providing Adequate Diet for All U.S. Citizens

We are cognizant of the fact that the House Agriculture Committee has been the initiator of an aggressive food stamp program and of expanding the food aid to schoolchildren as well, including therein not only adequate supplies of food but the right kind. We compliment you for this and stand ready to assist you as we have in the past in the attainment of these goals should you call for our support once more.

We believe that the food stamp program should continue to be administered by USDA and trust that it can be continued in that Department of the Government.

We leave to you the manner in which the food stamp program is formulated in the new law and believe that with the experience that the USDA has had that it can do the best job in carrying out the execution of it.

Summary

Farming in the United States is an ever-changing and growing industry. It is unlikely that a permanent adjustment can be reached in the use of farmland which would eliminate the need for supply management on an annual basis. The retention of the CAP program as an adjunct to the annual adjustment program is good in our opinion.

We are grateful to you for recognizing the need to keep production and consumption in balance within U.S. agriculture and to properly remunerate farmers for their work. We stand ready to support

you in your efforts to achieve this worthy objective and to get it and our suggested program adequately funded. We recommend that the Food and Agriculture Act of 1965 be extended permanently along the guidelines of H.R. 12430. We commend you for striving toward the goal of properly feeding all in need in our country. We are pleased that you will consider carefully the points enumerated above and our recommendations concerning them. Thank you most sincerely for allowing us to bring this testimony to you.

Thank you.

The CHAIRMAN. Thank you so much, Mr. Goeppinger. We appreciate your statement. Now, if you will bear with us and stay with us, we must hear the statement of the Livestock Feeders Association. Then we will try, if we have some time, to engage in questions for all of you.

Mr. Hadley and Mr. Magdanz. We are delighted to have you both.

STATEMENT OF GILBERT L. HADLEY, PRESIDENT, NATIONAL LIVESTOCK FEEDERS ASSOCIATION; ACCOMPANIED BY DON F. MAGDANZ, EXECUTIVE SECRETARY, NATIONAL LIVESTOCK FEEDERS ASSOCIATION

Mr. HADLEY. Thank you, Mr. Chairman. I am G. L. Hadley. I am a farmer from northwestern Illinois and I am engaged in producing crops and harvesting them and eventually feeding these crops to livestock for the slaughter market.

I represent the association which is primarily engaged in the same type of operation. Naturally, we are concerned with the well-being of agriculture and our board of directors as well as our membership have given a lot of thought to problems faced by this committee and others in the future of agriculture.

The CHAIRMAN. May I interrupt, Mr. Hadley? I know that you have a rather comprehensive statement that has been put before us. Is that what you would like to have inserted in the record or would you——

Mr. HADLEY. Yes. We do have the complete comprehensive report which will be in the record.

The CHAIRMAN. Without objection, that will appear in the record.

Mr. HADLEY. Yes. And——

The CHAIRMAN. You may proceed.

Mr. HADLEY. Well, actually, we have given this thing considerable thought and we do feel that we have certain ideas that may be helpful to this committee in formulating future plans for agriculture.

I have with me our national secretary, Don Magdanz, who will present our prepared statement at this time. I would like to turn this over to Don, who will carry on this part of our presentation.

Mr. MAGDANZ. Mr. Chairman, and members of this distinguished committee:

On behalf of the National Livestock Feeders Association, Mr. Hadley and I are grateful for the opportunity to present some views, opinions and recommendations relative to proposed farm program legislation that would follow the expiration of the Food and Agricultural Act of 1965. We respect the magnitude of the problem facing

this committee and the Congress in an attempt to formulate a program that will accomplish certain necessary objectives for agriculture and still be within the limitations of budget possibilities as well as the acceptability of other segments of the Nation's economy.

Furthermore, we compliment the sincere dedication of the chairman and all members of the committee in your untiring search for improved approaches to the problem. The enormous amount of time that you have spent on farm program legislation over a period of many years and the divergent views with which you continue to be confronted testify to the fact that solutions to the problem are not easy. In fact, at times clear workable solutions have appeared almost impossible, perhaps requiring certain trial and error in order to come up with the best that can be devised under the circumstances.

Though most members of the committee are well acquainted with the National Livestock Feeders Association, allow me to insert briefly for the record that ours is a trade organization of persons engaged in the business of feeding livestock * * * cattle, hogs, and lambs. Though our membership extends into many more States it is most prominent in the northcentral and plains area of the country, a region that feeds about 65 percent of the cattle and raises about 75 percent of the hogs produced in this country. Though 98 percent of our members feed cattle, it is significant to this discussion that about one-fourth of them also have beef cow herds along with their feeding and farming operations right in the vast grain producing area of the Nation.

We appear here today representing a segment of the agricultural industry that not only provides a market for most of the feed grains utilized in the United States, but also people who raise substantial quantities of it. As we have told this committee previously, even as purchasers of feed grains which are a raw material in meat production, we are not maneuvering for lower feed grain prices. It is in our best interest if farmers can realize reasonable returns for feed grains providing them with adequate income commensurate with their business operations and the cost of production they face. While the impact on livestock prices of cheaper feed grains is no longer as direct and positive as it was a few years ago, we do not ignore the fact that feed grain prices are a factor in livestock prices at least in the long run.

Thus, we are equally dedicated to strengthening farm income which in turn can be very helpful to the livestock industry. Though we have not attempted the preparation of actual legislation, we are hopeful our views, comments, and suggestions will be helpful to the committee.

Necessity of Price Support Programs

There are those who would do away with price support programs on the agricultural commodities which are available under the Food and Agricultural Act of 1965. We probably do not need to suggest to this committee that such an approach could seriously affect the financial well-being of the agricultural community including not only actual farmers, but credit agencies, businessmen in small towns, and many others. It could also extend itself into many other segments of the economy because agricultural people would no longer be able to buy the vast quantities of goods and services used in their production

activities. We do look forward to the time when price support expenditures can be substantially reduced, or minimized, but we do not believe they can be done away with quickly or even entirely.

Commodity price support programs and acreage control have been in existence in some form or another for over 35 years. During this time, production abilities and scientific advancements have clearly outrun the utilization for the various crops and grains including both the domestic needs and export possibilities. This blessing of abundance turns about to plague the agricultural industry and clearly creates a problem with which we will probably have to reckon for some time to come.

Purposes of Commodity Price Support Programs

The provisions of the Food and Agricultural Act of 1965 have been severely criticized by some who contend it has been a dismal failure and has not solved all of the farm problems. We do not agree with such a bold assessment. It must be recognized that these programs were never designed to solve all of the farm problems. At least many of the trials and tribulations in agriculture have been caused by circumstances other than agricultural factors such as inflation, to which farm legislation was never intended to apply.

The legislation which has been in effect was for the purpose of maintaining farm income and stabilizing prices while assuring adequate supplies of agricultural commodities. To this extent, at least, I believe we must declare it has achieved a measure of success, even though not as rewarding as might be desired.

It must be concluded the legislation has contributed to maintaining farm income, and in fact there are figures to substantiate an improvement in farm income depending upon the way comparisons are made. Also, we believe it can be argued successfully that farm income has been raised over what it otherwise might have been under a different program of approach or none at all.

It is evident there is also improved acceptance among feed grain producers this year since the voluntary participation already in evidence has increased rather substantially over previous years.

This should in no way indicate that we feel improvements cannot be made. On the contrary, we do make some recommendations which are believed to offer an opportunity over a reasonable number of years for more lasting benefits to agriculture and hopefully an eventual reduction in actual Government costs. Before outlining our suggestions and recommendations, we would like to dwell briefly on the cost problem.

Federal Financial Commitments

In an undertaking of this magnitude, it must be accepted that considerable cost to the Federal Government cannot be avoided. In fact, in order to make a realistic approach to what is necessary it may well be considered that increased costs may be required temporarily to accomplish more meaningful results in the end.

We find it difficult to understand how there can be logical expectation that the cost of such a program for agriculture should decline,

when cost of all other Government programs, expenditures, prices, wages and salaries, goods and services, education, welfare, and most anything you want to name, has increased from modest to substantial levels and is continuing to do so.

Positions of the National Livestock Feeders Association

For quite a number of years this association has recognized that the basic solution to the feed-grain problem lies in decisions on land-use policy. This has been stated to this committee on several occasions before. In so doing, we have hoped that economic forces might function to determine land use. Obviously they are not doing so, or at least not fast enough.

In our statement to the Secretary of Agriculture at his first "Listening Conference," held in Lincoln, Nebr., we made these observations, but went on to say that the crying need of the hour is to determine what practical methods can be employed to shift some of the land out of production on which we are now producing feed grains and other crops, and perhaps to other uses to which the industry in the country has the greatest need. Without going into detail we advised that this is the direction a solution must follow in order for it to be most meaningful and lasting.

Also, we have expressed ourselves to this committee on the advisability of devising a farm program which would include definite steps toward termination of Government-financed programs. It is our considered opinion, now, that we cannot expect this to take place either on a complete basis, at least within the foreseeable future. Nevertheless, we believe certain steps can be taken which offer the possibility of eventually minimizing Government responsibility and relative cost to the Nation as a whole.

General Approaches Which Have Been Suggested

While we have not heard all of the testimony presented to this committee since these hearings began, nor have we had an opportunity to review all of the ideas brought forth, we believe that basically they would fall into two general categories. First would be the renewal and extension of the Food and Agricultural Act of 1965. The other would involve massive land retirement for a reasonable period of years coupled with a step-by-step phaseout of price support and acreage diversion payments.

While both of these approaches have merit, neither offer a satisfactory solution in themselves and we, therefore, recommend a third. In order to accomplish meaningful results and actually achieve what we are trying to do, we must look to a combination of the basic ideas which have been suggested. Through a combination we would expect to clearly lower productive capacity until increased supplies may be necessary to meet domestic and foreign needs, but maintain farm income and prices while this adjustment is taking place.

We realize this suggestion is not entirely new since the act of 1965 contains a cropland adjustment section. However, it has not been sufficiently funded so its operation has been limited.

Specific Recommendations of This Association

1. Extend the commodity price support programs and acreage diversion provisions in a manner similar to those contained in the Food and Agricultural Act of 1965.

2. Fund a cropland adjustment program, whereby cropland is simply taken out of production. The suggestion is that:

(*a*) Retirement be at the rate of 10 to 12 million acres per year;

(*b*) Participation be voluntary and be accomplished on a bid basis;

(*c*) An easement approach could be used if desired thus allowing some flexibility for release of cropland in the future when it might be needed for reinstatement of production or for noncrop uses;

(*d*) Emphasis be placed on marginal or less productive land;

(*e*) Limitations be placed on amount of cropland that could be retired in a county per year.

Under the cropland adjustment it would be hoped that some 50 to 70 million acres of cropland could be retired over a period of 5 or 6 years. Certain of this acreage could be allowed for various purposes beneficial to consumer interest and for recreation facilities where it was appropriate. It should not, at any time, be released for purposes that would be competing with any other crops under commodity programs or allowed to compete with any other segments of agriculture not involved in commodity programs.

The price support aspects of the act of 1965 would be for the purpose of maintaining price levels and income while the cropland adjustments were being expanded and taking place. As we approached the desirable level of the land retirement under the cropland adjustment, and perhaps even before, it is reasonable to expect that price support and diversion payment needs would decline and become less operative and necessary.

Thus, we should be moving toward accomplishment of the same result as would be expected from a specific phaseout of price support and diversion payments over a period of 5 years at the rate of 20 percent per year. In so doing, though, agriculture would not be placed in a vulnerable position as could be the case if the cropland adjustment did not have its effect as quickly or to the degree anticipated. After retirement goals were reached, the price support provisions could remain on a standby basis and, if not used to any extent, would be relatively inexpensive.

There have been public statements to the effect that the combination of an approach to the farm situation is not practical in this day and age, and under circumstances of a declining farm population versus increased urban population. Also, the various segments of agriculture have been criticized for not coming forward with a united idea and for having such divergent views as to render themselves less effective.

We might add at this point that the Nation's urban dwellers must recognize that they have enjoyed a supply and quality of food and food products unequaled any place in the world. Also, they have been able to buy this abundance of food while spending a definitely declin-

ing proportion of their disposable income. Persons in no other country enjoy the abundance, the variety, and the quality of food products for only 16.4 percent of their disposable income, a figure that has been reduced from 20.6 percent of per capita disposable income just a decade ago.

Divergent views on the part of agricultural people do not necessarily bring about an unhealthy situation. We can no more expect individuals in agriculture to be in complete agreement in their thinking than can we expect individuals in other segments of the economy to be completely united in their views and opinions.

Should Increases in Beef Cow Numbers Be Encouraged Through Grazing on Retired Acres?

Because of certain analyses, projections, and ideas, which have been expounded and circulated in recent months, we now wish to address ourselves to the advisability of encouraging increases in cow numbers through grazing on cropland adjustment acres. Though varying in detail, some studies have been conducted and released which would suggest, at least, that some acres retired from cropland production might well be released for permanent grass to be used in the production and growing of livestock. I believe it is correct to state that in one case, at least, it was pointed out by 1975 the Nation's consumers might well use as much as 9.5 billion pounds more beef and some 30 to 40 million acres of cropland could be put into permanent grass for the production of beef cows.

We have studied this proposition seriously and have compiled data which furnishes evidence of the inadvisability of deliberately encouraging increases of beef cow numbers. In order to put our projections in proper perspective it seems essential that we first review some historical data from 1960 to 1969 which clearly shows some trends that have taken place. The data also show we are approaching the expiration of certain trends and therefore cannot expect them to continue to the same extent that has occurred in the past 9 years.

The data are summarized in a series of tables designed to show what has occurred in the cattle and beef production since 1960. They are not footnoted, but all of the figures, except those calculated, have been taken from various publications of the Department of Agriculture. Calculations which have been made are according to recognized procedure used in the Statistical Reporting Service of the USDA.

TABLE I.—NUMBER OF COWS, 2 YEARS OLD AND OVER, AS OF JAN. 1, 48 STATES

	1960	1964	1968	1969
Dairy cows	19,527,000	17,629,000	14,626,000	14,106,000
Beef cows	26,344,000	32,712,000	35,314,000	36,002,000
Total cows	45,871,000	50,331,000	49,940,000	50,108,000

Table I indicates what has happened to the number of cows 2 years old and older in the 48 States. Total cows increased approximately 4.5 million head from 1960 to 1964, but since the latter date have remained relatively stable. During the same 9-year period, though, the number

of dairy cows has declined about 5.4 million head, while the number of beef cows has increased nearly 10 million head.

TABLE II.—CLASSIFICATION, FEDERALLY INSPECTED SLAUGHTER

[In percent]

	1960	1964	1968	1st half 1969
Steers	54.4	57.4	51.9	53.0
Heifers	21.3	20.4	27.0	26.3
Total	75.7	77.8	78.9	79.3
Cows	22.9	21.2	19.5	19.1
Bulls	1.4	1.1	1.6	1.5
Total	24.3	22.2	21.1	20.6

Data in table II includes the percentage classification of cattle slaughtered in federally inspected plants. These percentages have been applied to total commercial slaughter for the calculations in table III because only the FI breakdown is available. The slaughter data shows that the percentage of steers, cows, and bulls in the total FI slaughter has been rerelatively consistent. It also demonstrates that the percentage of heifers in the slaughter has increased between 5 and 6 percent since 1960.

TABLE III.—COMMERCIAL SLAUGHTER, CATTLE AND CALVES

	1960	1964	1968	1st half 1969
Calves	8,225,000	7,254,000	5,443,000	2,458,600
Steers	13,733,000	17,652,000	18,201,000	9,078,000
Heifers	5,366,000	6,290,000	9,458,000	4,505,000
Total	19,099,000	23,942,000	27,659,000	13,583,000
Cows	5,771,000	6,525,000	6,851,000	3,287,000
Bulls	354,000	352,000	542,000	258,000
Total	6,125,000	6,877,000	7,393,000	3,545,000
Total cattle	25,224,000	30,819,000	35,052,000	17,128,000

Of important significance in table III is the fact that commercial slaughter of calves in the United States has declined nearly 3 million head from 1960 through 1968 and, from the figures in the first half of 1969, it is rather apparent there will be a further decline this year. While in the same percentage as the classification in FI slaughter, table III also shows the increase in absolute numbers of cattle in the commercial slaughter reflecting both percentage changes and the annual increase in total commercial slaughter of cattle.

While steer slaughter by 1968 had increased about 4.5 million head, heifer slaughter rose over 3 million head. By 1968, about one-third of the combined steer and heifer slaughter consisted of heifers and two-thirds consisted of steers.

It is not likely that the declining trend in calf slaughter can continue at the same rate as occurring between 1964 and 1968, nor is it likely that the increasing trend in heifer slaughter, which occurred between the same years, will take place at the same rate in the future.

TABLE IV.—COMMERCIAL BEEF PRODUCTION, POPULATION, AND CONSUMPTION

	1960	1964	1968	1st half 1969
Commercial beef production (million pounds)	14,374	18,037	20,662	10,163
Population, July 1, United States	180,684,000	192,120,000	201,152,000	203,365,000
Per capita beef consumption (pounds)	85.2	101.1	109.4	[1] 110

[1] Estimated.

Commercial beef production, population, and per capita consumption are exhibited in table IV. Population figures in 1960, 1964, and 1968, are Department of Commerce figures including Armed Forces abroad and as of July 1 each year. The figure in 1969 is a projected total at an increase rate of 1.1 percent, which is about the population increase that had occurred in 1966, 1967, and 1968 compared to the previous year. Again, the percentage rate of increase is from the Department of Commerce as reported in the Statistical Abstract of the United States.

Note that commercial beef production has increased much faster than population since 1960. The industry has provided nearly 20 pounds more beef per capital over this 8-year period.

How has this increased beef production taken place with no appreciable change in the total number of cows in the United States, at least since 1964? It has resulted from a number of factors. The declining calf slaughter means that over 3 million head of calves since 1960 have moved into feedlots, where they have been slaughtered at weights probably in excess of 1,000 pounds per head instead of being slaughtered as calves. Furthermore, the turnover in feedlots has been faster since 1960.

TABLE V.—FED AND NONFED STEERS AND HEIFERS IN COMMERCIAL SLAUGHTER

	1960	1964	1968	1st half, 1969
Steers and heifers	19,099,000	23,942,000	27,659,000	13,583,000
Fed steers and heifers	13,435,000	18,104,000	23,040,000	12,215,000
Percent steers and heifers fed	70.3	75.6	83.3	89.9
Nonfed steers and heifers	5,664,000	5,838,000	4,619,000	1,368,000
Percent nonfed steers and heifers	29.7	24.4	16.7	11.1

Also, as exhibited in table V, while total slaughter of steers and heifers since 1960 had increased some 8 million head by 1968, we materially increased the percent of fed steers and heifers in the commercial slaughter and decreased the percentage of steers and heifers which were not fed before slaughter. As the calculation shows only about 70.3 percent of the total steer and heifer slaughter in 1960 had been fed prior to slaughter, whereas by the first half of 1969, this percentage increased to 89.9 percent. By the same process, nonfed steer and heifers slaughtered went down from 29.7 percent in 1960 to only 11.8 percent in the first half of 1969. These percentage changes would have reflected increased beef production even without any change in total cattle numbers.

TABLE VI.—CLASSIFICATION, ALL CATTLE, COMMERCIAL SLAUGHTER

	1960	1964	1968	1st half 1969
Total commercial slaughter:				
Number	25,224,000	30,819,000	35,052,000	17,128,000
Percent	100	100	100	100
Fed steers and heifers:				
Number	13,435,000	18,104,000	23,040,000	12,215,000
Percent	53.2	58.8	65.7	71.4
Nonfed steers and heifers:				
Number	5,664,000	5,838,000	4,619,000	1,368,000
Percent	22.5	19	13.2	8
Cows and bulls:				
Number	6,125,000	6,877,000	7,393,000	3,545,000
Percent	24.3	22.2	21.1	20.6

In table VI, we have merely related fed steers and heifers, and nonfed steers and heifers, in commercial slaughter to total commercial slaughter figures which includes cows and bulls. Here we find that fed steers and heifers represented 71.4 percent of the total commercial slaughter in the first half of 1969, up from 53.2 percent in 1960. Nonfed steers and heifers represented only 8 percent of the total commercial slaughter in the first half of 1969, down materially from 22.5 percent in 1960.

The important point to be made is that while the slaughter of nonfed steers and heifers could decline further, there is no longer as much room for a downward change and we would not anticipate that the figure will ever reach zero. It is reasonably conceivable, however, that in just a few years nonfed steer and heifer slaughter will only represent about 6 percent of total commercial slaughter instead of 8 percent. If such should occur, fed steers and heifers in the total slaughter would increase a corresponding percentage.

TABLE VII.—PROJECTED POPULATION, PER CAPITA CONSUMPTION, BEEF PRODUCTION, AND BEEF COW NUMBERS TO 1975

	1967	1968	1969	1975
Population (millions)	199.114	201.152	203.365	216.130
Beef production (billion pounds)	19.991	20.662	21.150	22.478
Per capita consumption (pounds) (includes imports)	105.9	109.4	[1] 110	[1] 110
Beef cows (million head)	34.685	35.405	36.097	38.517

[1] 110 lbs. consumption minus 6# imports or 104# per capita domestic production.

Table VII contains projected population figures to 1975, the level of beef production needed to provide 110 pounds of beef per capita (including imports), and theoretically projected beef cow numbers 6 years hence.

Population projections can be made on a number of scales. Again, we have merely used the rate of expansion of 1.1 percent per year for which there is precedence in the past 3 years. We arrive at the population in 1975 of 216,130,000 persons in the United States. To provide this number of persons with 110 pounds of beef annually, we would need to produce 22.478 billion pounds.

The last category in table VII shows beef cows on hand January 1,

1967, 1968, and 1969. The projection in 1975 is merely a simple ratio of beef cows to production in the same relationship as that existing in 1968. Admittedly this is an oversimplification of the complex beef production factory. Nevertheless, we have included it for information purposes and for benchmarks to use in our discussion.

There are those who may feel that with per capita consumption of beef in 1968, and probable in 1969, of around 110 pounds per person, that by 1975 consumption may run as high as 120 pounds per person or even as high as 127 pounds per person. Frankly, we do not believe this will be the case nationwide. At least we consider it unrealistic to assume that in the next 6 years beef consumption per capita will increase much if any beyond present levels. In our opinion it would be a mistake to assume this increase could take place at favorable price levels for the producing industry and without throwing the industry out of balance considering the competing meats and food products that are and will be available. Thus, we feel that it is only reasonable to suggest that beef production by 1975 should not exceed about 22.5 billion pounds, or approximately 2 billion pounds above that produced actually in 1968.

Holding to our oversimplified ratio of beef cows to beef production, theoretically we could afford to have in the United States about 38.5 million beef cows by 1975. This would represent an increase of about 2.5 million cows over and above the January 1, 1969, inventory.

However, please recall previous comments made regarding possible further decline in calf slaughter as well as some further decline in nonfed steers and heifers in commercial slaughter. If either of these possibilities develop, and it is likely that both will, the projected increase in beef production by 1975 could take place in part, at least, without the increase of approximately 2.5 million head of beef cows.

Let us assume, for the sake of example, that by 1975 calf slaughter declined to about 3,443,000 head. Compared to 1968, this would mean about 2 million additional calves would then be marketed as steers and heifrers and probably as fed steers and heifers. Assuming an average of 1,000 pound per head live weight, these 2 million head of calves would account for an increase of 960 million pounds of beef for consumption above what the calves would have produced as veal.

Likewise, if by 1975, we reduced nonfed steer and heifer slaughter to 6 percent of total slaughter, from the 4,619,000 head in 1968 to 2,103,000 head by 1975, this would throw 2,516,000 head of steers and heifers into the fed category. Assuming that as nonfed animals they were slaguhtered at 700 pounds on the average, but as fed cattle they were slaughtered at 1,000 pounds average live weight, this change in the picture would account for another increase of 629 million pounds of beef.

Combining the increased beef production from these two sources, we arrive at 1.589 billion pounds which is three-fourths of the increase we can stand by 1975. This means that by 1975, instead of needing an increase of about 2.5 million head of beef cows, we would be able to use an increase of only about 615,000 head of beef cows.

Based upon these assumptions and projections, it is readily apparent that it would be a mistake to deliberately plan and encourage, through some form of incentive, a specified number of cows that might be

produced on cropland adjustment acres. As long as it is possible to do so, the cattle and beef industry feels it is imperative these changes and adjustments be allowed to take place under influences of economic forces.

TABLE VIII.—BEEF-COW NUMBERS, BY STATES, JAN. 1

[Figures, excluding percentages, are in thousands]

States	1960	1964	1968	1969	Increase, 1960–69	
					Number	Percent
48 States	26,344	32,712	35,314	36,002	9,658	36.6
Ohio	260	284	333	325		
Indiana	347	392	431	406		
Illinois	668	744	782	795		
Michigan	109	123	116	123		
Wisconsin	123	152	208	226		
Minnesota	335	468	518	530		
Iowa	993	1,155	1,346	1,405		
Missouri	1,135	1,396	1,779	1,785		
North Dakota	648	834	956	948		
South Dakota	1,250	1,521	1,638	1,686		
Nebraska	1,499	1,812	1,970	1,882		
Kansas	1,195	1,549	1,676	1,710		
Total	8,562	10,430	11,690	11,821	3,259	38.1
Oklahoma	1,390	1,839	2,000	2,070		
Texas	4,206	5,170	5,356	5,517		
Total	5,596	7,009	7,356	7,587	1,991	35.6
West Virginia	152	174	183	196		
Virginia	371	425	466	484		
North Carolina	202	294	323	333		
South Carolina	177	199	237	256		
Georgia	508	606	787	811		
Florida	741	813	871	893		
Kentucky	515	788	956	1,005		
Tennessee	492	700	874	922		
Alabama	669	752	863	903		
Mississippi	808	923	1,204	1,235		
Arkansas	554	667	845	879		
Louisiana	804	936	883	901		
Total	5,993	7,277	8,492	8,818	2,825	47.1
Montana	1,114	1,287	1,525	1,556		
Idaho	385	475	537	564		
Wyoming	550	615	713	677		
Colorado	761	887	998	995		
New Mexico	625	696	696	690		
Arizona	343	391	376	367		
Utah	252	282	319	329		
Nevada	264	280	305	311		
Washington	283	355	384	370		
Oregon	553	639	687	675		
California	853	927	995	993		
Total	5,983	6,834	7,535	7,527	1,544	25.8

Table VIII shows where increases in beef cow numbers have occurred in the past 9 years. As indicated in table I, the number has increased from 26,344,000 in 1960 to 36,002,000 on hand January 1, 1969. This was an absolute increase of 9,658,000 head of beef cows or 36.6 percent.

It is significant to note that almost exactly one-third of this absolute increase, or 3,259,000 head of cows, occurred in the 12 North Central States which traditionally has been the heavy feed-grain producing area of the country. Beef cows in these 12 States increased from 8,562,000 head in 1960 to 11,821,000 head by January 1, 1969, an upward

trend of 38.1 percent. The State of Iowa rose from 993,000 head in 1960 to 1,405,000 head in 1969, an increase of 41.5 percent. This occurred while cattle feeding in the same area also increased materially.

Numbers in Oklahoma and Texas rose 1,991,000 head or 35.6 percent; the Southeastern States increased their cow numbers 2,825,000 head or 47.1 percent. These changes are somewhat in contrast to the trend in the traditional 11 growing States of the West. Changes in this region moved from 5,983,000 head of cows in 1960 to 7,527,000 head on January 1, 1969, an increase of 1,544,000 head or 25.8 percent.

Our point here is that in the past, at least, increases in beef cows have occurred prominently in the heavy grain-producing areas of the country and we feel strongly that in years to come further increases will occur in these States as the need arises and the economic conditions dictate. In fact, on July 25, at a cow-calf roundup at Ames, Iowa, scientists at Iowa State University analyzed Iowa's potential for beef cow-calf herds. Some of their conclusions were as follows:

1. Beef cow numbers in Iowa could be doubled from the present 1.3 million to 2.6 million head simply by more efficient use of present pasture, hay, and corn stalks.

2. Beef cow numbers in Iowa could be doubled again to more than 5 million cows with major pasture improvement and grazing management.

3. Calf production per cow could be increased 50 percent by weaning 600-pound calves instead of the present 400-pound average calf.

While reaching these conclusions, they assumed there will be no major changes in Iowa's general pattern of row crop production.

We present this closing data to emphasize the inadvisability and our reasons for being opposed to releasing any land which might be retired under a cropland adjustment program for planned beef cow increases. It could easily engulf the beef industry in a serious state of economic affairs without contributing appreciably to the solution of the problem facing the feed-grain growing segment of agriculture and in fact pyramiding the overall agricultural problem.

We conclude our views, comments, and recommendations on this important subject of farm-program legislation with an expression of appreciation to the committee for its indulgence and its dedication to a meaningful and beneficial approach to the farm problem. We will be happy to answer any questions.

Thank you.

The CHAIRMAN. We thank you very much, Mr. Magdanz, for this interesting information. There are drawbacks, but I think the only way we are going to proceed here, since we have only about half an hour to devote to questioning, is to ask all of our panel to come back up to the table. Mr. Goeppinger and Mr. Hofer, will you come back up and let us propound questions to the entire group. This will not be an entirely satisfactory way but I think it is the fastest way.

In order that we may not follow the usual routine, I am going to start with Mr. Melcher. You have some questions, I know.

Mr. MELCHER. Thank you, Mr. Chairman.

Mr. Hofer, I am interested in your statement regarding wheat and I want to comment in this regard, that in Montana, my State, we have a peculiar type of freight rate that causes us to pay a higher rate on our

wheat going west to Portland than does, for instance, Mr. Kleppe's producers in North Dakota, even though we are closer. Our rate out of northeastern Montana is a dollar on the Great Northern and it is 70 cents from Fargo and many points in North Dakota. It is called the inverse rate.

Does your organization have a position on this particular type of unfair ratemaking by the carriers?

Mr. HOFER. Mr. Melcher, we recognize that there are inequities that sprang up after the special export rates were initiated several years ago. They had to find an arbitrary line apparently beyond which the 70-cent rate would apply. Then, it was a matter of several hundred miles going west before you would reach an area where you would normally find a 70-cent rate.

In the wheat producing area in between those two lines they do pay an inequitable rate comparatively but we have no argument with the special export rate. We think it serves a purpose in being able to draw wheat to supply the Asian market which was demanding that type of wheat.

We do recognize this inequity and we feel that it throws a question upon the whole system that has evolved in the Department of fixing county loan rates in relationship to their position from terminals, the rail rate as you mentioned has some inequities in it. We would like to see the whole thing given strong consideration for overhaul and try to remove some of these because we realize that farmers in Montana, in eastern Idaho, have part of their marketing opportunity removed from the fact that wheat can be moved through them from a greater distance at a cheaper transportation cost.

Mr. MELCHER. Well, Mr. Hofer, you mentioned loan rates, the county loan rates. Now, of course, they are based on distance from the terminal points. The fact that the inverse rate is saddled on Montana wheat going west also means that our county loan rates are very low, too. For instance, it averages a $1.25 national average, and yet our loan rate in Montana is about $1.07 average.

Now, does your organization have a position regarding the inequity created here?

Mr. HOFER. We do. Of course, there are other factors in the formula determining these county loan rates. I mean, distance from terminal is not the only one but I think it is probably the most important one and it is given the most weight, I am sure, in the formula. And again we would like to see at least strong consideration of all these rates in trying to correct these inequities.

I would not go so far as to say a general overhaul, but certainly there are kinks in it that should be straightened out and I feel that Montana is very much disadvantaged by this in some respects, and part of Idaho, and our national association is talking more about it and supporting the idea of taking a strong look at it in hopes that we can offer some relief to this situation.

Mr. MELCHER. Thank you, Mr. Hofer.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. McKneally?

Mr. MCKNEALLY. No.

The CHAIRMAN. Mr. Ed Jones?

Mr. JONES of Tennessee. No questions, Mr. Chairman.

The CHAIRMAN. Mr. Sebelius?

Mr. SEBELIUS. I have one question of Mr. Hofer. I was reading here the section on the export certificate. Would we have any other supplementary finance other than the U.S. Treasury supporting the export certificate?

Mr. HOFER. No, sir. It would have to be, I am afraid, a direct Treasury payment.

Mr. SEBELIUS. I was trying to search my mind for somebody to help like we do the domestic.

Mr. HOFER. That is true. We also searched our minds but I am afraid that is the solution in our eyes.

Mr. SEBELIUS. That is all I have, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Sebelius.

Mr. Burlison?

Mr. BURLISON. Thank you, Mr. Chairman.

Mr. Goeppinger, point 6 of your program deals with a more favorable climate for new farmers. Now, I take it that our present farm program has the goal of keeping our present farmers in production at a reasonable return. I take it now that you are going to take this one step further, that even though our present farmers do not have a fair return, we are going to give incentives to encourage others to come in. But you stopped there and did not give us any details of such a program.

What would you do, what kind of incentives, and what would these incentives be?

Mr. GOEPPINGER. I think that the chief incentive involved would be price and that is why I mentioned the price of $1.25, bringing our corn price level up from what has been historically the last, say, 4 years, centering somewhere around a $1.10 to a $1.15. We have had some prices down below a dollar and as high as a $1.30 but it has been swinging around the $1.15 area.

If we could put 10 to 15 cents more on the upside and stabilize it at that level, this would have an immense effect on the net farm income, because although it would increase the price of corn from, say, 12 to 15 percent, it would have a much greater effect on the net because this is all on the top end of farm income. It would probably increase the net something like 25 percent. And it would increase the desire on the part of people to stay in farming. I would consider this——

Mr. BURLISON. As well as invite others in that are not presently in.

Mr. GOEPPINGER. That is right. What happens is that here is a man out here with a farm and he has done a good job of farming and he has sent his boy with a certain amount of family sacrifice, to college or a university. This young man instead of coming back to the farm, although he is capable at farming and has had all this lifetime of training as a young man on the farm, he will take a job somewhere else in commerce or industry at a higher level of income than he could obtain on the farm.

Mr. BURLISON. Thank you.

Mr. GOEPPINGER. Most young men are willing to come back.

Mr. BURLISON. Excuse me for cutting you off but we are extremely limited on time.

Mr. Hadley, I would just like to explore one thing briefly with you. You mentioned that your organization is in favor of the land retirement program but you also say that no crop should be permitted to compete with those that are presently in the program. You go on to say that no crop should be permitted to compete with those that are not in the program. What does this leave for land that is diverted or retired?

Mr. GOEPPINGER. I am sorry, are you speaking to me?

Mr. BURLISON. No. Mr. Hadley.

Mr. HADLEY. Our thinking in regard to that has to do with, if we are going to all the trouble to remove land from production, our thinking is that it should be completely taken out of production, either through the easement approach or some other program of similar nature.

Mr. BURLISON. You mentioned in your statement that you would want this—the only thing that you mention as a substitute for production is recreational purposes. Now, what specifically, did you have in mind in the way of recreation?

Mr. HADLEY. Well, there are a lot of communities that are lacking recreational facilities. There are areas where it might be developed into parks or hunting preserves or something of that nature.

Mr. BURLISON. Would you foresee any difficulty of public support for paying farmers to take land out of production and then spending money to utilize this property as recreational facilities?

Mr. HADLEY. Certainly there are going to be objections to it. However, the overall effect of removing land from production should be in our thinking, at least, the ultimate goal of a program of this type.

Mr. BURLISON. Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Burlison.

Mr. Myers?

Mr. MYERS. No questions.

The CHAIRMAN. Mr. Jones?

Mr. JONES of North Carolina. No questions, Mr. Chairman.

The CHAIRMAN. Mr. Price?

Mr. PRICE. Mr. Chairman, I request permission, subject to your approval, to place in the record some vital information concerning the farm program. I have with me today statements from various individuals and organizations in the Texas Panhandle which I am sure will be of interest to the committee.

The CHAIRMAN. Well, now, I understood it is a letter?

Mr. PRICE. Yes, plus some statements from interested individuals and groups in the Texas Panhandle.

The CHAIRMAN. Without objection, it will be inserted.

STATEMENT OF HON. ROBERT PRICE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. PRICE. Mr. Chairman and fellow members of the House Agriculture Commitee, throughout the course of these hearings, the committee has been and will continue to be concerned with the role that

private individuals and organizations play in the formulation of our national farm policy.

As a committee, we have bemoaned the fact that we are unable to receive the views of as many farmers and agri-businessmen as we would like. We have also bemoaned the fact that the national farm organizations have ben unable to agree on the outline of a farm program.

I take great pleasure in presenting to the committee pertinent information on both of these facets—information I have gleaned from various individuals and organizations throughout the Texas Panhandle. The individuals bring to the committee their views on farm problems—views based on the valuable perspective accumulated from years of laboring on the land. The organizations bring to the committee's attention, agreed-upon recommendations for farm legislation, the importance of which can hardly be overstated. I hope that the spirit of dedication, friendship, and cooperation that gave birth to these proposals will serve as an inspiration to farm organizations throughout the country to bury their differences and join together to work for the common good of the American farm and the American people.

Mr. Chairman, inasmuch as the statements of the concerned individuals and groups are quite lengthy, I am only inserting a portion of them in the record. I would like the committee members to have the benefit of all the views I have collected, but I recognize the fact that the cost of printing and reproducing is prohibitive.

The statements from well respected farmers, ranchers, and agri-businessmen in the Texas Panhandle follow:

STATEMENT OF ELDON DUDLEY, OCHILTREE COUNTY, TEX.

I farm wheat extensively in Ochiltree County, Texas.

Production of wheat should be controlled by limiting the amount of bushels a farmer can sell annually, rather than the number of acres he can plant annually. There are so many factors effecting yield per acre, such as fertilization, weather and climatic conditions and insects, that make acreage limitation impractical. If the farmer knows the number of bushels that he can sell annually he can do a better job of planning ahead in order to have this quantity of wheat on hand.

The price of wheat should be 100% of parity, or more. The certificates that are now in use should be eliminated and these funds should be made available in order to assure a parity price. Under the present certificate payment plan, a farmer must plant at least 75% of his wheat allotment every three years or lose his certificate payments. This requirement should be eliminated so as not to force farmers to plant a commodity under any circumstances where a surplus exists.

All programs involving cost share payment that increase production should be eliminated. For example, payments made toward the cost of underground pipe, land levelling, and other practices that increase production defeat any attempt that is being made to curtail production.

A compulsory acreage reserve program, that has the effect of retiring a portion of our productive capability, should be initiated. This would mean that the farmer could not just take some of his marginal or non-productive land out of production. Under this program the land would not be used for any other purpose. For example, the farmer could not grow any other crop on it, and neither could he use it for grazing purposes. The intent would be to hold this land in reserve for production at some point in the future when it was needed, at which time it could be restored to production. One of the major defects of the soil bank program was that the only land that was retired was the least pro-

ductive land and therefore there was no substantial dent made in our productive capability.

While I favor a long term objective of reducing government participation in agriculture, I feel that this should be accomplished over a period of years and that no attempt should be made to get the government completely out of the wheat program immediately. In other words the objective of government should be to "phase out" of the wheat program in an orderly manner over a period of five to ten years. Then supply and demand would work.

I feel that there is considerable duplication and wasted effort in the administration of the various government programs by various agencies, such as A.S.C.S. and S.C.S. I would suggest that more than one county could be operated out of one office, and also that the offices of A.S.C.S. and S.C.S. could be combined so as to reduce the cost of administration.

The inter-play of grain sorghum and wheat allotments are of utmost importance to this area. Our grain sorghum allotments are based on our prior history of approximately eight years ago. This is unfair when you consider the radical changes that have occurred in our farming practices and operations within the last five years. For example, we are moving into a period of time when many of our operators would go from wheat production to maize production if they could do so economically.

Statement of F. S. Robertson, Former Manager, Farmers Cooperative

I was manager of the Farmers Cooperative for the past 41 years, and am now retired as of May 1, 1969.

Any farm program for wheat farmers should have two basic provisions.

(1) To provide parity income to the producer for that portion of his production used for consumer use in the United States.

(2) All wheat sold or used for other programs that is exported should reflect the grain agreement price received by exporters back to local farmers.

The present farm program for wheat has these basic provisions in it. However, the consumer is paying only about one-half of the certificate price for wheat milled and the taxpayer makes up the difference. The consumer is well able to pay parity price for his food.

The basic loan price to the producer should be raised to reflect the grain agreement export price.

In order to receive these prices for his wheat production, the farmer must comply with allotment controls and produce only what can be consumed and sold for export.

The reseal program should be discontinued as there is no incentive for the producer to sell at the basic loan price and new surpluses are building up. Allotment quotas should be adjusted to provide for only normal carry over wheat and avoid surplus.

Statement of Warren Cudd

My farm contains approximately 800 acres of crop land. Due to insufficient underground water, this farm is not irrigated. My base crop is wheat; milo is planted on idle acres. Cattle are pastured on wheat and milo stalks during the winter months.

The last few years wheat for grain has been a losing operation due to the low price of wheat.

My main criticism of the present program is that it has allowed the price of wheat to lag far behind the rest of the economy. The consumer spends a smaller percent of his take home pay for food than he did 20 years ago, while the farmers production cost has gone up almost 100%, and in the last 10 years the price of his product has gone down.

Surplus is blamed for the depressed farm prices. I don't believe a 5½ months supply of wheat is much of a surplus. If this is a problem, why not try a bushel allotment on a county average. The farmer would hold any surplus he had until the next market year. If his surplus became large enough he could cut expenses by leaving his wheat land idle for a year. Under this plan the amount of wheat for market would be a fact instead of an estimate.

When the wrapper on a loaf of bread cost more than the wheat it contains, a one dollar a bushel increase in the price of wheat would make very little difference in the price to the consumer.

34–326—69—pt. 1——32

STATEMENT OF MAX A. BLAU, CHAIRMAN, LIPSCOMB COUNTY PROGRAM BUILDING COMMITTEE, LIPSCOMB COUNTY, TEX.

I am Chairman of the Lipscomb County Program Building Committee.

Lipscomb County farmers have complied with the A.S.C. program 99.5 percent or more every year since it started, although the program is inadequate and at best only a stop-gap program.

We need acreage controls and price supports. But since the present price controls merely serve as a floor, these price supports should be near the parity of the things we buy.

A better land retirement program is needed so we can save from erosion, rejuvenate our marginal agricultural land, and save it for a time when the large surpluses are no more and the nation needs productive land.

FRANK HINKSON, MULESHOE, TEX.

This paper is addressed to the Secretary of Agriculture and the House Agriculture Committee for their consideration in formulating a new farm program.

There are several things that need to be changed before any program can be very effective.

1. Inflation needs to be controlled to the extent that American agriculture can generally be competitive in foreign markets at a fair return to farmers. The alternative to this is for large cities to prepare for a greater migration of ex-farmers and ex-rural business men and their employees. They simply cannot make a living where they are. Also the nation's balance of payments will be drastically impaired.

2. Labor laws need revision. The minimum wage law actually transfers many unskilled people from some constructive work to the relief rolls. Laws should not discourage business men from hiring students outside school hours. Labor unions should have responsibilities comparable to their privileges. The recent dock strike cost the nation 200 million dollars in agriculture exports that will be difficult to regain, thus drastically hurting the nation's balance of payments as well as agricultural prices.

3. Relief payments should be revised to encourage able bodied recipients to seek employment.

4. The marketing of U.S. agricultural products should be given more consideration when negotiating treaties with foreign countries.

The following changes "are needed in that part of a new farm program that relates to feed grains, wheat and cotton. It will work better and be simpler and cheaper to administrate.

A. The Commodity Credit Corporation should be restrained by law, from selling any of these commodities at less than parity prices. Warehousemen would be required to keep the C.C.C. stocks in good condition by buying and selling on the open market, such amounts that need to be replaced, and to be bonded in sufficient amount to prevent loss to C.C.C. The purpose of this is to isolate C.C.C. stocks so that they do not interfere with market prices as has been done in the past. Since about 95% of the nation's people are dependent on the other 5% for the production of food, the cost of continuous storage is cheap insurance in case of a national emergency. As a cattleman for 40 years, the times I have been hurt the worst were when I ran out of feed for my cattle. The same principle works for a nation's food supply.

B. Recourse loans should be made for one year to participating farmers at about 80% of market price. This will prevent further increase in C.C.C. stocks but it will insure the farmer expense money at harvest time and give him a full year to market his crop so that it need not be sacrificed at harvest time.

C. That allotments of feed grains, wheat and cotton be terminated. In the past they have contributed to overproduction on small farms they have perpetuated poverty and they have not been flexible enough to keep abreast of modern machinery and technology or changes in producing and marketing areas. Each farmer would plan his own cropping system for the most efficient use of labor and equipment.

D. That the Secretary should annually, before planting time, make an estimate of the percentage of cropland needed to produce an adequate supply for the coming year.

E. That an annual diversion payment be made to participating farmers on the basis of the past 5 year history. This payment should not be radically

changed from present program payments, because under present conditions the average farmer could not finance his operation without it. There should be no limitations of payments because that would penalize efficient operators who have large investments and are probably hiring men who could not effectively operate their own farm. Besides that it would cause many administrative headaches too numerous to mention here. Diverted acres should not be grazed or harvested. The irrigated areas of the nation have the most consistent production, therefore diverted acres from such land would reduce production most consistently. Great care should be given to encourage diverting such land not only from a production standpoint but because in many areas water tables are being lowered. Conserving water, until needed more than now, would be in the national interest. These diversion payments could probably be phased out over a five year period as the farmers' purchasing power approaches that of other segments of the economy.

F. There should be no exceptions for non-commercial farms.

Small farms that create a social problem should be treated as such and not as a part of an agricultural program.

This paper is only of a general nature and many details will need to be worked out.

Mr. PRICE. In the Texas Panhandle Counties of Briscoe, Carson, Castro, Childress, Deaf Smith, and Hall, the major farm organizations and other interested agricultural producers unanimously adopted the following general recommendations for farm legislation:

1. In the interest of orderly marketing, there must be some method of controlling farm production until demand meets or exceeds supply.

2. There should be a continuation of present farm laws with improvements rather than institution of drastic changes at this time.

3. A strategic reserve program should be instituted that would completely isolate reserve grain from the market.

4. Payment limitations should not be established under present farm programs.

5. Bureau of Reclamation funds should not be used to bring new lands into production while surpluses exist.

6. Organizations should be established that would promote market development and research, and would conduct seminars to educate consumers on farm problems.

7. Business corporations should not be allowed to write off farm losses against business profits.

8. There should be an export wheat certificate program to assist in bridging the gap between world market prices and a parity price for the wheat which is used to supplement our foreign relations program.

Finally, the Texas & Southwestern Cattle Raisers Association adopted the following resolution concerning legislation of vital importance to the cattle industry:

RESOLUTION

The beef cattle industry through its own initiative has become the economic success story of agriculture with no burden on the American taxpayer.

Disturbing comments are being made in high places that problems associated with other agricultural commodities could be shifted to the cattle industry through massive land retirement programs tied into subsidized grazing and artifical stimulation of expanded beef production.

This could only result in wildly fluctuating beef prices wihch would create chaos in the cattle industry and jeopardize beef supplies to the consumer.

The Texas and Southwestern Cattle Raisers Association is unalterably opposed to artifical expansion of cattle numbers that the easement or subsidized grazing proposals would cause. In the near term, it can only result in sharply higher

prices to consumers and ultimately economic chaos to the largest single segment of agriculture.

Resolution adopted at Texas and Southwestern Cattle Raisers Association Quarterly Directors' Meeting, September 6, 1969.

Mr. PRICE. Mr. Chairman, I would like to ask Mr. Hadley a question about the proposal that the Federal Government pay an individual to divert land from agricultural production and place it in cattle production.

Mr. Hadley, what would be the consequences in so far as the cattle industry is concerned if the diverted land were utilized in this fashion?

Mr. HADLEY. We definitely feel that that additional grassland placed into production of beef would create a hardship for the livestock industry.

Mr. PRICE. In your opinion, would this hardship be created because the Federal subsidy for farmland diversion would encourage farmers under the program to become cattle producers?

Mr. HADLEY. No. I think that is an impossibility actually, because there are a lot of facets involved. First of all, you have got to establish some kind of vegetation on there. You have got to fence this adequately.

Mr. PRICE. You refer to many facets. Certainly grazing would be a prime consideration. As I understand it, it would take about 3 years to convert the diverted farm into grassland. Is that correct?

Mr. HADLEY. Yes.

Mr. PRICE. Would this also be the length of time required to get the land to a stage where cattle could be produced?

Mr. HADLEY. Yes.

Mr. PRICE. Would another facet be the ability of the landowner to finance his cattle production?

Mr. HADLEY. That is another problem.

Mr. PRICE. In regard to the ability of the landowner to compete in the cattle market, he would be out of the cattle business the first time he got stung, would he not? I have talked to some individuals in the cattle business about the impact that this farmland diversion proposal would have on the cattle producing indusry. A feeling exists, although I have not found it to be widespread, that the impact of such a Federal program would not be as devastating as one might suppose—especially when viewed in the light of the number of beef that would probably be produced on the diverted farmland. What is your reaction to this view?

Mr. HADLEY. That is right.

Mr. PRICE. I have been thinking of this talking about the number of cattle. Some of them say they do not find this quite as objectionable as we are talking about when you really get to looking into the facets of this thing and how much more beef could be produced. Let us say a man leaves out 700 or 500 acres and he plants it in wheat and he grazes that wheat instead of cutting it.

Mr. HADLEY. Don, would you like to comment on that?

Mr. PRICE. There is an area here that we do not have time to discuss this morning but maybe we ought to look a little deeper into this and discuss it a little further.

Mr. MAGDANZ. Very quickly, Mr. Price, there is no doubt that not all of land that might be diverted or retired would go into beef produc-

tion. One of the proposals said we could use 9½ billion more pounds by 1975 by taking out 30 or 40 million acres and putting it into grass. Let me say this would be biologically, economically, physically, and agronomically impossible to accomplish this kind of an increase by 1975.

Our only point is that there could be enough of it if there was encouragement or some allowance under a retirement program. There could be enough of it go into beef production to upset the profitable and favorable balance in the industry and this is the thing that we object to.

We fought for years to try and get the beef industry in a reasonably stable position where people thus engaged cannot only by the crops that the farmers are producing, feed grains, and so forth, but can make a profit themselves. We think that it is a very healthy segment of agriculture most of the time, but if we allow this to happen, we can jeopardize one segment of agriculutre in an attempt to help another and we really would not be helping the other one very much by so doing.

I do not know whether that quite answers your question or not.

Mr. PRICE. I think it clarifies the issue. That is all, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. Vigorito?

Mr. VIGORITO. No questions.

The CHAIRMAN. Mr. Kleppe?

Mr. KLEPPE. Thank you, Mr. Chairman.

First of all, I want to compliment and commend all of you gentlemen for your presentation this morning. I say this because I am fully aware of the fact that you men comprehend the seriousness of this question. You know what you are talking about and I, for one, like the language you use.

I just have one question I would like to ask of you, Mr. Hofer. In your presentation you talk about the export certificate at an additional cost of about $275 million. There are many of us that have a feeling that probably the best we are going to do out of this Congress is a program, an appropriation somewhat equal to what we have this year.

Now, if that becomes the case, how would you then distribute the dollars in connection with the program that you recommend? As I understand your presentation, it did include an additional $275 million for the export certificate.

How would you rationalize this, redistribute it, if we had to live within the framework of the expenditures we had this year?

Mr. HOFER. You mean where would I get the $275 million?

Mr. KLEPPE. Yes, or where would you knock out or where would you add or subtract?

Mr. HOFER. I see. It has been suggested, looking at this problem in our own organization, you know, when the 1965 Farm Act was first passed the original intent of those asking for a domestic certificate was that the total domestic certificate would be taken from the marketplace. In other words, that the processor's share would pick up the balance and actually would be paid by the consumer.

We still have in our resolution support for that idea which then, if you want to put it that way, would release Government funds that could finance an export certificate.

Mr. KLEPPE. I like your suggestion. It is just a matter of being practical as to what maybe we can get passed and what we can get done and I was trying to get from you where we might make some adjustment to fit within the framework of the present expenditures, and I think you have commented on that.

I might make one other observation. I noticed in your presentation you did not include anything for a strategic reserve. I know in the past your organization has been in support of this particular approach. That would cost some more dollars.

Is there any reason specifically why you left it out of your presentation?

Mr. HOFER. Nothing specific except that I had been present when it was testified to on this coalition approach, and so I confined my remarks to the four changes in the feed section, but we do support a reserve and I do not think—perhaps I am a little arbitrary in saying this—we do not feel the urgency for it this year as we did perhaps last year because there is a built-in reserve right now.

Mr. KLEPPE. May I just suggest that you gentlemen continue your efforts to promote this coalition and the efforts of this program all the way down the line, because we are going to need all the help we can get to accomplish what we know needs to be done from the standpoint of farm income.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Kleppe.

Mr. de la Garza?

Mr. DE LA GARZA. I will defer my questions to the chairman.

The CHAIRMAN. Mr. Zwach?

Mr. ZWACH. No questions, Mr. Chairman.

The CHAIRMAN. Mr. Abernethy?

Mr. ABERNETHY. No questions.

The CHAIRMAN. Mr. Mayne?

Mr. MAYNE. Thank you, Mr. Chairman.

Mr. Hofer, were you here yesterday when Mr. House, the president of the American National Cattlemen's Association, testified?

Mr. HOFER. No, sir. I am sorry. I was going over our testimony.

Mr. MAYNE. Well, he spoke about the value of land in his testimony. I believe that for quite a period of time there has been a marked increase in the value of farmland in this country, has there not?

Mr. HOFER. You mean outside of the past 12 months. I think there has been a steady ascending spiral since World War II, and still about 12 to 18 months ago. I think it broke off then.

Mr. MAYNE. But up until this later period there had been a very dramatic increase in the value of land, had there not?

Mr. HOFER. That is correct.

Mr. MAYNE. And I take it that you are quite alarmed by the termination of that upward move.

Mr. HOFER. For the termination, we feel it has broken rather sharply off.

Mr. MAYNE. Well, now, would you welcome a continuation of that upward spiral?

Mr. HOFER. No. I think our point is this, that with the cost-price squeeze I mentioned, the farmer's operating costs have been going up and he has been involved deeper and deeper in credit which is based

on his land values. The only thing that has kept him in business all these years has been this ascending spiral. To have it break off when he has been in business, to have it break off now we feel would trigger rather serious consequences down the mainstream down to the towns all the way. If he cannot pay his bills, it is certainly going to be reflected. Perhaps land was overpriced, but this does not speak to the situation the farmer finds himself in when the credit is cut off because the land value has gone up.

Mr. MAYNE. The ascending spiral of the value of land has kept the big fellow in business, but has contributed to drive the little fellow out, has it not?

Mr. HOFER. I do not—I am not sure I follow that. It has kept the little people from coming in and young men from being able to enlarge their property to the extent that the farming situation now calls for.

Mr. MAYNE. And that gets us to Mr. Goeppinger's testimony in which he talked about the tremendous outlays of capital which are necessary under present conditions which discourage a young man from entering farming. Do you not think if this trend which was true for so long of ascending farmland value was to continue that it would become virtually impossible for anyone but a very wealthy person or a corporation to enter farming?

Mr. HOFER. I think that is a situation—you described what exists today. Again, I would say we never advocated an ascending spiral but to see it break off sharply or to see it stop while everything else continues spiraling up is going to ruin our people, I sincerely believe.

Mr. MAYNE. Well, then, you are not advocating a continuation of the upward trend. You would just like to have the value of lands stabilized, is that it?

Mr. HOFER. I think it would be healthy, as our administration is trying to do, to stop the upward spiral all the way but the thing that has happened in farming is that our spiral stopped some time ago and everything else has gone on and I am talking about land values and everything, so I cannot say I would like to see it level off and everything else go on. I would like to see the whole thing level off. I think that is the thrust of our Government right now, to cool the economy. Well, I would like to see a leveling off of the land values be part of an overall leveling off.

Mr. MAYNE. Thank you.

The CHAIRMAN. Thank you, Mr. Mayne.

Mr. Foley, do you have any questions?

Mr. FOLEY. No questions. I have read the testimony of the National Wheat Growers and I want to compliment Mr. Hofer on what I think is a splendid statement.

The CHAIRMAN. Thank you, sir.

Mr. Goodling?

Mr. GOODLING. No questions, Mr. Chairman.

The CHAIRMAN. Mrs. May?

Mrs. MAY. Yes, Mr. Chairman. I would like to associate my remarks with those of Mr. Kleppe. I think you four gentlemen have made excellent statements, very articulate ones, presenting your viewpoints. I do not think you will find any disagreement from most members on the seriousness of the situation in the wheat area. I am very familiar

with this situation. I am aware of the dangers of certain plans to our cattle industry.

In your statements, Mr. Hadley and Mr. Goeppinger, you have presented remarks on land retirement. I believe that in Mr. Hadley's statement, the specific recommendation that you and Mr. Magdanz have presented, for your association, under cropland adjustment suggests a retirement of 10 to 12 million acres per year. Mr. Goeppinger, you have suggested that there might be a takeover of some 120 million acres in whole farms under land retirement either deliberately or by advanced technology.

Have either of your organizations in their study, made any advanced projections on where this acreage would come from? We need this information to form some conclusions on the economic impact in States and within States and communities. I'd like one of you to answer that, if you have the information, I would appreciate a response.

Mr. GOEPPINGER. Mrs. May, I would like to answer for our organization because I am sorry that my statement might imply to you that we are in favor of such a large retirement. Actually, we are not in favor of going beyond a reasonable amount which would be—let us take a figure of 20 million acres. At the peak of the soil bank era, there was a maximum of 28 million acres that were taken out and we suggested that a blend program be initiated which would center really around the present 1965 Food and Agriculture Act and this means year to year adjustment. But if we could pick up, say, from 10 to 20 million acres of the land that had been in the soil bank, this is land that is already sterilized, would not affect the economic main streets in the smaller communities, and I think satisfy the people to some extent that want some long-term land retirement, but we think it would be extremely injurious and very poor policy to retire the total number of acres which Dr. Heady, of Iowa State University Agriculture Research Center, who has sort of headed this idea, has told us in our conferences with him of the National Corn Growers Association, with him and his staff.

He has told us that it will probably take 102-million acres of whole farms to effectuate a balance between production and consumption. This goes back and is comparing to about 60-million acres today in all forms that it takes to retire enough acres to balance out, and the reason for this difference is because you get the poorest land retired when you go out and try to retire whole farms. You do not get as much as productivity retired per acre as you do under the present program.

Mrs. MAY. Mr. Goeppinger, I am sure you are aware of why the administration, this committee, other groups that are interested, are discussing the approach of some type of cropland adjustment, easement, retirement, however you do it. It goes right to the dollar sign and may I just put this question then to you specifically before I give Mr. Hadley a chance to respond.

We have had a lot of real soul-searching discussion on the fact that the present program, the support of the major commodities—I believe the budget this year is costing us $3.2 billion.

Mr. GOEPPINGER. How much?

Mrs. MAY. $3.2 billion. Without any change at all in the present program, as I understand it, next year's expenditures with no changes would require $3.9 billion.

Do you have any idea how we can get the favorable vote or support of the country, the administration, or this Congress for that kind of an expenditure?

Mr. GOEPPINGER. Well, my answer to that would be to anyone who brings that up to you that the American consumer, No. 1, is eating for the lowest cost today percentagewise of his income than at any time in the history of this country and at the lowest point of any modern country or semimodern country. Compared to Europe, about 30 percent, and Japan, over 40 percent. We are spending about 18 percent of our income for food with a total cost of about $60 billion.

Now, if we relate this to $3.9 billion you can see that we are speaking about something that is approximately 6 percent, 6 to 7 percent of the cost of the food.

Now, in order to make this cheap price, we have an increase—if we wanted to increase the cost of food 10 percent, it would add a figure of $6 billion to this present $60 billion. Now, we are not even at that 3.9 asking for a 10-percent increase in food. We are probably asking for something that relates to about 7 percent. If you go from $3.9 billion cost—was it 3.2 that you mentioned—3.2 to 3.9, it is about a $700 million increase that you are speaking about and as far as relating it to actual food costs to the consumer which it is a part of really, the Government pays part and the consumer pays out of his pocket as far as the food cost, but we are actually only increasing this food cost less than 1 percent. So, I think this is the chief answer that can be given, that we have a beneficial program, a program that is good for the country and good for the consumer.

Mrs. MAY. And do you think that if we present that answer, well said and true, as it is, to our colleagues in the U.S. Congress, that we will get a favorable vote?

Mr. GOEPPINGER. I think that is up to you. If you can do a good job of salesmanship, more power to you.

Mrs. MAY. It is 12 years now that I have been using those same arguments every place in the United States I get the chance. The chairman has done this for much longer. We have not been, I would say, significantly successful. But this is, if I may use the term, the nitty gritty of our problem. Now, I should give you a chance to respond, Mr. Hadley, to my question. Have you in your specific recommendation for cropland adjustment, had a chance to develop any figures on impact and where the land would come from, what part of the country, and what kind of impact it might have within a State?

Mr. HADLEY. Mrs. May, with your permission, I would like to turn this question over to Don Magdanz.

Mrs. MAY. All right. We are delighted to hear from him.

Mr. MAGDANZ. In this way, Mrs. May, we, of course, have not made a specific clearcut analysis of where it should take place. We do think, though, that in order that there be very minimum impact on any of the rural communities, and when I talk about rural communities I am including a lot of medium-sized cities and small towns, and so forth, that this retirement would have to take place over a wide area. It would have to take place in most all crop-producing localities.

Mrs. MAY. May I stop you there? Now, your idea is on a bid basis and it would be purely voluntary?

Mr. MAGDANZ. Yes; it would be voluntary.

Mrs. MAY. You would not be saying land must come out here and there. You just take it from where the response would come from.

Mr. MAGDANZ. This is correct. Now, we say on a bid basis in our statement we are not wedded to that particular procedure. It could be on an offer basis, but we do think it ought to be voluntary and if not, we are departing from what we have maintained for many years.

After all, our present program is strictly voluntary and the whole farm concept we question very much because this can be dangerous economically. But if it is allowed to be retired and at points where people are willing to retire it and there be limitations placed on how much could be taken out in any one county, we would then not impose an impact or serious economic impact on any particular communities.

May I comment just a little bit more on your statement with reference to where the money is going to come from and the difficulty that we know very well you have in the Congress in explaining to people who are representing the urban community just how they can afford to spend money on the farm supports and farm programs.

We know that this matter of disposable income has been used for years. If I may, Mr. Goeppinger, I believe the latest figures are 16.4 percent of disposable income for food instead of 18; but the point is, it is ridiculously low. We do wonder, though, and this was brought out in the hearing yesterday, why it is with the cost of everything in the country that anyone wants to name, and I make one exception that I can think of and that is long distance telephone calls, but with the exception of that, the cost of Government, the costs of all Government programs, the cost of goods and services, education, clothing, just anything that anyone wants to name, has been going up rapidly, why is it when we start talking about food and farm programs these same people want to reduce the cost. We maintain, and I just would like to emphasize that, that this is a most irrational attitude and we frankly cannot understand it. We know, however, it exists.

Mrs. MAY. Well, let me just respond to that and then I want to yield to Mr. Melcher, who wants a question here. I just want to say, of course, all of us will recognize that this is the problem that I guess is the toughest one we have. Every individual Member agrees on this, because the facts seem so clear. We know we have the facts and somehow we have failed to get this across, to get the proper national support that would help us then get the support of the representatives of urban, suburban areas, which we obviously have to have before we take a bill to the floor.

Mr. Hofer, you referred to this very well in your statement. Every one of us representing important farm groups or farm areas, all agree on the facts of the farm story. But have you got any new ideas on how we can get it through to the general American public? For goodness sakes, let us know if you have.

Thank you very much, Mr. Melcher.

The CHAIRMAN. The Chair is going to recognize Mr. Miller, if you want to ask a question.

Mr. MILLER. No questions.

The CHAIRMAN. Now the Chair will indulge Mr. Melcher for a reexamination.

Mr. MELCHER. Thank you, Mr. Chairman.

Don, I just have one question. As I understand your testimony, you do oppose any easement or retirement plan that allows grazing of livestock. Is that correct?

Mr. MAGDANZ. That is correct. The retired land we are talking about we feel should not be allowed to go into grass for beef production.

Mr. MELCHER. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Melcher.

The Chair usually has about 40 minutes of questions, but we have to be on the floor. The committee wants to express appreciation to all of you who have appeared, because I think we have had a good hearing and we do appreciate your statements. You will understand why we have to adjourn at this time.

The committee will stand adjourned until 10 o'clock tomorrow morning.

(Whereupon, at 11:35 a.m., the committee was adjourned, to reconvene at 10 a.m., Wednesday, September 10, 1969.)

GENERAL FARM PROGRAM AND FOOD STAMP PROGRAM

WEDNESDAY, SEPTEMBER 10, 1969

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to recess, at 10:05 a.m., in room 1301 Longworth House Office Building, Hon. W. R. Poage (chairman) presiding.

Present: Representatives Poage, McMillan, Abernethy, O'Neal, de la Garza, Jones of North Carolina, Montgomery, Alexander, Lowenstein, Jones of Tennessee, Melcher, Teague, Zwach, and Sebelius.

Also present: Christine S. Gallagher, chief clerk; William C. Black, general counsel, Hyde H. Murray, associate counsel, John A. Knebel, assistant counsel, and L. T. Easley, staff consultant.

The CHAIRMAN. The committee will please come to order.

This morning we will continue the discussion of general farm and food stamp legislation, and our first witness will be Mr. Edward Dunkelberger, general counsel for the National Canners Association.

Mr. Dunkelberger, we will be glad to hear from you.

STATEMENT OF H. EDWARD DUNKELBERGER, GENERAL COUNSEL, NATIONAL CANNERS ASSOCIATION

Mr. DUNKELBERGER. Thank you, Mr. Chairman. My name is Edward Dunkelberger; I am a member of the firm of Covington and Burling, and am appearing today on behalf of the National Canners Association, a nonprofit trade association whose almost 600 members have canning plants in 44 States and pack approximately 90 percent of our national production of canned fruits, vegetables, meats, seafoods, and specialties. The National Canners Association very much appreciates this opportunity to present its views on those aspects of the general farm program that have a direct effect upon the canning industry.

Basic to our position on agricultural legislation is the fact the canning industry is itself a part of and engaged in agriculture; the processing of a canning crop is inseparably tied to its production and harvesting. The statement of the Association's Agricultural Policy, adopted by the membership at its annual meeting in San Francisco earlier this year, affirms the interdependence and mutuality of interest existing between the canning industry, growers of its raw products, and the agricultural community.

If I may, I would like to read the two paragraphs from that statement that relate to the grower-processor relationship and that establish the basis for the canning industry's position on the farm program:

A mutually beneficial relationship is essential to the economic welfare of growers and processors and vital to the interest of the American consumer in having an abundant, wholesome, and varied food supply. Every brower must remain free to produce and sell his crops as an individual or through an association, on terms that he deems to be in his best interest. Similarly, processors must remain free to arrange for a dependable source of raw product supply.

We believe the contract system for the production and sale of canning crops is beneficial to both growers and processors. It maintains individual freedom of choice, is consistent with the free enterprise system and is well-adapted to reflecting the interaction of supply and demand. Contracts should be mutually clear, fair, impartial and specific as to terms, conditions, grades, and services to be provided. They must be mutually binding and in compliance with all applicable laws and regulations.

For the most part, this policy is consistent with the agricultural programs of the Federal Government, under which growers and processors of canning crops have been free of supply controls acreage limitations and price supports, and have jointly benefited from the contract system for the production and sale of canning crops. Under this system, which puts a premium on individual freedom of choice, a sufficient number of growers have each year elected to devote their land and resources to the production of canning crops to enable the industry to keep pace with expanding consumer demand and at the same time provide growers with a return that compares favorably with that for other farm crops.

For example, the farm value per acre harvested of the major vegetable, fruit and nut tree crops increased from $260.50 in 1950 to $476.27 in 1967, an increase of 83 percent. During this same period of time the value per acre harvested for the major field crops increased only 28 percent from $43.29 in 1950 to $55.46 in 1967.

Accordingly, the canning industry in general neither seeks nor supports additional Federal regulation applicable to growers or processors of canning crops. The association's policy regarding agricultural legislation and controls is set forth in an attachment to this statement, as adopted by the membership in January 1969. If I may, I would like to review this policy briefly, and where appropriate relate it to current law or legislative proposals.

(The attachment referred to follows:)

POLICY REGARDING AGRICULTURAL LEGISLATION AND CONTROLS

The National Canners Association believes that experience has repeatedly demonstrated that the complex problems of planning and production and marketing of processed foods are best resolved in the American tradition of free enterprise, competitive incentive, and individual, imaginative business management. These beliefs provide the basis for the Association's policy regarding agricultural legislation and controls.

GOVERNMENT INVOLVEMENT IN BARGAINING AND MARKETING ACTIVITIES

(1) Since we support the right of growers and processors to make individual determinations concerning how they will best sell (growers) or best procure (processors) their raw products, we are opposed to Federal or State government intervention in raw product bargaining activities between processors and growers, and to the establishment of a Federal agricultural bargaining board or similar agency that would control in any manner these bargaining activities.

(2) We are similarly opposed to Federal or State government intervention in the marketing of agricultural commodities and products, and to the establishment of Federal marketing boards which would regulate or control any phase of marketing activity.

PROMOTION AND ADVERTISING OF COMMODITIES

Grower-financed programs for promoting and advertising particular commodities may be beneficial, and in general the Association is not opposed to legislation authorizing grower-financed programs of this type. We believe, however, that processors' funds can best be utilized to support their own promotion and advertising programs. Although it is preferable that the growers be directly responsible for the payment of any assessments to finance such programs, the Association will not oppose a so-called check-off by processors if that is deemed to be the most effective means for collection of such assessments from growers.

RAW PRODUCT RESEARCH AND MINIMUM QUALITY STANDARDS

Federal, State or voluntary programs providing for raw product research and reasonable raw product minimum quality standards for the purpose of eliminating unsuitable raw material may be beneficial, and the Association in general will not oppose appropriate legislation authorizing such programs where processors are afforded an equal voice and vote in the formulation, adoption, and administration of the programs.

RAW PRODUCT SUPPLY CONTROLS

(1) We seriously question the long term benefits to either the growers or processors of Federal and State government raw product supply controls and in general do not approve the establishment of such controls.

(2) Other than as recognized under the circumstances covered in paragraph 3, the Association will continue to urge that no supply controls be imposed by government on fruits and vegetables for canning or freezing either by mandatory marketing orders or in any other way.

(3) It is recognized, however, that some segments of the industry believe that there may be exceptional circumstances when supply controls might be of short term benefit as applied to perennial fruits and nuts (vine, bush, or tree) in appropriate sections of the country for limited periods of time. Accordingly, the Association will evaluate on a crop-by-crop basis whether to modify its position in the case of particular individual perennial fruits and nuts for canning or freezing for which Federal or State enabling legislation authorizing mandatory supply controls are proposed, but only if

> The proposed legislation or order affords to the processors of the affected commodity an equal voice and vote in the formulation, adoption, and administration of the supply control program (since such controls applicable to the grower will affect the operations of those who process that commodity); and if
>
> The proposed marketing order or supply control program does not apply to the commodity after it comes into the possession and control of the processor and he has become responsible for payment.

This paragraph 3, however, does not apply to mandatory supply controls on any annual crop for canning or freezing.

Mr. DUNKELBERGER. *Government Involvement in Bargaining and Marketing Activities.*—Simply stated, the canning industry favors the balance that now exists between processors and growers in their bargaining for the purchase and sale of canning crops. Federal law has for more than 50 years guaranteed the right of growers to organize, bargain and sell collectively, free of the Sherman Act's prohibition against joint selling activities among competitors.

More recently, Congress enacted the Agricultural Fair Practices Act of 1967, with the support of both grower and processor interests. That act serves to protect the right of growers "to join together voluntarily in cooperative organizations," and to prohibit interference with that right by processors and other handlers.

Under these laws growers may make up their own minds, on an individual basis and free of coercion or restraint, whether to operate independently or to join with other growers in bargaining for the sale of their production. There are no limitations on the degree of grower participation that is permitted, and the factors that will affect each man's decision will vary with the area of the country, the canning crop, the available alternative crops, the prevailing prices, the attitudes of processors, and many other considerations.

The canner-grower bargaining process is thus free to operate within the principles and rules of fair play of the Capper-Volstead Act, the Agricultural Fair Practices Act, and the Federal antitrust laws, and to reflect the current impact of supply and demand. For these reasons, the canning industry is—in the words of the association's policy on agricultural legislation—"opposed to Federal or State government intervention in raw product bargaining activities between processors and growers, and to the establishment of a Federal agricultural bargaining board or similar agency that would control in any manner these bargaining activities." The industry is "similarly opposed to Federal or State government intervention in the marketing of agricultural commodities and products, and to the establishment of Federal marketing boards which would regulate or control any phase of marketing activity."

Promotion and Advertising of Commodities.—Federally administered programs for the promotion and advertising of particular commodities have gained increasing support in recent years. Growers have evidenced an interest in creating additional demand for crops in periodic or occasional surplus by means of commodity promotional efforts.

The National Canners Association recognizes that such programs may be beneficial and does not oppose legislation that would authorize grower-financed programs of this type. The industry believes, however, that "processors' funds can best be utilized to support their own promotion and advertising programs," which not only encourage brand loyalty, but also further consumer demand for the commodity itself.

Although the association believes "it is preferable that the growers be directly responsible for the payment of any assessments to finance such programs," it does "not oppose a so-called check-off by processors if that is deemed to be the most effective means for collection of such assessments from growers" for promotional efforts. Legislation along these lines was enacted for cotton a few years ago, and there are currently pending bills that would do the same for potatoes.

Raw product research and minimum quality standards.—Another area of increasing interest on the part of growers and processors is improvement in raw product quality. Although individual canning companies continue to expend substantial amounts in this direction, the Association believes that—

> Federal, State or voluntary programs providing for raw product research and reasonable raw product minimum quality standards for the purpose of eliminating unsuitable raw material may be beneficial.

The association would not oppose legislation authorizing either or both if processors are afforded an equal voice and vote in the formulation, adoption, and administration of the programs.

Both growers and processors of canning crops have a common interest in developing and maintaining high quality fruits and vegetables

for use in canned foods that can compete effectively with other products and meet the nutritional needs of consumers. Federal and State programs may contribute to the canning industry's continuing efforts in this regard by providing for raw product research and by establishing minimum quality standards, but if such programs were solely grower-oriented and controlled, without appropriate recognition of the needs of processors and the tastes of consumers, then growers could very easily find themselves raising crops for which there was no demand. It is thus vitally important that both processors and growers have an equal role in development, adoption, and administration of such Government-sponsored "self-help" programs.

Raw product supply controls.—The National Canners Association is convinced that the rising per capita consumption of canned foods, the continuing development of new canned food products and formulations, and the attractive returns to growers of canning crops are all directly related to the fact that canning crops have for the most part been free of governmental controls on acreage, production or sale. In the words of the association's policy on agricultural legislation——

> We seriously question the long-term benefits either the growers or processors of Federal and State government raw product supply controls and in general do not approve the establishment of such controls . . . on fruits and vegetables for canning or freezing either by mandatory marketing orders or in any other way.

The available data strongly suggest that the forces of supply and demand in a competitive market are more effective—and more beneficial for growers as well as processors—than artificially imposed Government restraints, surplus pools, and the like. A recent Stanford University Food Research Institute study of marketing orders for processing crops—financed in part by a grant from the National Canners Association—makes clear that virtually continuous State marketing order controls on California cling peaches over more than 30 years have failed to solve the economic problems of that industry. To cite just a few of the facts and conclusions presented in the report:

> Total reveues to growers of cling peaches over this period have not increased as much as those of growers of other major canning fruits, including Bartlett pears, not subject to direct supply controls.
>
> The number of cling peach growers in California has increased since the 1930's, whereas for most California crops the number of growers has decreased. Marketing order controls have augmented, rather than reduced, the excess capacity for cling peace produtcion, by encouraging entry of new producers.
>
> If reduction in the volume of a crop marketed has the effect of increasing prices on the canned product, consumers will shift to lower-priced substitutes, thereby reducing demand for the commodity.
>
> For this reason, cling peace canners have not raised the price of canned peaches appreciably, in the light of competition from other competing products. Faced with constant pressure of increased prices for the raw product, some processors have begun to shift their capital to other enterprises.

But in spite of our conviction that supply controls cannot provide long-term benefits to growers, we have modified our position to the extent that we are willing to evaluate on a crop-by-crop basis whether under exceptional circumstances supply controls might be of short-term benefit when applied to a perennial fruit crop in a particular area for a limited period of time, but only if the proposed legislation or order afforded to processors an equal voice and vote in the

formulation, adoption, and administration of the supply control program, and the controls could not apply to the commodity after it comes into the possession and control of the processor and he has become responsible for payment.

In conclusion, we would like to thank the committee once again for this opportunity to present the views of the canning industry on agricultural legislation.

Thank you.

The CHAIRMAN. Thank you very much, Mr. Dunkelberger.

I am sure you are aware that at least one of the bills we have pending, and one that the chairman introduced, extends the existing farm programs and the existing food stamp program but does not touch the phases that you discussed.

Now, what do you think about extending the farm program legislation, and the food stamp program?

Mr. DUNKELBERGER. Mr. Chairman, we fully realize that the legislation that has been introduced in particular did not address itself generally to these areas that we have discussed. We wanted to make our position clear, however; we thought that it would be appropriate to come before the committee to repeat our basic philosophy and our approach.

The National Canners Association is not concerned with the basic commodities, so we therefore do not have a position one way or the other on those crop programs, nor have we developed either opposition or support for the food stamp program.

We feel the area of agriculture of concern to canners and growers is one part of agriculture where the existing situation, at least, is satisfactory and needs no further enactment of legislation. In most instances it does not involve extension or amendment, either one.

The CHAIRMAN. Well, while we are glad to have you come and present your views, you are not really interested in the legislation that is before us.

Mr. DUNKELBERGER. Well, we did not understand, Mr. Chairman, that the hearings were limited to——

The CHAIRMAN. They are not. We are glad to have you present your views on any of these subjects, but let us say that they do not relate to 12430.

Mr. DUNKELBERGER. That is correct, sir.

The CHAIRMAN. And that you have no position on it.

Mr. DUNKELBERGER. That is correct, sir.

The CHAIRMAN. And you have no position with regard to food stamps.

Mr. DUNKELBERGER. That is correct.

The CHAIRMAN. And you are not interested in the basic agricultural commodities.

Mr. DUNKELBERGER. Those are commodities that are not canned or processed, and we do not have any stake in them one way or the other, sir.

The CHAIRMAN. Do you not feel that there is a relationship between the basic agricultural commodities and the production of your special crops that you can?

Mr. DUNKELBERGER. Certainly a farmer must evaluate his own situation and what he wants to devote his acreage to, and part of that decision is whether he will grow basic commodities, which may or may not be supported, or grow canning crops, which are not supported in any way. Our feeling is that so far, at least, growers have been willing to devote sufficient acreage to canning crops, in spite of or because of the programs on the basic commodities, to meet our demands. So, we have not felt it necessary to become involved in taking a position on legislation affecting the basic commodities. Of course, at such time that legislation on those commodities had a very strong spillover effect, I think we would have to address ourselves to them, certainly.

The CHAIRMAN. Now, you suggested that the present contract system between canners and the producers was mutually beneficial to all of them. I am not prepared to dispute that, nor do I want to dispute it. I think it probably is beneficial to growers, but that leaves it entirely within your power, or the power of your members, to determine where crops can be grown and to eliminate the possibility of profitably growing crops in other areas.

Mr. DUNKELBERGER. Well, we do not believe so. We think that our industry, Mr. Chairman, is always looking for extension of growing areas. Indeed, one of the arguments we presented some years ago to this committee was that asparagus for canning, for example, used to be grown almost exclusively in California. California experimented for some years with marketing order controls of its own on asparagus, which had the effect, we believe, of encouraging asparagus production elsewhere. The canning industry was delighted to move to those areas where asparagus could be grown satisfactorily and profitably. So, we feel the canning industry is, on the contrary, not responsible for any localization of growing of canning crops, and is always looking for new areas. I know that some companies have moved to North Carolina and Mississippi in recent years to spread the growing of canning crops to those areas.

The CHAIRMAN. Did they move for the purpose of spreading the crops or the purpose of getting cheaper labor?

Mr. DUNKELBERGER. I do not believe it was for getting cheaper labor. I believe it was for the purpose of finding areas where these commodities can be grown.

Now, of course, any commercial decision has to be made, in the light of all the costs that could go into the operation.

The CHAIRMAN. I am not finding fault with either. I think you are correct in saying that you have to take every cost into consideration.

But I have not understood how this present system encourages production in new regions, in regions that are not now producing these specialty crops.

Mr. DUNKELBERGER. Well, Mr. Chairman, you cannot profitably have canning crops grown unless you have canning plants in close vicinity.

The CHAIRMAN. That is right.

Mr. DUNKELBERGER. So, no matter what system of procurement you have, until some businessman, some farmer or grower or anyone with sufficient capital, decides to go into canning in that area, you are not going to have any canning crops grown, and we must admit that the growing of canning crops is tied to the availability of markets for the canning crops. But once a plant does go up in an area for any number of reasons—maybe labor is a factor, certainly weather is, and the adaptability of crops to that area—but when a plant does go up, then the market is created, and if a grower decides that he wants to try growing some tomatoes or carrots or beets, he can approach the canner or vice versa and say what kind of a deal you are willing to make with me. If he likes what the canner offers him, he then commits his acreage to the vegetable. He does not have to commit the acreage to that vegetable until he has a contract with the canner.

The CHAIRMAN. But it is sort of like the chicken and the egg, is it not? Which comes first?

Mr. DUNKELBERGER. Certainly, you could not have a canning plant in the middle of an area where there is nothing; that is correct. It is a problem of developing both at the same time; developing the interest of the growers in the area in growing canning crops and at the same time during the transition having outlets for those canning crops.

The CHAIRMAN. I wonder if you have any idea, any information, as to the relative amount that the canner and the producer get out of crops. Let us take a crop like corn. What do you pay for that corn and what do you get for it?

Mr. DUNKELBERGER. The National Canners Association a few years ago did undertake a study in a number of their canning areas to determine what ways the canner spent his money—where that money went to and what proportion of the money, of his costs, went to the various areas.

As a generalization, I think we found that roughly a third, or in some instances more, of the canner's costs went to the grower and, of course, he had extensive labor expenditures which I think were roughly a quarter, and then he had packaging supplies, administrative and selling costs.

If you would look at a retail price of a can of corn and ask exactly how much of that goes to each, I am not sure that we have got that study. If we do, I will be happy to supply those figures to the committee.

The CHAIRMAN. Well——

Mr. DUNKELBERGER. We do know this. Our industry has not been

one that has been characterized by outstanding profits in recent years, and this year particularly is one in which if there are hidden middlemen's profits, they certainly are not in the pockets of the canners.

The CHAIRMAN. I think we ought to follow it through and find out really where the money does go. I do not know. Let us say, what will a can of corn cost now? No. 1 can of corn would cost about, what, roughly 25 cents?

Mr. DUNKELBERGER. About 25 cents.

The CHAIRMAN. Now, I take it that the farmer probably did not get more than 2 cents for that corn, did he? He probably did not get that much.

Mr. DUNKELBERGER. I have seen Department of Agriculture figures on this but I just do not have them in mind, Mr. Chairman. I am sorry. Of course, as you realize, that is a retail price.

The CHAIRMAN. I realize that.

Mr. DUNKELBERGER. That reflects the transportation——

The CHAIRMAN. I am trying to say, where did the rest of it go? I understand that it did not all go to the canner by any manner of means, but I would like to see where it did go. I wonder if you could not produce for us within the next day or two an outline of what the farmer gets for the corn, on the average, over the country. I know that there is a variation. How much transportation costs are there in it, and what does the canner then get for it, and what do you sell it for, and what does the jobber sell it for and what does the wholesaler sell it for and what does the retailer sell it for.

Mr. DUNKELBERGER. We will do our best, Mr. Chairman, to get that.

The CHAIRMAN. I would appreciate it if you can.

Thank you very much.

(Mr. Dunkelberger submitted the following information:)

SEPTEMBER 12, 1969.

Hon. W. R. POAGE,
Chairman, Committee on Agriculture,
House of Representatives, Washington, D.C.

DEAR MR. POAGE: During the course of my testimony on behalf of the National Canners Association on Wednesday morning (September 10) before your Committee on the General Farm Program you raised a question concerning the distribution of the retail selling price of canned foods among the farmer, processor, distributor and others, and asked whether we might supply some information in this regard for the record.

Enclosed is a copy of Table 22 from Technical Study No. 9 of the National Commission on Food Marketing, entitled "Cost Components of Farm-Retail Price Spreads for Foods." This table is based on a hypothetical market basket of processed foods and vegetables sold at retail in 1964 for $100, and indicates the prices received by the farmer, by the processor, by the distributor and on the retail shelf. It also breaks down the margins of those involved.

You will note that although the processor's margin amounts to almost $45, the processor's costs leave only an 88 cent profit for the processor from the $100 retail sale.

I hope this satisfactorily answers your question.

Sincerely,

EDWARD DUNKELBERGER.

A MARKET BASKET OF PROCESSED FRUITS AND VEGETABLES: PRICES, COSTS, AND MARGINS, 1964

Prices	Functions	Prices	Margins	Components of margins							
				Labor and fringes	Containers and supplies	Buildings and equipment [1]	Advertising and promotion	Cartage and vehicles	Other transportation	Other expenses	Profits before income taxes
Retail		$100.00									
	Retailing		$20.79	$8.21	$0.50	$3.48	$2.40			$4.10	$2.10
Into-store		79.21									
	Wholesaling		10.21	4.81		.33	1.99			2.36	.72
	Intercity transportation		3.92						$3.92		
F.o.b. plant		65.08									
	Processing, storage, assembly		44.24	10.75	13.27	1.46	2.08			15.80	.88
Farm value		20.84									
Total			79.16	23.77	13.77	5.27	6.47		3.92	22.26	3.70

[1] Depreciation, maintenance, rent, utilities.

The CHAIRMAN. Thank you very much.

Mr. Teague?

Mr. TEAGUE. Yes. Mr. Dunkelberger, I am sorry I was late but I had a meeting with another committee where we had a vote.

You may have discussed it in your statement but I heard only the last few paragraphs. If you did not say anything in your statement, do you now have any comments on the general subject of farmer bargaining associations or organizations?

Mr. DUNKELBERGER. Yes, Mr. Teague. We did in general. As indicated to the chairman, we thought we would take this occasion today to present our basic position on agricultural legislation. We did not direct our comments to any particular bill. We have indicated in the area of bargaining that we support the current status quo in bargaining; that is, the right of the grower under the Capper Volstead Act to establish bargaining associations and to sell his crop collectively.

We supported S. 109 as enacted along with other farm interests. We certainly deplore any interference with and discrimination against members or nonmembers of the bargaining associations. Our feeling is that right now you have got a pretty good balance. The growers in an area can eestablish as much as 100 percent bargaining power for any commodity if the growers want it. On the other hand, if they do not want it, we believe that should be a decision for the growers to make.

So generally, in the area of bargaining we feel that there is right now, with the passage of S. 109 only a year or so ago, a pretty good legislative framework for the operation of bargaining in a true commercial context, and we do not believe there is any need for the Government to become involved directly in the bargaining itself. I have stated our position as best I can.

Mr. TEAGUE. Thank you very much.

The CHAIRMAN. Mr. de la Garza?

Mr. DE LA GARZA. No questions.

The CHAIRMAN. Mr. Montgomery?

Mr. MONTGOMERY. Thank you, Mr. Chairman.

Along the same lines that Mr. Teague was asking our witness on bargaining power, are you familiar with the bill that goes several steps further pertaining to S. 109, the bill that has been introduced by Mrs. May; she is sponsoring the bill for the U.S. Farm Bureau, pertaining to bargaining powers?

Mr. DUNKELBERGER. H.R. 9950? I think that is the bill.

Mr. MONTGOMERY. Yes. That is it.

Mr. DUNKELBERGER. Yes. We have certainly seen that bill and looked at it; yes, Mr. Montgomery.

Mr. MONTGOMERY. Do you have any comments or opinions on the bill? I am searching for information.

Mr. DUNKELBERGER. I realize that. As you well know, of course, better than I, there are all kinds of proposals going in all the time, and the National Canners Association does not necessarily develop a position on each one of them. As far as I know, we have no public position on H.R. 9950, but I think I can state that all you would have to do would be to look at that bill as against our position on S. 109 and see that there are some conflicts.

For example, on S. 109 we strongly urged the importance of having the right of the processor to decide with whom he will deal, and we also thought it was important, of course, for the grower to decide with whom he will deal. And one of the important rights that is retained and protected in S. 109 is the right of the processor or handler to deal with a bargaining association or not, in his own judgment.

As I understand that legislation—H.R. 9950—it would turn that around and it would force a processor or handler to bargain with a bargaining association representative, and I believe that our association would be opposed to that radical change in S. 109.

Mr. MONTGOMERY. Thank you. One other question. Pertaining to small canners, and I am again seeking information, say an association or individual goes into the canning processing business. Is it not the history of canning, that he is going to have a hard time unless he has got a market of a large brandname that he can sell his produce to, that he is going to have a hard time making it? Is that the history of canning?

Mr. DUNKELBERGER. It certainly is. You will find that over the years the number of canners has been drastically dwindling. In Virginia alone, I think there used to be well over 100 canners and now it is below 50. The small canner has had the problems of all small businessmen, of available capital, of know-how, and ability to find a market.

The Federal Trade Commission a few years ago did a study of the marketing of canned foods, and it pointed out, somewhat paradoxically in this record, that the small canner, the medium and small-sized canner who sold primarily to private label, had a profit in the area of a half a percent or 1 percent. Those canners, medium and small-sized canners, who had been able to maintain their own brands and primarily sold their own brands were, although not a raging financial success, at least were a good deal more successful. But the fact is, of course, that the small canner has a hard time maintaining his brand in competition because advertising is expensive, promotion is expensive, and he has got to be able to incorporate efficiencies that are available to other enterprises.

So, most smaller canners have been unsuccessful in maintaining their brands for major sales and have had to go the private label route. I think you are probably right. Unless they have been able to make such an arrangement with a buyer, they have not been able to make a go of it, but the trouble is once they do go the private label route, frequently they find their profits are very low if they exist at all.

Mr. MONTGOMERY. That is all I have, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Montgomery.

Mr. Melcher.?

Mr. MELCHER. No questions, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Dunkelberger. We appreciate your appearance here and your expression.

Mr. DUNKELBERGER. Thank you very much

Mr. TEAGUE. Before we call the next witness, may I make a brief statement for the record? The fact that we have such a sparse attendance on the Republican side this morning is because there is a Republican conference in process right now on the very important subject which is before us this week on the House floor of electoral college reform.

The CHAIRMAN. Thank you.

The next witness will be Mr. Linwood Tipton, Milk Industry Foundation.

Mr. Tipton, we will be glad to hear from you.

STATEMENT OF LINWOOD TIPTON, ECONOMIST, ON BEHALF OF THE MILK INDUSTRY FOUNDATION

Mr. TIPTON. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, my name is E. Linwood Tipton. I am appearing on behalf of the Milk Industry Foundation which is a trade association representing fluid milk processors throughout the United States as well as several foreign countries.

We are pleased to have this opportunity to express our views with respect to certain legislation which may be considered by this committee and the Congress. My remarks today, however, will be confined to the subject of class I base plans under Federal Milk Marketing Orders.

Various bills providing for class 1 base plans have been before the Congress during every session since the early 1960's. The Congress in its wisdom saw fit to enact such a plan as title I of the "Food and Agriculture Act of 1965." However, since that time numerous amendments have been proposed and since the authority for base plans will expire on December 31, 1970 we are confident this committee will be requested to include such amendments in any general farm bill which may result from these hearings. Therefore, we propose certain suggestions with respect to the provisions for class I base plans.

The foundation has not opposed class I based plan legislation per se. However, it has consistently opposed provisions which can be construed to permit substantial restrictions or barriers to milk movements between markets and to the entry of new producers or which artificially enhance the value of bases. It is these aspects with which we are most concerned.

Barriers against new producers and orderly movement of milk.

From past experience we know certain groups of producers and/or handlers may find it in their interest to erect barriers to the entry of either bulk or packaged milk from other sources, as well as new producers. The consequences of such barriers can be devastating not only to those producers or handlers who are outside the barrier but also to consumers who must ultimately stand the brunt of unnecessary higher prices.

Most of the bills which have been considered by this committee are believed by many to authorize substantial restrictions to the entry of new producers and to bulk or packaged milk from other markets.

Recently class 1 base plan bills under consideration have provided that new producers may either purchases bases or obtain them on an equitable basis with old producers. However, what constitutes an equitable basis is never defined.

Thus, some argue that a new producer who does not wish to purchase a base from another producer could be compelled to deliver milk over some long period of time while receiving less than the base price. Since the alternative to purchasing a base could be very costly, depending on the length of time such a new producer would have to

deliver milk while receiving less than the base price, producers with bases could demand premium prices for their bases.

None of the bills specifically authorized any new restrictions on the movement of either bulk or packaged milk between markets. However, some consider such authority to be inherent. This interpretation derives from the new producer provisions. They rationalize that if authority is granted for order provisions which would require a dairy farmer to obtain a base by either purchasing it or producing milk over an unspecified, possibly long, period of time at less than the base price which would accrue to other producers, it carried with it an implication that restrictions may be imposed on the movement of bulk or packaged milk between orders. They argue that it is inconsistent to permit the imposition of highly restrictive provisions on the entry of new producers, but permit milk in bulk or packaged form to move freely between orders. Of course, this interpretation is contrary to the clear meaning of sections 8c(b)(G) and (D) of the act.

Artificial enhancement of base values.

It should be pointed out that class I base plans, which require a producer to either earn his base by producing milk for some period of time while receiving less than the base price or by purchase of the right to a base from another producer, permit and encourage capitalization of bases—that is bases becoming valuable assets.

Generally speaking, the more restrictive the provisions are to the entry of new producers, the greater will be the value of bases. This, of course, adds to the producers' incentive to make entry provisions more restrictive.

It must also be recognized that after a base has value or becomes a capitalized asset, it automatically has the effect of increasing the cost of production. For example, a base which has a $20,000 capitalized value would increase the cost of production by $2,000 annually at a 10 percent interest rate.

While the value of the base becomes a windfall capital gain to the initial producer who receives it, it becomes a cost of production applicable to all future producers just as much as the cost of cows, a barn, or equipment becomes a cost of production. Increased costs of this magnitude must either result in lower net returns to producers or higher prices to processors and consumers.

In order to prevent artificially inflated values of bases, we believe new producers should be able to receive bases by administrative action without long delays and bulk and packaged milk should be permitted to move on an orderly basis between markets. The 1970 expiration date of the authority for base plans contained in the present law has acted as a restraint on the value of bases. However, if this restraining influence is removed by making the authority for base plans permanent, base values may become exorbitant.

We would like to invite the committee's attention to certain other facts which we believe are relevant to class I base plans also.

There are currently 67 Federal milk marketing orders in the United States regulating about 74 percent of the fluid milk sold in the United States. In each of these orders the Secretary of Agriculture is required by statute to fix such prices as he finds will reflect certain enumerated economic factors, "insure a sufficient quantity of pure and wholesome milk and be in the public interest."

Thus, although the prices to be set by the Secretary are minimum prices, it is quite clear that they are required to be the prices that will most accurately reflect market supply and demand conditions and the public interest. There have been instances when producers' requests for price increases have been rejected by the Secretary on the ground that the requested prices would be too high, because they would result in surpluses and in unduly high prices to consumers. In setting prices, the Secretary must strike a careful balance between prices too high or too low, to further the "public interest."

Notwithstanding, the Secretary of Agriculture having fixed such prices, the producers have demanded and received from processors substantially higher prices in many of these markets. These premiums range from a few cents in some markets to as high as $1.22 per hundredweight. These premiums are estimated to total about $60 million annually.

Since the statute requires the Secretary to establish a proper price which will bring forth an adequate supply of milk and be in the public interest, and since premiums over and above that price are being demanded in many markets, and since the major purpose of class 1 base plans is to reduce surplus milk marketings, there is an obvious conflict.

Rhetorically, we ask: How can it be in the public interest for the Secretary to set a price designed to provide an adequate supply of milk and simultaneously initiate a class I base plan designed to reduce that supply? The answer is complicated even further in view of the demanded premium prices which even exceed those established by the Secretary of Agriculture.

Recommendations. Mr. Chairman, when the Agricultural Marketing Agreement Act of 1937 was originally enacted, it very clearly specified the only restrictions and limitations which were authorized on the movement of milk. Since many suggested class I base plans propose restrictions on the movement of milk and the entry of new producers, we urge the committee to include in any bill provisions specifically reaffirming section 8c(5)(G), and stating that the adoption of a base plan in no way justifies any greater limitations on the free movement of milk and milk products than exist in the absence of such a plan.

Additionally, we believe any class I base plan bill should make provisions for new producers to share equally in class 1 proceeds following a reasonable period of having delivered milk to a market. The waiting period should not exceed the time specified in section 8c(5)(D); thereafter new producers should receive prices equal to those paid producers who were initially allocated bases. Section 8c(5)(D) provides authority for the payment of the lowest use classification price to new producers for 2 full calendar months next following the first calendar month in which a producer begins delivery under the order.

These actions would reaffirm the position taken by the Congress when it originally inserted sections 8c(5)(G) and (D) in the Agricultural Marketing Agreement Act. The two taken together would clearly mean that whatever restrictions to the entry of new producers were specifically authorized, they would not exceed the time limitation specifically set forth and authorized by section 8c(5)(D) and orders

with base plans would not be permited any greater limitations on the movement of milk between markets than those without base plans.

Amendments to accomplish these proposals were forwarded to the committee chairman and the members of the committee in correspondence dated June 23, 1969. We respectfully request that this letter, which is attached to this statement, be made a part of the official record of this hearing.

(The letter referred to follows:)

MILK INDUSTRY FOUNDATION,
Washington, D.C., June 23, 1969.

Hon. W. R. POAGE,
House Agriculture Committee, Washington, D.C.

DEAR MR. POAGE: We respectfully request your support for amending H.R. 7996 to clarify its intent with respect to restrictions on milk movements and the entry of new producers.

The concern of the Milk Industry Foundations over these aspects of the bill is a matter of record. While the Committee recognized our concern to some extent in its report accompanying last year's bill we are convinced (and the Department witnesses in hearings before the Senate Committee last year confirmed our belief) that language in a committee report is not adequate and the bill should be amended to specify whatever limitations or restrictions are intended with respect to (1) the entry of new producers or (2) milk from other areas.

Your attention is respectfully invited to the statement made on behalf of the Milk Industry Foundation before the Dairy and Poultry subcommittee at its hearing on May 5, 1969 on H.R. 7996. The Foundation's statement is found beginning on Page 28 of the printed hearings.

The bill under consideration by the committee (H.R. 7996) in our view, should be amended if it is to be reported favorably by the committee in two respects:

1. The fixed policy of Congress of preventing milk orders from operating as economic trade barriers should be reaffirmed. This could be accomplished by amending the bill by adding a new subsection (d) as follows:

"(d) Section 8c(5)(G) is hereby fully reaffirmed in that the adoption of a base plan shall in no way justify any greater limitations on the free movement of milk and milk products than exist in the absence of such a plan."

2. The bill should also make provisions for new producers to share equally in the Class I proceeds after a reasonable period of delivery of milk into the market. Therefore, it is respectfully suggested that Section 8c(5)(D) of the Agriculture Marketing Act of 1937 as amended, be further amended by changing the period to a semicolon at the end thereof and adding the following:

"Provided further, that in providing adjustments authorized under Clause (e) of 8c(5)(D) such producers shall receive for milk purchased by handlers prices equal to those paid producers who were initially allocated bases beginning with the first month immediately following the expiration of the period during which they may receive the prices of the lowest use classification as provided herein."

Without these amendments, orders with Class I Base Plans, might require a producer either (1) to earn a base by producing milk for a long protracted period time time while receiving less than the base price or (2) to purchase a base from another producer. This would result in artificially inflating the price of bases.

It must be recognized that, after a base has this enhanced value or becomes a capitalized asset, it automatically has the effect of increasing the cost of production. For example, a base which has a $20,000 capitalized value would increase the cost of production by $2,000 annually at a ten percent interest rate.

While the value of the base becomes a windfall capital gain to the initial producer who receives it, it becomes a cost of production applicable to all future producers just as much as the cost of cows, a barn, or equipment becomes a cost of production. Increased costs of this magnitude must either result in lower net returns to producers or higher prices to processors and consumers.

For the above reasons, we respectfully solicit your support of the amendments suggested herein.

Sincerely,

ROBERT H. NORTH, *Executive Vice President.*

Mr. TIPTON. Thank you for your consideration and attention.

The CHAIRMAN. Thank you very much.

Mr. Melcher, do you have any questions?

Mr. MELCHER. Thank you, Mr. Chairman.

Mr. Tipton, you seem to imply by your questions on page 5 that if producers negotiate for a higher price per hundredweight than is set by the Secretary, you object to that?

Mr. TIPTON. As a Foundation we have not objected to that. Many of our members have as individual firms.

Mr. MELCHER. Well, what am I supposed to interpret from your testimony, then, in the two or three paragraphs at the end of page 4 and on page 5?

Mr. TIPTON. Well, what I am trying to point out is that there appears to be a very substantial conflict between the pricing criteria set forth in the act and the operation of a class I base plan. The pricing criteria in effect says it is the responsibility of the Secretary to set the price that will provide an adequate supply. After having determined what that price is, it then seems inconsistent that he should put in a program which will reduce the supply. The two are just inconsistent with each other. And we think that it is even a bigger problem when, after the Secretary has set the price which he says will bring forth an adequate supply, and producers have demanded prices higher than that yet, to then impose a class I base plan which is designed to reduce the production.

In other words, you have increased the price higher than that necessary to get an adequate supply and then artificially reduced the supply by proposing a base plan, and the two seem inconsistent.

Mr. MELCHER. Well, after the price has been established by the Secretary, do you think the Secretary should review his price in this light; there must have been a need for a higher price or the producers would not have negotiated a higher price. What is your position?

Mr. TIPTON. Well, the Secretary has available to him two or three alternatives, one of which would be to suspend the order when there are prices that are demanding—that are higher than that he determines to be necessary. He has not done that, to my knowledge, in any of the orders.

Another alternative would be for him to call a hearing and review the price level which he has established to determine whether it is adequate or whether it should be set at some other level. He has done that on occasion and on occasion has still set the price at that less than which the cooperatives are demanding. Again, it would bring me back that he maybe should suspend the order in such a situation but he has not chosen to do that.

Mr. MELCHER. Well, in general, do you feel that where this has happened, that it has been harmful for the free movement of milk, or for the consumers in general?

Mr. TIPTON. No. I do not think this has been harmful to the free movement of milk. The major point that I am trying to set forth here is that—is this very obvious conflict to me, and that is that when you are—well, let me say it this way. If we did not in those orders which we do not have a base plan in effect now and if the producers negotiate higher prices and if that does bring forth additional supplies of milk,

then the effect is going to be to reduce the prices to the producers ultimately because they are going to water down or reduce their price.

More will be sold at the surplus price than the class I price and the effect will be to reduce their returns.

However, if we then provide authority to impose a class 1 base plan, then the returns to the producers would not be reduced in this way. In other words, the fact that you would give him the authority to establish higher prices and then give him authority to restrict the amount of milk that will be produced at those higher prices is entirely an artificial situation, create an artificial situation.

Mr. MELCHER. Thank you, Mr. Tipton.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Teague?

Mr. Abernethy?

I would like to ask you, Mr. Tipton, first to make real clear what you really consider the law to be. On page 3 you refer to the clear meaning of sections 8c(5)(G) and (D), and you interpret that to mean that you could not, as long as that remains in the law, prevent the movement of fluid or packaged milk from one order area into another. That is you interpretation; is it not?

Mr. TIPTON. Yes, sir.

The CHAIRMAN. And you consider that is the law?

Mr. TIPTON. Yes, sir.

The CHAIRMAN. Then, you do not consider that the passage of the bills, any that you have referred to, would actually result in the situation that you describe on page 2 and page 3 of actually authorizing the movement from one marketing order area to another; do you?

Mr. TIPTON. Yes. Let me try to clarify that a little further. Section 8c(5)(G) has been the subject of court litigation on several occasions, the most famous of which is the decision reached in the Supreme Court in the *Lehigh* case. And during that decision, there was a substantial amount of discussion as to the meaning of 8c(5)(G). Section 8c(5)(G) seems to treat milk differently than it does the products of milk and in 8c(5)(G) there seems to be, and the Supreme Court in the *Lehigh* case ruled accordingly, that the Secretary seemed to have authority to impose whatever restrictions he deemed were necessary in order to carry out the intended purpose of the law. That is with respect to milk.

Now, then, we are very much concerned that if the Congress authorizes or leaves unspecified the amount of time in which a producer can be required to deliver milk at less than the full base price, it might be interpreted by the Secretary and by the courts that the Congress intended to authorize restrictions which would require producers to produce for some long period of time before he got his full base.

Now, in the case of two orders, two markets, which have considered class 1 base plans, under the current law the producers initially requested that a new producer be required to deliver milk for almost 5 years, 55 months in one case and I think 48 in another, prior to being given a full base, and this is what we are concerned with.

The CHAIRMAN. Well, now, that is not what I am talking about, though. I did not make myself plain.

Mr. TIPTON. I am sorry.

The CHAIRMAN. I am talking about the movement of bulk or packaged milk from one market order area into another and I understand your statement to be that clearly these sections referred to authorize that movement.

Mr. TIPTON. Yes, sir.

The CHAIRMAN. And that in the absence of specific change of these sections 8c(5) (G) and (D), that that movement is still authorized by law.

Mr. TIPTON. Yes. I think that is right. But again, I raise the possible question which might come——

The CHAIRMAN. I am not bothered by the possible question. I am bothered by your interpretation of the law as it stands today. Do you interpret the law as it stands to mean that there can be a movement and that the market order cannot prohibit a movement from one market order to another?

Mr. TIPTON. Yes, sir. I am informed by——

The CHAIRMAN. And until these sections are repealed or modified, that will remain in the law.

Mr. TIPTON. Yes. But I would like, if I may, sir, to add a couple of of comments. Section 8c(5) (G) in our understanding of it, does preclude any provisions in the orders to prohibit the marketing of milk. However, it does provide that the Secretary can impose some limitations on the marketing of milk and as this has been further interpreted by the Supreme Court in the *Lehigh* case and as is now being administered by the Department of Agriculture, the Secretary is imposing limitations on the marketing of milk to the extent that he deems they are necessary to carry out the intent and purpose of the act.

The CHAIRMAN. To eqalize the transportation costs there.

Mr. TIPTON. That is part of it but he has also—there are also—to equalize the returns to producers. In other words, you cannot move milk from Wisconsin to Texas and even if you paid the same price, have it all used in class 1 uses in Texas. There are some down allocations or the producers in Wisconsin are required to take some manufacturing value for it.

The CHAIRMAN. And that which can be sold for class I uses must either sell at the class 1 price or the processor must pay into the pool the difference.

Mr. TIPTON. Yes, sir. But now, then, we are concerned that if this same bulk milk were to move and if the order had in it a class I base plan that in effect provided that no new producers could come into the market for some long period of time, it would also—it might be interpreted that it would be necessary to prevent bulk milk to come into the market on any more favorable terms than new producers could come in and if the Secretary were to determine that that kind of a provision was necessary in order to effectuate the purposes of the class 1 base plan, then we are fearful that some restrictions——

The CHAIRMAN. Do you think that is a correct interpretation?

Mr. TIPTON. No. But I think it may be one that is advanced.

The CHAIRMAN. I want your opinion. You said it might be advanced and I realize I could say the world is square but I will not try to do so.

Mr. TIPTON. I might just add it has been advanced.

The CHAIRMAN. Well, there are those who have argued that the world is flat, too.

Mr. TIPTON. Yes, but in the last year officials of the Department of Agriculture advanced that position also.

The CHAIRMAN. But you think that is wrong.

Mr. TIPTON. Yes, sir.

The CHAIRMAN. All right. Now, one other thing I want to ask. I asked Mr. Dunkelberger a while ago, I now would ask you, Can you procure for us, and if you have it, put it in the record right now, or send it up here tomorrow, information as to the average price of fluid milk sold for class 1 purposes over the United States.

Now, I know it is not all sold as class 1 milk because there is only about 75 percent of the milk of the United States that moves in these marketing orders, but can you give us the average price, retail price of milk in the United States, both in the marketing order areas and outside of the marketing order areas?

I understand about three-fourths of it is in market order areas and about one-fourth outside. Now, will you give us the average retail price, both in and out of the market order areas.

Mr. TIPTON. Yes, sir.

The CHAIRMAN. Then, will you give us the average price that the processors pay to the producer, both inside and outside the marketing order areas?

Mr. ABERNETHY. Will the Chairman yield?

The CHAIRMAN. Yes.

Mr. ABERNETHY. I wonder if the witness could give us some opinion at this moment as to the relationship between the prices in the marketing order areas and outside.

Mr. TIPTON. The prices to dairy farmers?

Mr. ABERNETHY. Yes. And in marketing order areas and in areas that are not in marketing order areas. What is the relationship between the prices?

Mr. TIPTON. They are very closely related.

Mr. ABERNETHY. Well, are they about the same?

Mr. TIPTON. Yes, sir.

Mr. ABERNETHY. Mr. Chairman, that leads me to one other question. First, let me assure you that I am not against programs for dairying or for any other commodity. I favor them, and for the 25 years I have been on this committee, I have supported many of them. Maybe a few I have not.

I cannot say that I fully understand the very complicated mechanics of all the dairy programs. I have a feeling, though, that they are so complicated; that such has contributed to the reduction of the consumption of milk in the United States and in the long run has mitigated against the producers.

Now, what is your opinion about it?

Mr. TIPTON. I share with you the fact that it is a very complicated regulatory program and we have been working diligently not only with respect to the pricing area but to the sanitation, duplication of inspections and numerous other things.

Mr. ABERNETHY. Consumption is going down; is it not? Per capita consumption.

Mr. TIPTON. Per capita consumption has gone down slightly, of milk.

Mr. ABERNETHY. The production has gone down; has it not?

Mr. TIPTON. Yes, sir.

Mr. ABERNETHY. Gross annual production is less today than it was 5 years ago?

Mr. TIPTON. Yes, sir.

Mr. ABERNETHY. Although we have more people.

Mr. TIPTON. Yes, sir.

Mr. ABERNETHY. What is causing this? Are any of these programs contributing to it or not?

Mr. TIPTON. It is obviously a very complicated answer to what is causing a reduction in our supplies of milk and also what is causing reduction in our consumption. I think that—well, let me say we think we are very much overregulated and that it has, in fact, contributed to a difficult marketing situation. We are overregulated to the extent that it has created difficulties in new product development, research, and the development of new dairy products for sale. To the extent that that has caused a reduction in the consumption, then I think it is attributable to the regulations that are imposed on the industry.

Mr. ABERNETHY. Is the Milk Industry Foundation an organization that represents—do you represent any producers of milk, genuine dairymen, people who own and operate dairy farms?

Mr. TIPTON. No. Our membership consists of those firms who are in the processing business. Now, this does include, however, a considerable number of cooperatives who represent dairy farmers who are also in the processing business.

Mr. ABERNETHY. Then, I really do not think my question should have been put to you. I think it should be put to the producers.

Thank you, Mr. Chairman.

The CHAIRMAN. May I go back to my question? I think the gentleman has put on the record his opinion. I am enticed to put my own on before I get back to the question of the statistics that I would like to have you present.

The gentleman from Mississippi says he feels this program has hurt rather than——

Mr. ABERNETHY. No. I said I am afraid.

The CHAIRMAN. All right. Afraid that it has hurt rather than helped the dairy farmers. As one who stayed in the dairy business for 11 years I would say that I could not stay in it, either, without the program. Dairying is a rough business, even with the best of programs, and without any, I think that instead of producing the 115 billion pounds of milk, we would not be producing 15 billion pounds of milk today.

It is perfectly true that there are areas in the United States without milk marketing orders that are able to operate because of the orders in the surrounding areas. For many years the city of Houston had no milk marketing order, and I think that we in our area sold half of our milk to Houston. It was because Houston had not limit on the amount of fluid milk that you could sell. The question was whether you would sell more milk at a lower price or stay in the marketing order in central

Texas and sell less at a reasonable price and have milk in effect, a surplus. But when you have a large consuming area surrounded by milk marketing orders, it sometimes becomes desirable for them to operate without an order and that is, of course, what forced Houston to do it. What I was asking you, will you furnish us with information as to the cost of—as to the cost of milk to the consumer in and out of the milk marketing areas. That is, the retail price of milk in and out of milk marketing areas, and the price received by the producer in and out of milk marketing areas. You can get that information for us today, can you not?

Mr. TIPTON. We do not collect this kind of information as an association, so we will have to rely upon those sources which are published mainly by the Government, but we will make an effort to accumulate it.

The CHAIRMAN. If you do the best you can and get that for us I would like to have it with your testimony.

Mr. TIPTON. Yes, sir.

(Mr. Tipton submitted the following letter and information attached:)

MILK INDUSTRY FOUNDATION,
Washington, D.C., September 24, 1969.

Congressman W. R. POAGE,
Chairman, Committee on Agriculture,
U.S. House of Representatives, Washington, D.C.

DEAR CONGRESSMAN POAGE: Following my appearance before the House Agriculture Committee last week you requested producer Class I and retail milk prices in Federal and non-Federal Milk Marketing Order areas. That information for selected markets is shown for August, 1969, in the attached table.

Data for the entire United States is published monthly by the U.S. Department of Agriculture in the Fluid Milk and Cream Report.

You can note from the prices shown in Table 1 that handlers in seven of the ten markets under Federal Orders are paying prices over and above those established by the Secretary as being necessary to provide an adequate supply of milk. These prices are demanded by the cooperatives operating in those markets.

About 60 million dollars in premiums are being paid producers under Federal Milk Marketing Orders annually. These payments raise at least two very specific public policy questions which are related to Class I base plan legislation.

First, since the price established by the Secretary of Agriculture is required by law to be *the* price which will provide an adequate supply of milk and be in the public interest, it is questionable how a higher price which is aided and undergirded by the Federal order is also in the public interest. This question, as we pointed out in our statement, is highly pertinent to Class I base plan legislation because the effect of higher prices is to increase production, whereas the purpose of base plans is to reduce production. These two are inconsistent.

The second public policy question regarding premiums evolves from the fact that often only a small proportion of the premium money is actually returned to producers.

In the case of Federal orders, handlers are assured that money paid for milk is actually returned to the dairy farmers who produce the milk, unless they have specifically authorized it to be retained by the cooperative. No such requirements apply to premium payments. If Class I base plans permit restrictions to the entry of milk from other sources, premiums might be further enhanced without direct benefit to producers.

Mr. Chairman, we believe your committee should carefully explore the inconsistencies between a Class I base plan, which has the purpose of reducing milk marketings, and the use of Federal Orders to assist in the collection of premium prices which have the purpose of increasing milk supplies.

Sincerely yours,

E. LINWOOD TIPTON, *Administrative Assistant.*

AUGUST 1969

	Class I price	Premium	Prevailing price	Price paid by consumers for whole milk paper half gallon	Midpoint of the range of prices paid by consumer converted to cwt.	Gross marketing margin (difference between col 1 and 5)
Federal order markets:						
Boston, Mass	$7.31	----------	$7.31	$50–55	$12.21	$4.90
New York, N.Y	7.34	----------	7.34	51–59	12.79	5.45
Columbus, Ohio	6.14	$0.36	6.50	51	11.86	5.72
Chicago, Ill	5.61	.18	5.79	60–64	14.42	7.81
Detroit, Mich	6.01	.61	6.62	53–55	12.56	6.05
St. Louis, Mo	6.01	.18	6.19	53–55	12.56	6.05
Chattanooga, Tenn	6.74	.31	7.05	49–55	12.09	5.35
Corpus Christi, Tex	7.39	.50	7.89	49–66	13.37	5.48
San Antonio, Tex	7.15	.50	7.65	45–53	11.39	3.74
Houston, Tex	7.09	.50	7.59	63	14.67	7.58
Denver, Colo	6.57	----------	6.57	41–52	10.58	4.01
State milk control areas:						
Norfolk-Portsmouth, Va			7.00	58	13.49	6.49
Charlotte, N.C			7.40	63–65	14.88	7.48
Charleston, S.C			6.90	58–59	13.60	6.70
Birmingham, Ala			6.93	57–60	13.60	6.67
Gulfport-Biloxi, Miss			7.00	62	14.42	7.54
Butte, Mont			6.15	59	13.72	7.67
Cheyenne, Wyo			6.47	58	13.49	7.02
Reno, Nev			6.00	57	13.24	7.24
Los Angeles, Calif			6.00	50	11.63	5.63
San Francisco, Calif			6.00	51	11.89	5.86

Source: Fluid milk and cream report, Statistical Reporting Service, U.S. Department of Agriculture.

The CHAIRMAN. Is there anyone else who wants to ask a question? If not, we are very much obliged to you. We appreciate the opportunity to hear these witnesses today and thank the members who were able to be present.

Mr. TIPTON. Thank you, sir.

The CHAIRMAN. Tomorrow we will meet at 10 o'clock to continue this discussion.

(Whereupon, at 11:05 a.m., the hearing was recessed, to reconvene at 10 a.m., Thursday, September 11, 1969.)

GENERAL FARM PROGRAM AND FOOD STAMP PROGRAM

THURSDAY, SEPTEMBER 11, 1969

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to recess, at 10 a.m., in room 1301, Longworth House Office Building, the Honorable W. R. Poage (chairman) presiding.

Present: Representatives Poage, McMillan, Abernethy, Stubblefield, Purcell, O'Neal, de la Garza, Vigorito, Montgomery, Alexander, Burlison, Rarick, Jones, Melcher, Belcher, Teague, May, Wampler, Goodling, Miller, Mayne, Zwach, Kleppe, Sebelius, and Mizell.

Also present: Christine S. Gallagher, chief clerk; William C. Black, general counsel; Hyde H. Murray, associate counsel; and L. T. Easley, staff consultant.

The CHAIRMAN. The committee will please come to order.

We are meeting for further consideration of farm and food stamp legislation. We have as our first witness this morning Mr. Patrick B. Healy, who is the executive secretary of the National Milk Producers Federation, which I think we all know. We are delighted to have you with us. Glad to hear from you.

STATEMENT OF PATRICK B. HEALY, EXECUTIVE SECRETARY, NATIONAL MILK PRODUCERS FEDERATION; ACCOMPANIED BY JUDSON P. MASON, DIRECTOR, ECONOMICS DIVISION, NATIONAL MILK PRODUCERS FEDERATION, WASHINGTON, D.C.

Mr. HEALY. Mr. Chairman, my name is Patrick B. Healy. I am secretary of the National Milk Producers Federation. I welcome the opportunity to appear before your distinguished committee on behalf of the federation.

In this testimony I am accompanied and assisted by Mr. Judson P. Mason, who is the dierctor of economics division in our National Milk Producers Federation.

The National Milk Producers Federation is a national farm commodity organization organized in 1916. It represents cooperative associations and their dairy farmer members throughout the United States. The cooperatives affiliated with the federation do business in all 50 States of the Nation.

Mr. Chairman, I want to express the deep appreciation of the Nation's dairymen for the initiative and leadership demonstrated by you

and your committee in introducing H.R. 12430, and for your efforts to get action on farm legislation in this session.

In consideration of farm legislation, we suggest, insofar as "dairy" is concerned, that the following items be included:

1. Amendment to the Agricultural Marketing Agreement Act of 1937, as amended, to extend and improve authority for class I base plans under Federal milk marketing orders.

2. Amendment to the Agricultural Marketing Agreement Act of 1937, as amended, to provide authority to use pool funds under a Federal milk marketing order for use in the establishment of research and development projects, advertising, sales promotion, educational and other programs designed to improve or promote the increased consumption of milk and its products; and,

3. Amend the Agricultural Act of 1949, as amended, by striking "butterfat" from the products subject to price support within the mandatory limits of 75 to 90 percent of parity without in any way, changing the price support program as applied to milk marketed by farmers.

In recent months, the National Milk Producers Federation has worked closely with other farm organizations in the development of an omnibus farm bill, which would:

(*a*) Reflect the interests of all major segments of agriculture;

(*b*) Merit the support of the major farm organizations; and

(*c*) Have a maximum chance of receiving congressional approval.

The dairy provisions of this farm bill will be the same as those which we are today recommending to this committee. Although this bill has not yet been introduced in Congress, hopefully it will be completed so that it can be considered by this committee prior to conclusion of the current hearings.

CLASS I BASE PLAN

Authority for use of class I base plans under Federal milk marketing orders was first included in the Food and Agriculture Act of 1965, as an amendment to the Agricultural Marketing Agreement Act of 1937, as amended. This authority was scheduled to terminate December 31, 1969, but this date was advanced to December 31, 1970, by act of Congress, October 11, 1968.

The class I base plan is a method of distributing money resulting from the sale of milk among dairy farmers supplying a market regulated by a Federal milk marketing order. The base plan is incorporated in a market only after public hearing and after receiving approval of dairy farmers voting in a referendum.

Since passage of the Food and Agriculture Act of 1965, a class I base plan has been incorporated in the Federal order regulating the handling of milk in the Puget Sound, Wash., marketing area. Dairy farmers supplying many other marketing areas are anxious to develop class I base plans, but are awaiting passage of the revised authority as contained in H.R. 7996, and similar bills, which were considered by the Dairy and Poultry Subcommittee. Gordon C. Laughlin, Seattle, Wash., appeared before the subcommittee as a federation witness on May 5, 1969. The subcommittee recommended it.

Experience with the class I base plan under the order regulating the handling of milk in the Puget Sound area demonstrates that the

theory of the legislation is sound, but that modifications are necessary if the plan is to operate under current conditions affecting the marketing of milk.

The 1965 amendment has been just too rigid. This has been demonstrated by experience in the Puget Sound area and led to the amendments provided by H.R. 7996.

Under the class I base plan, each farmer or producer, as the term is used in Federal milk marketing orders, supplying a market with milk is assigned a base, determined from his history of marketings during a previous period of time. This base is then adjusted to relate it to the fluid milk requirements of the market.

The purpose of the class I base plan is to enable farmers, within reasonable limits, to know the amount of milk that they can send to the market and receive a price closely related to the class I price, and to know that any milk marketed in excess of base will return the value of milk for manufacturing purposes. Under the class I base plan, the price of milk received by one farmer is not depressed as a result of deliveries of milk by another farmer, which are in excess of his base. Under the plan, however, any farmer can market as much or as little milk as he desires. He can adjust his milk marketings to fit his farming operation and to the requirements of the market for milk for fluid use.

The class I base plan is designed to prevent an artificial buildup of milk production for the sole purpose of obtaining a base of maximum size, which has been experienced in many markets when bases were reestablished each year during a representative period known in advance, and under which bases bore no relationship to the fluid milk requirements of the market.

The class I base plan is not designed to control or to reduce milk production; however, it would remove an artificial stimulus to market milk not needed for fluid use, and this may well tend to reduce deliveries of excess milk particularly in areas of the country where production costs are high.

The federation very carefully reviewed the Agricultural Marketing Agreement Act of 1937, including the 1965 amendment, and fully supports H.R. 7996. Under H.R. 7996, clause (d) reinstates authorization for seasonal base plans not adjusted to reflect the fluid milk requirements of a market. This type base plan is used in many markets under authority preceding the 1965 amendment and should continue to be available in areas where dairy farmers prefer this type of base plan.

Clause (d) also provides authority for seasonal adjustments in prices to dairy farmers, without affecting class I prices charged handlers, as a means of encouraging deliveries of milk during periods when milk normally is in short supply. It discourages unnecessary deliveries during periods when milk is in abundant supply. These price adjustments are now used in many markets and should be specifically authorized, rather than to rely on the general provisions of the act.

Clause (e) contains the provisions specifically providing for the adjustment of bases to reflect the requirements of the market for fluid milk. This is the class I base plan. This authority as contained in

H.R. 7996 is in many ways improved over the authority included in the authority included in the 1965 amendment. The improvements are as follows:

1. H.R. 7996 provides authority under which provisions may be developed on the basis of public hearings to determine methods under which new producers may obtain bases and thereafter participate in the market in the same manner as established producers. There was no such authority in the 1965 amendment.

Neither base holders nor new producers are pleased with the rigid terms of the 1965 amendment. H.R. 7996 includes two sentences covering treatment of new producers:

> Provision shall be made in the order for the allocation of bases under this clause (e) to new producers and for the alleviation of hardship and inequity among producers and prescribing terms and conditions under which new producers may obtain bases on an equitable basis with old producers. Producers holding bases so allocated or obtained shall thereafter participate pro rata in the market in the same manner as other producers.

2. H.R. 7996 would allow established producers to share equitably in the benefits of market growth. Under the 1965 amendment, all market growth is set aside for first allocation to new producers and for the alleviation of hardship before any can accrue to the benefit of established producers who had provided the funds for stimulating the increased sales.

The 1965 amendment provided that "any increase in class I base resulting from enlarging or increasing consumption and any producer class I base forfeited or surrendered shall first be made available to new producers and to the alleviation of hardship and inequity among producers." This has been interpreted to mean that all new sales in a market shall be set aside for new producers. Base holders who receive bases under the original allocation are precluded from sharing in market growth. On the other hand, producers who were not allocated bases initially are forever doomed to the status of new producers and may never receive payment for deliveries at the base price unless new sales are present in the market for any month.

3. H.R. 7996 provides authority under which bases may be updated from time to time rather than being limited to a rigid fixed period of time as the Department of Agriculture interpreted the 1965 amendment.

The 1965 amendment has been interpreted by the Department of Agriculture to mean a fixed period of time as the "representative period" for determining each producer's history of marketings. This has resulted in fixing bases on the relationship which existed between producer deliveries and market utilization during the same selected period of time. In the case of the Puget Sound area, the year 1966 was selected as the representative period. H.R. 7996 furthers our intent to keep the total of bases closely related to changing levels of marketing sales, and, therefore, provides that bases may be adjusted and readjusted from time to time to reflect market change. This will enable base holders to participate in market growth which was the original intent of the legislation, but which was precluded by the 1965 amendment.

4. H.R. 7996 provides authority for reducing bases to producers for failure to deliver fluid milk requirements allocated under the class I base plan. It is the judgment of producers, and particularly in the high

class I utilization markets, that a farmer has the responsibility to deliver his share of the fluid milk requirements if he is to be assured of the higher base price for his base allocation.

5. As mentioned, H.R. 7996 does not contain a termination date. A termination date for authority of this type makes the plan almost unworkable. Under the processes for developing Federal milk marketing orders or amendments, including base plans, a great deal of time is required in ascertaining wishes of producers, the development of proposals, the holding of public hearings, the filing of briefs, and the other procedures required by law. No other provision of the Agricultural Marketing Agreement Act of 1937 has a termination date. From the standpoint of the farmer, a termination date precludes him from adapting his farming operation so that he can obtain maximum benefits from the class I base price, as it is intended to operate.

6. H.R. 7996 provides for individual voting by producers in referendums on class I base plans, but allows representative voting by cooperative associations on behalf of their members on all other order provisions, including base plans not related to the market requirements for fluid milk.

The federation subscribes to the principle that individual farmers should vote in referenda on class I base plans, because the use of such plans may have a direct bearing on long-range farm planning, which may affect one farmer in one manner and another differently. The National Milk Producers Federation insists, however, that cooperative associations are entitled to vote on behalf of their members on all other Federal milk marketing order matters, since the board of directors is charged with the responsibility for marketing the milk to the mutual advantage of all members.

The 1965 amendment contained an "antidumping" provision which provided for reduction of a base to the extent that a producer holding a base delivered excess milk in some other market. This is continued under the provisions of H.R. 7996.

It is clearly intended that H.R. 7996 would be applicable to any milk marketing agreement or order issued under the act. This would include what has become known as standby pools.

Enactment of H.R. 7996 applies only to the distribution of money among dairy farmers supplying Federal milk marketing order areas. A base plan incorporated in an order as authorized by H.R. 7996, would in no way change any other part of the Agricultural Marketing Agreement Act of 1937. Specifically, passage of H.R. 7996 is not intended to, in any manner, interfere with the interpretation of section 8c(5)(g) of the act. We do feel that a notation to this effect should be included in the committee report.

The National Milk Producers Federation and its member cooperatives have a vital interest in the Federal milk marketing order program and in the provisions of H.R. 7996. Approximately two-thirds of all dairy farmers supplying the Federal milk marketing order areas are represented by the federation. We strongly support H.R. 7996 and are eager to see its enactment at the earliest possible date.

Class I base plans have been operated for over 30 years under State milk control laws or under voluntary cooperative marketing plans. It is inevitable that producers operating under those plans should acquire

a vested interest in the bases allocated. There has appeared to be a reluctance on the part of the Department of Agriculture in administering base plans under the Food and Agriculture Act of 1965 to recognize the provisions of the preexisting plans. We request that your committee indicate its intent that preexisting plans be considered if base plans under Federal orders are provided for those areas.

We realize that extension of the Food and Agriculture Act to December 31, 1970, was intended to provide time for a full review of agricultural programs. The planning of dairy production, however, is a long-range problem. It took from November 3, 1965, when the Food and Agriculture Act was made law, until September 1, 1967, to get the first and only class I base plan into effect under that law. There is already less time available between now and December 31, 1970, than was required to get the first plan into operation. Time has run out and producers should know the rules under which they are to operate. Therefore, we would appreciate enactment of this legislation.

With regard to the class I base plan legislation, we have been concerned with assertions by some parties that the "new producer" provisions could be overly restrictive and that the base plan in some way would interfere with intermarket movements of milk.

For example, it has been suggested by some that new producers should receive the average prices of the market, pending the time they are allocated a class I base. Such an approach is totally unrealistic and would result in granting new producers higher average prices than many of those who have been supplying the market and were complying with the provisions of a class I base plan. It must be remembered that the class I base plan is merely a mechanism for distributing money among dairy farmers. The base plan does not change the total amount of money due farmers for milk.

A farmer whose deliveries of milk in excess of base, as a percentage of his total deliveries, were less than the average percentage of excess deliveries for the market would receive a per hundredweight price for his total deliveries higher than the average price for the market.

A farmer whose deliveries of milk in excess of base, as a percentage of his total deliveries, were more than the average percentage of excess deliveries for the market would receive a per hundredweight price for his total deliveries less than the average price for the market.

If new producers could receive the market average price for their total deliveries, without regard to the class I base plan, any producer who delivered more excess milk, percentage wise, than the average for the market would relinquish his base, reenter the market as a new producer and improve his average returns. The result, however, would be to destroy the whole purpose of the class I base plan.

We are perfectly willing that the new producer provisions, as developed through a public hearing, provide reasonable rules under which new producers may obtain a base, but in fairness to established producers, they should not receive average market prices while earning such a base.

It is our view that the new producer provisions, much the same as any other order provisions, should be developed on the basis of a public hearing, so that all of the factors having a bearing on marketing conditions may be considered. A rigid rule in the basic legislation should be avoided.

The allegation also is made that established producers would write rules for inclusion in a class I base plan which woul dmake it difficult for new producers to enter a market. This is absurd. Old producers, prospective new producers, and out-of-market shippers all have equal opportunity to appear and present testimony at public hearings on Federal milk marketing orders.

Furthermore, although rules may be proposed by any interested parties, the final decision is left to the Secretary of Agriculture. The record of the Secretary of Agriculture, irrespective of party affiliation, has been one of fairness and one which has given recognition to the public interest aspect of the program.

It also is alleged that established producers would have control of the class I base provisions through the referendum. This, again, is reaching into thin air for an excuse to oppose the base plan, rather than a constructive argument. In the final analysis, producers voting in a referendum can only determine whether the Secretary's proposed order shall be made operative or not. In many cases, producers have approved orders or provisions of orders which they may not have desired, but which the Secretary included as necessary in the public interest.

The only alternative through the referendum is to approve or reject the entire order, or, in this instance, through separate referendum, the entire class I base plan. This they cannot do lightly.

The testimony of the federation is abundantly clear that incorporation of a class I base plan in a Federal milk marketing order would in no way affect intermarket movements of milk. It must be emphasized that the class I base plan is a means of distributing money among dairy farmers which they would receive in any event, with or without the base plan. Adoption of a class I base plan would in no way affect the application of section 608c(5)(G) of the act, which clearly states that: "No marketing agreement or order applicable to milk and is products in any marketing area shall prohibit or in any manner limit, in the case of products of milk, the marketing in that area of any milk or products thereof produced in any production area in the United States." This section of the act is not deleted, changed, or superseded by the amendment authorizing class I base plans.

MILK PROMOTION

The National Milk Producers Federation seeks amendment to the Agricultural Marketing Agreement Act of 1937, as amended, to provide authority to use pool funds of a Federal milk marketing order area for establishment of research and development projects, advertising, sales promotion, educational and other programs designed to improve or promote increased consumption of milk and its products.

This legislation is contained in H.R. 10710 and similar bills, and was considered at a hearing before the Special Subcommittee on Domestic Marketing and Consumer Relations on August 8, 1969. Mr. Eugene J. Vandenbord, Delancy, N.Y., presented the statement of the National Milk Producers Federation at this hearing.

The authority provided by these bills would be used in a market regulated by a Federal milk marketing order only after a public hearing and after a proposed plan had received the approval of dairy farmers

through referendum. The proposal is enabling legislation which farmers may use or not use, market by market. It is a self-help measure for increasing returns to dairy farmers.

For several years, dairy farmers and their cooperative associations have supported efforts to increase milk sales and improve the image of the dairy industry. This need is very great when considered in relationship to the severe competitive position in which milk finds itself, and because of persistent efforts on the part of some to capture the market by substituting inferior products which can be sold at lower prices as replacements for nutritious milk.

The efforts of milk producers to increase consumption of milk have been financed for the most part through voluntary contributions on the part of farmers. The benefits from market promotion accrue to all dairy farmers and thus an unwarranted cost is borne by those who assume responsibility for projects aimed at increasing sales. The larger fluid milk markets have found it very difficult to secure participation on the part of sufficient numbers of farmers to adequately finance milk promotion efforts. The need for money for this purpose is very acute, but any attempt to increase the contribution rate per hundredweight of milk marketed is met by increased resistance on the part of a minority of farmers who stand to benefit without carrying their portion of the load.

It is for the purpose of insuring full participation among all dairy farmers supplying a Federal milk marketing order area, if approved by two-thirds of the producers, that we seek the amendment authorizing use of producer funds for research, advertising, sales promotion, and other programs designed to improve or promote the consumption of milk and its products.

Passage of this legislation would not require expenditures by the Federal Government but, in fact, may serve to reduce the cost of maintaining the price level to dairy farmers under the price-support program. This is because any increase in milk consumption which the industry might realize as a result of the promotion efforts would leave less milk for manufacture into butter, nonfat dry milk, and cheese, which are purchased under the price-support program to undergird the price structure.

The need for authority such as contained in H.R. 10710 as never been greater. Farmers desperately need higher milk prices and a sales increase of class I milk is the most practical means of increasing average prices paid to farmers without additional costs to the Government. The sales trends for milk are not encouraging. Production costs continue to rise as does the cost of processing, thus necessarily placing pressure on the consumer price structure.

Furthermore, as I mentioned earlier, the dairy industry is faced with severe competition from ersatz products made to appear like milk or cream. These white ersatz products pose a real threat, not only to dairy farmers, but to nutrition as well. With programs such as could be operated under the authority of this enabling legislation, we could keep consumers informed as to the nutritional facts of life when comparing milk or cream with the inferior substitutes, a great portion of which are no more than mixtures of chemicals and water.

The dairy industry, as a public health measure, has accepted rigid sanitary controls on the farms and throughout the processing and mar-

keting system. Quality and sanitation control is expensive and is a factor in determining prices of milk and dairy products which need not be borne by the ersatz products promoted as replacements for milk and cream.

The dairy business must exert every influence to maximize milk sales, both in the interest of dairy farmers, and because milk plays such a vital role in human nutrition, especially among children.

Amendment to the Agricultural Marketing Agreement Act as provided in H.R. 10710 and the related bills would incorporate into the act authority for discretionary incorporation in a Federal milk marketing order of a program to use producer funds for marketing research, advertising, sales promotion, and other means of promoting increased consumption of milk and dairy products. The authority would only be used after the producers had developed a program.

The program envisioned by the amendment would be developed by dairy farmers supplying a Federal milk marketing order area. The proposal would include means of selecting dairy farmer representatives to supervise the operations. Since the funds would be provided through Federal milk marketing order provisions, there would be provisions to insure the proper use of any such money including Government audit.

The funds would be paid to the committee of producers having charge of the program by the market administrator of the Federal milk marketing order. These funds would be deducted from the total amount of money reflected by the producer settlement fund of an order, before calculation of the uniform price to be paid dairy farmers for their milk. Thus, there would be no deduction per hundredweight taken from funds earmarked for individual dairy farmers.

This method of financing the program would make the cost of operation minimal, and would insure full participation by all dairy farmers supplying a market. Operationally, the market administrator could write a single check to the advertising fund, avoiding computations for each of the thousands of dairy farmers shipping milk to a market, such as would be necessary if the program were set up as a deduction from gross amounts otherwise due individual farmers, which would require computation of an individual amount for each farmer and would appear as an item on his milk check. The program, as we envision it, would simply be a cost of marketing milk under an order and would be paid for in the same manner as any other cost of administering an order provision.

The funds could be used to establish research and development projects, advertising (but not brand advertising), sales promotion, education, and other programs designed to improve or promote marketing and consumption of milk and its products.

To the extent that fluid milk sales could be increased under the program, the results would be higher average prices to dairy farmers at any given level of class prices charged handlers for milk. Thus the program is truly a self-help effort which would involve no cost to the Federal Government and no cost to handlers or consumers above those paid under the present criteria for establishing prices under Federal milk marketing order.

The plan, when developed, would be submitted to the Department of Agriculture as a proposed amendment to a Federal milk marketing

order. Under the regular procedures, the Department would then schedule a public hearing at which all interested parties would have an opportunity to make any appropriate comments. Following the public hearing, as customary, the Department of Agriculture would review the hearing record and issue a recommended decision containing the program, which would provide a second opportunity for interested parties to make comments concerning the conclusion reached by the Department of Agriculture. The next step would be issuance of a final decision by the Department of Agriculture, subject to the same referendum procedure as is applied in the case of Federal milk marketing orders and amendments. If approved through the referendum procedure, the amendment would become operative. If disapproved, the referendum would not in any way affect other provisions of the order.

After such a program were made effective, it could be discontinued at any time by request of 50 percent or more of the producers supplying the market or through amendment to the order.

Mr. Chairman, the dairy farmers of America urgently need the amendment to the Agricultural Marketing Agreement Act of 1937, as incorporated in H.R. 10710 and similar bills. It is important that the amendment be enacted this year, so that farmers can develop programs to spend their own money to improve their own returns in marketing milk.

AMENDMENTS TO AGRICULTURAL ACT OF 1949 TO REMOVE MANDATORY REQUIREMENT TO SUPPORT THE PRICE OF BUTTERFAT

We recommend that the Agricultural Act of 1949 be amended by removing the mandatory requirement to support the price of butterfat. This amendment would not in any way disturb the mandatory requirement to support prices paid farmers for milk within the range of 75 to 90 percent of parity.

The present requirement, to support the price of butterfat, as well as milk, originally was included in the legislation as a means of providing the benefits of price support to farmers marketing farm-separated cream, as well as to those marketing whole milk.

At the time the Agricultural Act of 1949 was enacted, the marketing of farm-separated cream represented a substantial portion of the total available market for dairy farmers. The number of farms marketing farm-separated cream, however, has declined until today, such marketings represent less than 1.5 percent of total marketings of milk by farmers.

In view of the insignificant amount of butterfat now marketed as farm-separated cream, the mandatory requirement to support the price of butterfat can be eliminated without adversely affecting dairy farmers.

The purpose of removing the mandatory requirement to support the price of butterfat is to improve the competitive position of butterfat. Per capita consumption of butterfat has been declining not only with respect to butter, but also in the fluid milk market. For example, per capita consumption of butter fell from 10.9 pounds in 1945 to 4.9 pounds in 1968, or 55 percent. The milk equivalent of butterfat sold as

fluid milk and cream, per capita, dropped from 398 pounds in 1945 to 262 pounds in 1968, or 34 percent.

When considered together, the two outlets, butter and the fluid milk market, provide outlets for about 75 percent of all butterfat sold by farmers in marketing their milk. The decline in per capita consumption of butterfat, therefore, must be arrested and reversed if the dairy industry is to survive and prosper.

If the Agricultural Act of 1949 is amended, as we suggest, the price-support program would operate as follows:

1. The price-support level for manufacturing milk would be announced as at present.

2. The support price for milk, as at present, would be assured through the purchase program of the Commodity Credit Corporation, modified only to the extent that the purchase price of butter would be established at a discretionary level, rather than at a level necessary to assure the mandatory support level for butterfat. Any reduction in the purchase price of butter would be offset by a compensating increase in the purchase price of nonfat dry milk.

The program has the advantage in that it would result in maintaining price-support levels for manufacturing milk, while at the same time, improving the competitive position of butterfat whether sold as butter, in other dairy products, or even as fluid milk. The program would reduce the value of butterfat in milk sold by farmers which, competitively, is losing ground, and it would increase the value of milk solids-not-fat, which is increasing in consumer acceptance. The Government would be relieved of the burdened and cost of accumulating and storing of butter to the extent now necessary. It is anticipated, however, that the Government would purchase sufficient butter for authorized programs, such as school lunch.

The Government would perhaps purchase larger quantities of nonfat dry milk. This is a low cost item for the Government to handle, and is readily adaptable for programs to improve nutrition at home and abroad. Consumers would benefit by more favorable prices for butter than under the current program.

CONCLUSION

In conclusion, the National Milk Producers Federation urges that this committee recommend legislation:

(1) To amend the Agricultural Marketing Agreement Act of 1937, as amended, to incorporate revised authority for the operation of class I base plans under Federal milk marketing orders as contained in H.R. 7996, and similar bills;

(2) To amend the Agricultural Marketing Agreement Act of 1937, as amended, to provide authority to use producer funds in a Federal milk marketing order area in efforts to increase consumption of milk and dairy products; and

(3) To amend the Agricultural Act of 1949 by removing the requirement to support the price of butterfat within the mandatory levels of 75 to 90 percent of parity as a means of improving the competitive position of butterfat.

Thank you.

The CHAIRMAN. We thank you very much, Mr. Healy. You have given us some helpful suggestions and comments on the dairy section of the legislation.

Now, do you want to start around? Mr. Mizell?

Mr. MIZELL. No questions, Mr. Chairman.

The CHAIRMAN. No questions

Mr. Melcher?

Mr. MELCHER. Thank you, Mr. Chairman.

Mr. Healy, can you give the committee some indication of the number of producers that your organization represents?

Mr. HEALY. I have no accurate count, Mr. Melcher, but it is in the neighborhood of 400,000. We have virtually all of the dairy cooperative associations in the country.

Mr. MELCHER. I note that in your prepared testimony here, your statement does indicate that you have membership in all the 50 States.

Mr. HEALY. Well, yes, we operate in all 50 States. There is no cooperative in Hawaii; but some of our people send a product over there. It is the only place where we have a resident cooperative.

Mr. MELCHER. We listened to some testimony yesterday, and sometimes it is confusing, that appeared to be the organization officials' viewpoint, but the testimony that you are placing on record here is representative of your people, or from the producers themselves, the people who are actually engaged in dairying and are supplying the milk for the Nation?

Mr. HEALY. Yes, sir, that is correct.

Mr. MELCHER. That is all, Mr. Healy—and thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Melcher.

Mr. Kleppe?

Mr. KLEPPE. Thank you, Mr. Chairman. I just have one question.

Mr. Healy, I just got your testimony and I haven't been able to study it completely. In regard to H.R. 10710, which is the promotion bill you are talking about, you are interested in making this a part of the farm program?

Mr. HEALY. A part of the agricultural marketing agreement; yes, sir.

Mr. KLEPPE. My question is—and I don't know if it is covered in your statement or not because I haven't had a chance to go over it that carefully—but if this is mandatory, if this is voted on a majority basis in referendum, it is then mandatory for every producer to be part of it?

Mr. HEALY. Well, just market by market. If, for instance the——

Mr. KLEPPE. Within the given market?

Mr. HEALY. Within the given market, then it would become mandatory for all the producers.

Mr. KLEPPE. Is there a way for the producer who is violently opposed to get out?

Mr. HEALY. If it is voted in by two-thirds of the producers in the market then there is no way for him to get out.

Mr. KLEPPE. There is no provision for him to get out if the two-thirds——

Mr. HEALY. No, sir.

Mr. KLEPPE. Thank you very much.

The CHAIRMAN. Thank you, Mr. Kleppe.

Mr. Ed Jones.

Mr. JONES of Tennessee. Thank you, Mr. Chairman.

I have no questions. I just want to thank Mr. Healy for a very informative and constructive statement. Thank you very much.

The CHAIRMAN. Thank you, Mr. Jones.

Mr. Zwach.

Mr. ZWACH. Thank you, Mr. Chairman.

Mr. Healy, I am a member of the subcommittee on dairy and poultry. I was somewhat concerned about a couple of points in your testimony. You say the present 1965 law is too rigid?

Mr. HEALY. Yes, sir.

Mr. ZWACH. That perhaps applies, does it, to the matter of the inflexibility of the base itself, to the fact that it cannot be expanded?

We have testimony that sometimes people sell their base and I am trying to recall now, but I think the sale of some bases had taken place for about $7 million. Now, this seemed to me, too much value on a base. This must be as costly to get into the dairy business as to buy the herd of cows. You are attempting to correct this?

Mr. HEALY. Yes, sir; we feel that the 1955 act is too rigid in two respects. First, in the method in which bases are established. Under the 1955 act we must pick out one period of time and then we are limited to that period of time, and everything from then on relates only to that within base making.

The amendment that we propose provides for additional methods of establishing bases, including moving averages. The second rigidity which we find in the 1955 act relates to the new producer provisions.

The 1955 act requires that new producers obtain their bases out of market growth. This has been interpreted by the Department that they can only obtain base through market growth. What we say in this legislation is that provision, equitable provision shall be made for new producers. Under this we envision that the Secretary of Agriculture, in writing his decision, could provide for various methods under which a new producer, a new farmer in the market could obtain base. They could provide that he would get for 1 year half a base, for instance, and then a full base the following year, and it could provide that in connection with perhaps a moving average of base making period that bases could be obtained by him under some reasonable method which would allow him to participate on a continuing basis in the market.

Mr. ZWACH. Do you think that that determination of who should come in on additional bases should be made by the present holders of base?

Mr. HEALY. No, absolutely not.

Mr. ZWACH. It would be determined by the Secretary?

Mr. HEALY. It would be determined by the Secretary on the basis of what present base holders and prospective base holders put into a hearing record.

Mr. ZWACH. I recall—and my memory may not be exact—but as I recall there are about 1,800 producers, about 400 or so that are new producers that never under the present law get a base.

Mr. HEALY. Right.

Mr. ZWACH. Would the 1,400 ever really equitably bring in these new men if they made the determination? This is another thing that concerns me.

Mr. HEALY. I think if the determination were left solely to them, no, they would not want them to come in, of course not. But that is why we have set up the system that we have set up in this, to allow in the rulemaking process, to allow not only the current holders of bases, but prospective new holders of bases, consumer interests, the handler group, everyone appears and helps make this record from which the Secretary must draw his decision.

Then, Mr. Zwach, we feel that the removal of these rigid provisions and the substitution of more workable law for them would preclude a lot of this base sale and the establishment of high values on bases.

Mr. ZWACH. I believe that is correct.

Mr. HEALY. We think that this would——

Mr. ZWACH. Now, the other factor that I want again to question you on, you would have no objection to writing into this act the so-called Andresen amendment?

Mr. HEALY. None whatsoever. I think, Mr. Zwach, that what we are doing here, of course, is suggesting the addition of a new subsection to the act. I think that perhaps it might be unnecessary to write it in here because Andresen amendment, the 8c(5)(g) is there. But we certainly have no objection to it. There is no intent on the part of anyone who develops or who wants to operate under this thing to set aside or support in any way the provisions of 8c(5)(g), no matter what anyone tells you. That is not our intention. The bill was not drafted that way and should not do so.

Mr. ZWACH. I am very happy to have that for the record. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Montgomery?

Mr. MONTGOMERY. Mr. Chairman, I have only one question to Mr. Healy.

Your recommendation on the class 1 base plan is a lot like the Meeds bill which this House passed, and I think it was killed in the Senate?

Mr. HEALY. Yes, sir. Our recommendations on the base plan are exactly included in H.R. 7996, which is the Meeds bill, and they represent—that bill represents our total thinking on the class 1 base plan; yes, sir.

Mr. MONTGOMERY. Thank you.

That is a-1, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Montgomery.

Mr. MONTGOMERY. Mr. Chairman, may I make one further comment?

The CHAIRMAN. Yes, surely.

Mr. MONTGOMERY. That was not Meeds, Mrs. May's bill, and I am very sorry that I overlooked that.

The CHAIRMAN. Mr. Miller?

Mr. MILLER. Mr. Chairman, could we go just a little further on H.R. 7996? We have had, at least I have in my office people from the area where the class I base plan has been working, and they sold their

base. Now, undoubtedly when they were in they did not want others in, as you speak of. But at this time, after selling, the man is out. Now he wants back in.

Mr. HEALY. Yes.

Mr. MILLER. Would you comment on the price of a base as it stands now, a unit base? We seem to be into a new business, base brokers.

Mr. HEALY. Well, Mr. Miller, this is just exactly why we are proposing these amendments to that act. The rigidity of the 1955 act provides for that. There is no question about it. Second, I think it should be understood that the situation in the Puget Sound market was such that when operated under the rigid provisions of the 1955 act, lent itself to this trading of bases. The Seattle market was a growing market, No. 1. No. 2, the next market to it, the next largest market to the Seattle-Tacoma market was the Portland market, which had just lost its State quota system. In that area of the country it became profitable for some producers to sell bases, and then enter the market as new producers, having assigned to them all of the market growth. If they could not do this they could ship their milk to Portland.

It was a situation, a marketing situation together with some very rigid provisions of the law which did provide for a lot of movement of bases among producers. Apparently it was at a very high price. I don't deny that under this program that we have developed and placed before you that bases would be assigned a value of some type of level, but certainly the way in which the Secretary handles the new producer provisions, the way in which he handles the establishment of bases themselves, can limit to a very great degree the absolute value of a base. I do not think that under this proposed legislation the bases would ever sell for as much as they might sell under the current law.

Mr. MILLER. But they could be sold even under the proposed plan. Do you also have that informatioin today, how much does a unit base sell for?

Mr. HEALY. I really do not know. I really do not. I can, if you would like, discover that and provide it for the record.

Mr. MILLER. Mr. Chairman, I ask that that be included in the record.

Thank you, Mr. Chairman.

(Mr. Healy provided the following information:)

NATIONAL MILK PRODUCERS FEDERATION,
Washington, D.C., September 25, 1969.

Hon. W. R. POAGE,
Chairman, Committee on Agriculture, U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: At the time I appeared before the Committee on Agriculture, September 11, 1969, in support of our dairy legislation, I was asked to submit some material relative to prices at which Class I bases had been transferred in the Puget Sound, Washington, market.

In response to this request, I asked Gordon Laughlin, Economist for the United Dairymen's Association, Seattle, Washington, to provide material of this nature. A copy of his letter, dated September 22, 1969, commenting on this matter is enclosed, and may be included in the hearing record of September 11, if that is your desire.

We felt that the hearing was very much worthwhile and we were pleased with the interest shown by so many members of your Committee.

Sincerely,

PATRICK B. HEALY, *Secretary.*

[Enclosure]

UNITED DAIRYMEN'S ASSOCIATION,
Seattle, Wash., September 22, 1969.

Mr. PATRICK HEALY,
Secretary, National Milk Producers Federation,
Washington, D.C.

DEAR PAT: At the meetings in Washington recently you asked me to set down the basis on which producers calculated the value of Class I bases. The value of the base depends upon its earning power which is the difference between base and excess producer prices and the length of time which the base will be effective. In the first month in which Class I bases were effective, September, 1967, Class I base price to producers was $5.67 and the excess price was $4.05, a difference of $1.62 per cwt. or $.016 per pound of daily base. At that time the base was scheduled to expire December 31, 1969 so that from September 1, 1967 until December 31, 1969 the base would be in effect 853 days; 853 days at $.016 established the earning power of the base at a maximum of $13.65. The transfer prices to which the transactions actually occurred are not a matter of official record, but there have been reports of prices as high as this earning figure. As the date of the expiration approaches the earning power goes down correspondingly and there was a secondary surge of reported prices when the Act was extended and this was later confirmed by the extension of the plan under this order.

We hear reports of prices in excess of the earning capacity of the base between now and December 31, 1970 which means that producers offering such prices are gambling that the plan will be continued in some form or another after the current expiration date.

It should be noted that this high transfer value must result, at least in part, from the fact that the Department's interpretation of current law provides no alternative to purchase if a producer is to acquire base to either enter the market or to increase the base which was originally allocated to him. If alternative methods of acquiring base through performance in the market were offered as provided in the Meeds Bill, producers would have that alternative to balance against the transfer value. The rules under which bases might be otherwise acquired would determine the level of transfer value.

Very truly yours,

GORDON C. LAUGHLIN.

The CHAIRMAN. Thank you, Mr. Miller.

The Chair wants to make an announcement and ask a question. I have been trying to follow the policy of calling all those who are here when the witness testifies. We start at the end and work up. It has been reported to the Chair, Mr. Sebelius, that you were here.

Mr. SEBELIUS. I have no questions.

The CHAIRMAN. I have a list of everybody who was here at 25 minutes after 10. I am calling on all those who were here. If I made a mistake I want to correct it; if not, thank you, and I would call next, then, Mr. Stubblefield.

Mr. STUBBLEFIELD. Thank you, Mr. Chairman. I am sure I was here when you called the meeting——

The CHAIRMAN. You were here.

Mr. STUBBLEFIELD. Mr. Healy——

The CHAIRMAN. We have another long witness to testify, that is the reason for this.

Mr. STUBBLEFIELD. I will make it real short.

The CHAIRMAN. I don't want to cut you off, but I want the members to understand why we are not calling on those who were not here.

Mr. Stubblefield.

Mr. STUBBLEFIELD. Mr. Healy, apparently the controversial part of this class I milk plan has to do with new producers. As I have

been listening to your testimony, it indicates that you are going to pitch all those problems to the Secretary. Are there any further recommendations you plan on making as to how new producers will come into the market that could be written into this bill?

Mr. HEALY. Well, Mr. Stubblefield, no. The whole Marketing Agreement Act, Agricultural Marketing Agreement Act, is enabling legislation. It is legislation under which orders are promulgated and none of the provisions of the Marketing Agreement Act are very explicit. The system revolves around extensive hearings, decisions, recommended decisions by the Secretary, briefs and exceptions and final decisions and referendums that have in the past lent themselves quite well and quite effectively to broad authorizing legislative authority for the Secretary to act in various fields.

For instance, we are experiencing right now in the Puget Sound area the disastrous results of attempting to write rigid provisions into the law, the rigid provisions which were written into the law do not lend themselves to the one area where this part of the law was applied.

We have in this type of operation, which has gone on since 1933, what, 36 years, now, under this same type of broad authorization, and it is perhaps the most effective, the most well-thought-of farm legislation under which farmers operate their programs.

We hope, we trust, we believe that this will be a substantial improvement in some rigid provisions, which could be written into the law.

Mr. STUBBLEFIELD. Well, would you envision that these orders, of course, will be worked out largely within the order?

Mr. HEALY. Within the order.

Mr. STUBBLEFIELD. And naturally the old producers are going to be rather hesistant to bring any new producers in under any circumstances. Therefore, somebody is going to have to get rigid with the old producers in order to overcome this situation between the new producers.

Mr. HEALY. May I ask, Mr. Stubblefield, are you asking now concerning new producers within the marketing area or from elsewhere?

Mr. STUBBLEFIELD. Within the area.

Mr. HEALY. Within the area. Well, I feel——

Mr. STUBBLEFIELD. You know, you may recall we had a short hearing on this bill.

Mr. HEALY. Yes; I know.

Mr. STUBBLEFIELD. What seemed to be the controversial part of it is how are new producers going to get in? The testimony brought out that some of the new ones tried to get in that hadn't been in and sold the bases and they were—I think; that is, I heard I don't know—that one of the fellows who was complaining the loudest had sold his base and was trying to get back in. He was the head man leading the new producers' fight.

Mr. HEALY. Right. Well, I know this person about whom you speak, but I would judge that there is always, always a reluctance on the part of people who buy milk from farmers to limit themselves as to the number of farmers from whom they can buy it. They will make certain that the Secretary hears the new producers' side of this thing. I know that the Secretary is always anxious, every Secretary has been, irrespective of who he was or what his party affiliation was, every Secre-

tary has been anxious to make certain that there is an adequate supply of milk available to the market. Every Secretary in the application of the broad authorities now available to him under the Marketing Act has been anxious to work in the public interest. I just have no information that there would fail to be adequate provision in any order which is written to provide for people who really want to come into the market and really have a supply of milk available on a continuing basis, to that market.

We can look at the record which has been made over 36 years on such things as pooling requirements for the market, also a very broad authority which affects many more farmers and of much greater supply of milk than would the new producer provisions of this legislation.

We can look at that record and generally speaking, anyone with a supply of milk, of high quality, which is available to the market, has found a way under the orders to sell that milk in those markets.

I think the record of the administration under how many, six or eight of 10 Secretaries of Agriculture since 1933, has left a history of administration of these regulations which should leave little doubt in our minds that they will be fair, they will be applied equitably to all types of persons who really have milk to market under the system.

Mr. STUBBLEFIELD. Thank you. That is all.

The CHAIRMAN. Thank you, Mr. Stubblefield.

Mr. Goodling.

Mr. GOODLING. Thank you, Mr. Chairman.

Mr. Healy, on page 1 of your testimony you speak of pool funds. We are just establishing research and development projects, advertising, and so forth. What are the pool funds?

Mr. HEALY. Well, the pool funds are the funds which result from the sale of producer milk, producers being defined in the order. Any milk the producers sell to handlers, either as individuals or as members of a cooperative association, those moneys are collected into a pool of funds.

Then, of course, the calculations are made as to utilization and so on, and each farmer, under most orders, is paid a blend price from that pool. We envision that under this legislation that may be 2 cents or 3 cents or 4 cents a hundred pounds of milk would be assessed that pool for use in advertising or promotion or research programs of one sort or another, and that that amount of money, since 3 cents per hundred pounds of milk, would be deducted from this pool before it was distributed to farmers.

Now, we do this for one simple reason: The money is all there. The same money is there which is to be distributed, and we can take it out of there without calculating an amount for each farmer and making a subtraction from his check and imposing a tremendous administrative burden on the marketing administrator.

Mr. GOODLING. Who determines how much shall be withheld?

Mr. HEALY. This would be determined as a result of a hearing and a recommended decision and a vote just as the provisions of the base plan would be determined. There would be——

Mr. GOODLING. Do you feel that all administration costs should be borne by the class I area where the base plan area is in effect?

Mr. HEALY. Yes, they are now. The market administrator's office is supported from the area. But Mr. Goodling, in this instance he would make one calculation which would require just about 5 minutes and write one check. There is no great administrative burden on him to administer this one program. He would merely say there are so many million hundredweight of milk and at 3 cents a hundred that amounts to so much money, and the order would tell him who to write the check to and he would write a check for it. It would not be 15 minutes of his day, once a month, to do this thing.

Mr. GOODLING. Do you have any idea how much a referendum would cost?

Mr. HEALY. Oh, yes. I don't know offhand right now, but we know exactly what they cost, yes, sir.

Mr. GOODLING. It would be interesting for us to have that, also.

Mr. HEALY. We know exactly what it would cost.

Mr. GOODLING. Do you think that should be paid by the producers or by the Federal Government?

Mr. HEALY. Well, I believe that the cost of such a referendum in such a hearing and all things pertaining to it that are now borne by producers under the regular operation of the Marketing Agreement Act should continue to be done so, and that part of it which is currently borne by the Federal Government should continue to be borne by the Federal Government. I don't think that just because we happen to have some producer money in a pool that we should all of a sudden take the dairy branch in the Department of Agriculture and ask producers to start supporting it.

I see no more reason to do that than I see to ask producers to support whole segments of the Defense Department, which deal with other groups of producers or whole segments of the Interior or any department. These functions of the Federal Government, I think—and certainly the provisions of an adequate supply of milk to people in this country under orderly market conditions is something that the Federal Government certainly can afford to provide for all of our people.

Mr. GOODLING. Do you think we should establish a uniform policy for all farm commodities?

Mr. HEALY. Well, I am not sure—well, let me say this: I am a great believer in commodity programs directed to the particular problems of each commodity. I don't think, for instance, it is something that might work for cotton might very well apply to milk, if this is what you are asking.

Mr. GOODLING. I am thinking of administrative costs and referendum costs. We have had requests from various farm commodity groups and we will probably have more.

Mr. HEALY. Well, I would think that when the Congress finds that a program is in the public interest and should be administered by the Department of Agriculture, certainly the Department of Agriculture budget can withstand the cost of that program; yes, sir.

Mr. GOODLING. One more question, very briefly.

I believe both Mr. Zwach and Mr. Miller commented on this, but I am not certain I have the right answer. Let's assume that I want to go into an area where the Class 1 base plan is in effect. How do I get a quota?

Mr. HEALY. Well, first we would have to read the order which resulted from this legislation and from the ordermaking process and see what type of provisions were available in that order for you. We can surmise certain things. We can, for instance, surmise that the order provides for a 3-year moving average base. Under that condition the least you could expect is to have a third of your production the first year and two-thirds the second, and all of it the third year.

We can surmise that maybe the Secretary says in his order that there will be a 3-year moving base, and that a half or a third of new sales in the market shall go in addition to new producers. Then, of course, there would be that added ability to obtain a base. We can surmise that the Secretary puts a 3-year moving average in the market, but that he says in no event would a new producer be required to market less than 50 percent, for example, without a base, 50 percent of his production.

Then, of course, the first year you would have 50-percent base. There are many, many arrangements which could be made, and I am sure that any market which is well supplied, perhaps the conditions would be slightly higher, the pooling provisions or the participation provisions.

In a deficit market or a market for which there were not adequate supply or one which had historically imported milk, perhaps the provisions made for new producers would be considerably lower.

Of course, this is one of the things that we hope to accomplish by these changes in the law, to allow the Secretary and his experts and the people who would operate under the order program and who know of the conditions in the market under discussion to develop a system for that market which is particularly and ideally suited to the conditions in that market.

Mr. GOODLING. It would appear this could not be classified as a free enterprise system.

Mr. HEALY. I beg your pardon?

Mr. GOODLING. It probably wouldn't qualify as a free enterprise system if the Federal Government tells me how much milk I can produce and sell, and whether or not I can establish a dairy herd.

Mr. HEALY. No, sir; this legislation in no way tells any farmer whether he can establish a dairy herd, how much milk he can produce, nor precludes him from selling at any place. It does tell him only how much of it he can sell at the highest class price in that market.

Mr. GOODLING. Well, you are going to starve him out until he gets a quota. I don't know what he is going to live on in the meantime.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Goodling.

Mrs. May.

Mrs. MAY. No questions.

I just want to say thank you for a very good statement.

The CHAIRMAN. Mr. Teague.

Mr. TEAGUE. No questions.

The CHAIRMAN. Mr. Belcher?

Mr. BELCHER. No questions.

The CHAIRMAN. I did want to comment momentarily, at least, regarding what you propose here; there is no basic difference between this and what we have done for all of the basic commodities. I don't see that you make this any more burdensome on a new producer for milk than a new producer of cotton. Obviously, if you are going to limit access to the market, to the most desirable market, if you are going to limit it you have got to limit it. It seems the fairest way is to confine it to those who are already in it, rather than to let them develop the market as something valuable, and then let everybody else come in and take it and destroy it. As far as I am concerned, I support your base plan, and I offer no apologies whatsoever for saying we are going to make it harder, at least I would be inclined to make it harder, for a man to get in and a man to stay in.

I think a man who has been making his living this way is more entitled to the assistance of the Government program than the man who hasn't been making his living this way, to simply horn in on something after it has been developed into a profitable operation.

I don't mean to criticize your statement at all. I think you made a good statement, but I feel you at least halfway apologized for the fact that we have been keeping out some who were not in and who wanted to take a share of the profits away from the people who had developed the market. I haven't any apology at all for it. I think it is a good, sound policy. I think it is working with the three big commodities of the United States, cotton, corn, and wheat. I don't know of any reason why it is any more vicious or reprehensible to keep the man who is not entitled to do so, from getting into the dairy business than the cotton business.

Do you know the slightest reason?

Mr. HEALY. No, sir. Mr. Poage, may I say that the dairy farmers of this country are most appreciative of your support of this and many other programs which we hold to be very important to us.

I would also like to make certain that the committee understands that I do not in any way apologize for any provision of this thing which is here. We, together with many members of this committee, have developed what we think to be a very sound, a very workable, and a highly defensible program to put before the Congress. But I think also that what we have tried to do, Mr. Chairman—the dairy industry is a viable industry, and it is alive and people are going out of it and people are coming into it. There is a 4 to 6 percent turnover every year, and to keep it alive I think we have made provision in this bill so that the real men of honest intentions can come into a market and become a part of that market and supply it, can do so. No; I make no apologies for this bill. I like it.

The CHAIRMAN. I don't mean that you made apologies for the new bill, but you seemed to more or less apologize for the fact that maybe we were too strict on people.

Mr. HEALY. Yes; I think we were in the other bill.

The CHAIRMAN. I just don't think we are too strict at all, and I would point out further that this class I base plan has worked for a long time, and it is not confined to the Puget Sound area.

We have had it in Texas for 20 years—under State law, of course. It has not been in the Federal law. It has been working in a great many places. This is not something that is just confined to one area of the United States. Puget Sound isn't the only place where it has been tried. It has worked where it has been tried.

Mr. HEALY. Mr. Poage, this is a very important reason inherent in the presentation of this bill. There have been many, many of these plans under State law and voluntary—operated by cooperatives in many, many sections of this country. So as this committee is well aware, the State milk control laws have begun to break down. There has been new law established in the Federal courts which have broken them down and now they must have some Federal regulations so that they can regulate milk from outside the State.

The voluntary plans which have been highly successful among many of the cooperatives in this country tend to create excellent marketing conditions which are preyed upon by the nonmembers of the cooperatives, and we must find a way—we think this does it—to make these voluntary plans applicable to all producers who enjoy the benefits of the plan.

Therefore, I think that certainly Puget Sound, we have characterized it as the only class I base plan. It is the only one under the 1955 act, but there are many, many other types of plans quite closely related to this which have been and are still in operation in this country.

The CHAIRMAN. Thank you very much, Mr. Healy. I appreciate your appearance.

Now, the next witness will be Mr. Warren Hageman, who is vice president in charge of Pacific coast production for the Del Monte Corp., of San Francisco, Calif. He is here, however, representing the Chamber of Commerce of the United States, and he is accompanied by Dr. Richard J. Goodman, vice president, Cook Industries, Inc., Memphis, Tenn.; Mr. Robert C. Miller, director of agricultural services, AVCO Broadcasting Corp., of Cincinnati; and Mr. E. Clinton Stokes, senior associate, community and regional development group of the Chamber of Commerce of the United States.

Mr. Hageman is, at least, a resident of California. I don't know whether he lives in the district represented by Mr. Sisk or not, but he was born and reared in San Jose and graduated from San Jose State College.

Mr. Sisk had asked to have the opportunity to present him, but was called away today and he has asked me to present Mr. Hageman and his associates to the committee and to point out the tremendous importance of the Del Monte Corp. in this part of California. I understand that they also have operations——

Mr. TEAGUE. Mr. Chairman, I am very happy, on behalf of Mr. Sisk and Mr. Mathias and myself, to welcome Mr. Hageman here, and I am sure the members of the committee, as most of them know, he is highly respected in California and throughout all of the country.

The CHAIRMAN. We are delighted to have you, Mr. Hageman, and all of you here.

We are glad to hear your statements.

STATEMENT OF WARREN HAGEMAN, VICE PRESIDENT IN CHARGE OF PACIFIC COAST PRODUCTION OF THE DEL MONTE CORP., AND ON BEHALF OF THE U.S. CHAMBER OF COMMERCE; ACCOMPANIED BY DR. RICHARD J. GOODMAN, VICE PRESIDENT, COOK INDUSTRIES, INC., MEMPHIS, TENN.; ROBERT C. MILLER, DIRECTOR OF AGRICULTURAL SERVICES, AVCO BROADCASTING CORP., CINCINNATI, OHIO; AND E. CLINTON STOKES, SENIOR ASSOCIATE, COMMUNITY AND REGIONAL GROUP, CHAMBER OF COMMERCE OF THE UNITED STATES, WASHINGTON, D.C.

Mr. HAGEMAN. Thank you very much, Chairman Poage and members of the committee.

Mr. Chairman and members of the committee, I am Warren Hageman, vice president in charge of Pacific Coast Production for the Del Monte Corp., which has its headquarters at San Francisco, Calif. I am also a member of the agriculture committee of the chamber of commerce of the United States and served as chairman of the policy subcommittee during the past year.

With me are two additional members of the chamber's agriculture committee who will be available to assist me in answering any questions you may have following our statement; Dr. Richard J. Goodman, vice president of Cook Industries, Inc., and Mr. Robert C. Miller, director of agricultural activities for the AVCO Broadcasting Corp., Cincinnati, Ohio. Also with us is Mr. E. Clinton Stokes, who is a senior associate in the national chamber's community and regional development group, and is charge of that organization's agriculture program.

We appreciate the opportunity to share the views of the general business community on the problems, policies, and program alternatives for one of the Nation's most fundamental industries. Agriculture is a complex industry which includes the business of farming and all of the affiliated service, supply, processing, transportation, and marketing activities that are used to produce our food and fiber requirements.

This congressional committee is to be commended for scheduling extensive hearings here in Washington and observation trips into different commodity and resource areas of the country before attempting to formulate legislation to succeed the Food and Agriculture Act of 1965.

I am sure that after hearing a large number of witnesses, the members of this committee are familiar with most of the basic facts and figures on farm production, marketing, and costs of farm programs. Therefore, we have no intention of taking more of your time to repeat this kind of information.

We have three objectives:

1. To present an additional perspective on the policy problems facing agriculture;

2. To consider alternative solutions to the problems;

3. To recommend programs which will help commercial agriculture and all of rural America more readily adapt available resources to opportunities for meeting the expanding needs of an urban-oriented society.

THE PROBLEM IN PERSPECTIVE

It is not surprising that there is such a variety of proposed solutions to the farm problem. Each of us tends to see the "problem" in terms of his own respective interests.

To the consumer, the "problem" is rising food prices and higher taxes to finance the farm program.

To the urban businessman, the "problem" is an issue of priorities—the extent to which public funds should be used to make large payments to farmers at the expense of critical urban problems.

To the farm businessman, the "problem" is how to reduce farm costs and increase market outlets so he can earn an income on his investment comparable to rates in other businesses.

We must assume that the ultimate will of Congress will come close to representing the interests of the majority of the people. These interests are increasingly and understandably urban, because a vast majority of Americans live and work in cities. Crime, unemployment, poverty, racial strife, and other predominately urban problems draw an increasing share of the national attention. This is reflected in the Congress where, on two separate occasions, the House of Representatives has voted to limit the size of price support payments to producers. Urban interests must be reflected in any agricultural program presented to Congress for its consideration. This is a different country in terms of population dispersal and labor mix than when the farm support program was first designed. New legislation must recognize these changes.

It was with these factors in mind that the national chamber's agriculture committee during the past year studied the adjustment problems in agriculture and related areas. This study led to approval by the chamber of the recommendations we are presenting here today.

At the outset, the chamber recognizes that there are really two different kinds of farm operations: (1) viable commercial production units possessing sufficient size, resoruces, and management skills to enable the producers to compete in modern agriculture; and (2) marginal production units so limited in their capacity to compete that their operators must supplement their incomes by off-farm employment.

The basic problem

The chamber also recognizes that the basic problem facing agriculture, both now and in the foreseeable future, is excess productive capacity—principally in terms of land and human resources. Modern science and technology have greatly expanded the productivity of cropland. The rapid substitution of capital for labor has increased the size of farming units and reduced the need for labor. It has accelerated rural-to-urban migration and virtually "dried up" many rural communities. On the demand side of the domestic market shows only limited potential for major increases in total food consumption. Increases are expected to be about in proportion to population growth. Much can and must be done in an effort to increase agricultural exports. However, the prospects for food exports to increase in sufficient amount over the next few years to keep pace with increases in farm productivity appear bleak indeed.

Despite the extent to which many farmers have adjusted their operations to expand output, reduce their unit costs, and supplement their income with off-farm employment, there is much need for further adjustments. Economists suggest that the average commercial farm in many areas could probably be doubled in size without running up against increasing costs per crop acre. Last year only 194,000 of the Nation's 3 million farms sold nearly half the total U.S. farm produce marketed. Slightly over 1 million farms accounted for 86 percent of all farm marketings. The inescapable fact is that we have too many acres of land available for basic crop production—particularly in feed grains, wheat, and cotton—and too many farm families unable to make a living from their inadequate farming units.

Alternative programs

Current Federal farm programs are neither compatible with sound economic judgments, nor responsive to the needs of rural areas. For years these programs have attempted to deal with both production and income problems through commodity production and price arrangements administered on a farm-by-farm basis. This is unsound economics. It is costly to the farmer and to the Federal Treasury. The programs have brought us to a paradoxical point. Commercial farmers could operate more efficiently with benefit to themselves and consumers if they were free to use all of their farmland. On the other hand, marginal farmers who lack the investment capital to produce competitively, are encouraged by the price support programs to continue their uneconomic operations. As new technology and increased capital have caused production to expand faster than markets, these programs have become increasingly more expensive and less effective in dealing with the problem of excess production—and for that matter, farm income, as well. We see no prospect that current types of farm programs can solve the problems of excess capacity and structural adjustments in farming over the next decade. We can continue to spend $3.5 billion on present programs, but a $35 billion expenditure in 10 years will undoubtedly leave many of the same capacity and adjustment problems still unresolved.

Returning to a completely free market in one move for agriculture would be the quickest, but most ruthless way to achieve needed resource adjustments; however, it would impose severe hardships on many farmers and other people in rural communities.

Another major alternative is a program directed at the excess capacity problem. It is a land-use adjustment program for shifting, on a long-term basis, a massive acreage of the least productive cropland to noncrop or nonfarm uses.

The national chamber supports this basic approach as the most promising in terms of dealing with the fundamental problem and meeting the long-run objectives to our urban-oriented society.

RECOMMENDATIONS

The chamber's recommendations encompass three major program areas:

1. A transition program to phase out major price support programs gradually;

2. A massive long-term land-use adjustment program;

3. Special assistance to people in rural areas suffering from the impact of the land-use adjustment program.

Before discussing each of these recommendations more fully, I want to emphasize that we do not presume to know all of the details about how each phase of these recommendations should be implemented. But we do regard each of these program phases as an essential component of the total package. All are needed if we are to:

Achieve lasting adjustments in commercial agriculture so as to return to a market-oriented system;

Assist many farmers to make necessary adjustments to more remunerative occupations;

Avoid further compounding the adjustment problems of many nonfarm people living in rural communities, dependent on the present farm economy; and

Gain the support of the urban as well as the rural interest groups.

Now for more information about each of these basic recommendations which we offer for your consideration.

1. Transitional program to phase out major commodity price support programs.—The national chamber recommends the gradual termination of commodity price support programs as a means of achieving specific farm price and income objectives, or for the purpose of limiting production of major storable commodities. This means the eventual end of acreage allotments, marketing quotas, and price support and acreage diversion payments.

The objective is to cut down gradually, or phase out the price support programs over a period of time during which commercial farmers could adapt their farming operations to produce for markets without supplemental payments from the Government.

The length of time required may need to vary for each major commodity, depending on the amount of carryover stocks, cost-price differentials, and so on. The phaseout should first apply to those commodities which are in greatest supply—principally wheat, feed grains, and cotton.

We should emphasize at this point, however, that the national chamber does favor some system of standby assistance designed to provide price stability in crop years with unusually large supplies that could lead to disastrous price declines.

One way to implement the transitional program would be to require direct annual appropriations to fund the commodity programs. Under the present method, the commodity stabilization programs are financed out of the Commodity Credit Corporation's Fund, which is then reimbursed through subsequent appropriations. This committee is well aware of the fact that Congress has limited control over the expenditures for the commodity programs under the present method of funding. With annual appropriations, Congress could provide enabling legislation which would require a progressive reduction in the amount of funds available each year from the present level until the phaseout is completed.

2. Long-term land-use adjustment program.—The Chamber recommends a massive land-adjustment program of sufficient duration to

achieve more lasting diversion of cropland used to produce crops in substantial over-supply—principally wheat, feed grains and cotton. We believe the program should include the following features:

Retirement of whole farms;
A duration of at least 10 years;
Emphasis on the marginal or least productive land;
Voluntary participation on a bid basis;
Limit on the amount of cropland that can be retired in any one county per year; and
Discretionary authority to permit the diversion of cropland to less intensive uses (trees, grass, recreation), where appropriate.

With emphasis on whole farms and marginal cropland, the cost to the Federal Government could be substantially less than the present cost of diverting each year a part of the cropland of many thousands of farms, many of which are highly productive. One study estimates that the long-term land retirement approach will cost only about half as much as current programs.

We support a land rental approach to encourage land retirement. Under such a system, a farmer could offer to retire for a period of substantial duration his entire farm at a certain rental rate. The Federal Government could either accept his price or reject it. An important consideration should be the competitive bids being received from other farmers in the same area.

We urge that Congress authorize the Secretary of Agriculture to permit using some of the retired cropland for less intensive uses such as recreation, grasslands, and trees. In cases where a farm makes such use of retired land, the rental paid by the Federal Government would be less than for a farm whose land is left unused. Therefore, putting some of this land to less intensive but nevertheless productive uses that meet market demands would help defray the costs of the program.

The Secretary of Agriculture would need sufficient authority to coordinate this type of retirement program with the phasing out of the price support programs.

The most important reason for implementing the land-use adjustment program is to provide a more lasting solution to excess production. By retiring the least productive land, and by adapting the land to uses which are economically sound, the program is less costly and opens the way for other kinds of programs that can be more helpful to marginal farmers.

The land-use adjustment program will bring obvious benefits to commercial agriculture; but it will impose difficulties on other sectors of the rural community. The third phase of our recommendations deals with this important matter.

3. Special assistance to rural people and communities.—Both farm and nonfarm families in many rural areas have felt the effects of the rapid flow of new technology and capital into rural areas. The economy of many rural areas has changed drastically since World War II. The members of this committee are familiar with the effects this has had on hundreds of thousands of Americans whose jobs have either been replaced by new technology and new methods of farming or have been reduced to part-time employment and inadequate income. Price support programs have encouraged some farmers to continue producing

price-supported commodities in order to keep their acreage allotments and the "right to produce," without regard to changing cost factors. They have prevented many farmers from producing at minimum production costs by virtue of the diverted acreage requirement for price supports. The result is that we have a large number of farmers who would seriously feel the impact of phasing out the price support programs.

Many commercial farmers will feel a different impact from the new programs. They will have to expand or otherwise improve the efficiency of their farming operations in order to survive profitably without continued dependence on Federal price support payments. Federal credit programs are available in the Department of Agriculture, as well as from private sources, to assist producers to acquire capital for farm enlargement. These may have to be studied in light of the new demands that could be placed upon them.

The combined effect of the gradual phasing out of the price support programs and the building up of the land-retirement program will be felt most, however, by the farmers who elect to retire their farms and by the businessman and others who serve them in rural communities.

Some of the farmers who choose to retire their farms will have sufficient resources to retire from farming. Some will be eligible for social security and other retirement benefits. Others will have sufficient training to find employment elsewhere.

But for those farmers who are not old enough to be eligible for retirement, but are without adequate income and skills to become employable, special assistance will be needed to supplement their limited land rental income. President Nixon's proposed welfare program, along with State and local benefits, could provide supplemental assistance.

The chamber would support direct one-time cash payments to help relocate farm operators and workers whose farm employment has been terminated, when no opportunities for local employment are available, employment is available to them elsewhere, and adequate training is provided to assure employment upon relocation.

We recommend that vocational-technical education be expanded to provide job training and employment for displaced agricultural workers. To accomplish this, the administration and the Congress should consider the feasibility of expanding regional vocational schools with programs especially designed for rural adults. Also, careful consideration should be given to the President's new Manpower Act proposals. Hopefully, the administration and Congress will make sure that the President's programs, if enacted, will provide training for rural workers and extend the proposed JOBS bank to rural areas.

Another source of assistance would come from a Federal revenue sharing plan if States were to allocate some of these funds to help meet the adjustment problems rural people will face during the shift from price support programs to land retirement.

There are a number of existing Federal programs designed to assist economically depressed communities. The administration, in cooperation with the Congress, should carefully review these, eliminate or revise those that may be ineffective and determine how best to utilize those programs that can be of greatest help to rural people and communities adversely affected by a land retirement program.

Examples of programs that should be carefully reviewed for possible assistance include the following:

In counties designated as "redevelopment areas" because of relatively low levels of employment and income, the Economic Development Administration, U.S. Department of Commerce, makes available:

Grants for public works installations;

Loans to aid and finance the purchase or development of land and facilities for industrial or commercial usage; and

Guarantees for private borrowers to obtain working capital loans to support existing businesses.

Presumably, if a substantial amount of cropland is retired within any one county, an additional number of counties in rural areas may become designated as "redevelopment areas."

The Small Business Administration also makes:

Loan funds available to individual small business firms by guaranteeing up to 90 percent of the loan from private lenders;

Loan funds available to local development corporations to promote development and expansion of small business concerns with the objective of providing maximum employment and buying power;

Equity capital and long-term loan funds available to small business concerns through privately organized and operated Small Business Investment Companies (SBIC's).

Loans are provided by the Office of Economic Opportunity through the SBA to assist in the establishment, preservation, and strengthening of small business concerns and improve the managerial skills employed in such enterprises. The U.S. Department of Agriculture provides a referral service to insure the use of these loans primarily in rural areas. They are used to encourage the development of small manufacturing and service industries, to bolster the economy of small towns and cities in rural America, and to provide employment.

The Department of Commerce and Department of Housing and Urban Development provide assistance for comprehensive planning for economic development on a multicounty, district or regional basis. The plans developed through these organizations can be effective "stepping stones" to the various economic assistance programs cited above.

Appropriate incentive programs should be supported to encourage sound business investments in rural areas suffering from excessive resource adjustment problems.

The chamber recommends that a bipartisan commission be authorized, or an appropriate research project be authorized, to investigate and analyze the basic factors affecting the geographic location of population and industry. Many companies have relocated plants in rural areas. There is reason to believe that many more would do likewise if the necessary facts and advantages were better known. This commission could study the costs of providing public services to cities and communities of different population densities. It could review the effects of Government programs on the location of population and industry. It could identify programs and policies needed to neutralize or offset tendencies to centralize economic activity and employment.

The National Committee on Urban Growth Policy has recommended Federal assistance in creating 100 new communities averaging 100,000 population each, and 10 new communities of at least 1 million population each to meet the needs of housing 100 million new Americans during the next 30 years. Where should these cities be built? What types of industries would they attract? How will they affect commercial agriculture and the availability of productive farmland and rural commuities? The answers to these and many more questions are needed. Wise research and planning today will help solve problems which are of vital interest to both the rural and urban leaders of the country.

A further substantial reduction in the farm population is in prospect regardless of what program Congress adopts. People, business firms, and service institutions will continue to face substantial adjustments and relocations in rural America. Public programs can ease the impact and alter the rate of adjustments to the forces of new science and technology; but they cannot and should not attempt to circumvent or reverse these forces.

CONCLUSION

The National Chamber's recommendation, if geared appropriately to the transition period, can (1) help marginal farmers become more productive; (2) enable commercial farmers to achieve a profitable farming structure consistent with future technology and demand; (3) encourage regional adjustments which are more consistent with economic growth; (4) provide an eventual termination of treasury outlays directed toward supply control, and provide orientation of production to the market; (5) require less public cost to support farm programs over the next 10 years than continuance of present programs; (6) represent an equitable means of adjusting agriculture to the current demand and technological setting.

We must somehow convince urban America that urban interests in agriculture go far beyond the cost of farm programs and the assurance of an adequate supply of food at reasonable prices. All of us must be aware that:

—there are rural roots to many urban problems;
—agriculture has a key role in the competitive strength of the United States in world trade;
—the problem of finding a place for the next hundred million people to live and work and play will involve rural America; and
—the future demands on the supplies and quality of land, water, and the air we breathe will be staggering and will fall largely on rural America.

We have little choice but to come up with a more acceptable program for agriculture or risk further erosion of urban support and understanding of farm problems. It is, therefore, imperative that we look beyond past programs and policies and adjust our efforts to more effectively meet today's needs and those of the next decade.

Thank you.

The CHAIRMAN. Thank you, Mr. Hageman. We appreciate your statement. I want to commend you on the last paragraph or so. It

was a very fine general idea. I want the record to show that I certainly disagree with most of your conclusions, that it seems to me that you are operating from a complete failure to understand the realities of agriculture, and yet I know you have been in the business. I don't want to take the committee's time, but I do want to ask you specifically about what your program will do in cotton and wheat. I don't think anyone believes that we can grow cotton, even in the magic valley of California, and sell it on the world market at 18 cents. Do you think we can?

Mr. HAGEMAN. No, sir.

The CHAIRMAN. I don't either. Yet, it will have to be sold at something close to that figure if it is going to exist in the kind of situation that you described.

Are you willing to write off the cotton crop in California and over the United States?

Mr. HAGEMAN. That is not our intent, Mr. Chairman.

The CHAIRMAN. I know it is not your intent. Are you willing to do it?

Mr. HAGEMAN. Our intent is to try to point out that urban United States will very probably not continue to support the present Federal farm programs. We are very concerned that if agriculture does not come up with a program which will serve their needs urban Congressmen may present a program which could be very unpalatable to farmers, and business people associated with agriculture.

We sincerely and honestly feel that the excess productive capacity in agriculture must be recognized in one way or another, and that in this process there will be some segments of agriculture that will be hurt worse than others. But for the good of all, including consumers, farmers, and agribusiness, this must be faced up to and must be done.

The CHAIRMAN. I agree with all of the fortuitous statements—I find myself fully agreeing with them, and I know that urban people are likely to impose a program that they don't understand and we can't live with. I understand that full well.

I am asking you specifically. Of course, we can't pass legislation simply by platitudes. We have got to approach specific crops, and cotton is an important crop in your State, and an important crop in my State and an important crop in Mr. Abernethy's State and an important crop in the Nation. For 150 years it balanced the foreign trade of the United States.

I think you will agree that you can't grow cotton and sell it in the United States at the world price, which is today not much above 18 cents. You know it can't be grown in California for that. Your growers in California have the right under existing law today to grow cotton and sell it on the foreign market without limitation as to the amount of acres. There is an over-all limitation, but I mean as to the individual. We have the right to grow cotton and sell it on the world market in excess of these allotments. They didn't avail themselves of that opportunity, did they—except for about 40,000 acres in the United States, which was mostly in Arizona; am I not right?

Mr. ABERNETHY. I don't really know. It wasn't too many acres.

The CHAIRMAN. About 40,000 acres.

Now, if these businessmen felt there was any possibility of making a dime selling that cotton on the world market they would have grown it. The plain fact is you can't do it. Of course, the ordinary urban Congressman immediately jumps up and says: "Well, fine, we ought to be able to import that cotton from Guinea, New Guinea, or Pakistan, or somewhere else." Why should you grow something that is going to cost you more than the world price, and yet he doesn't seem to realize that the real reason cotton is selling so low is the competition in synthetics. The minute you take the United States out of supply cotton, where do you think the price of synthetics is going?

There are, I believe eight concerns which handle 95 percent of all the synthetics in the United States. Where do you think the price of synthetics is going when it faces the competition of natural fibers?

Mr. HAGEMAN. In a supply-and-demand economy, Mr. Chairman, if synthetics rise that rapidly, cotton will come back into production and compete.

The CHAIRMAN. No, sir. I think you are dead wrong on that. Once you have destroyed the overall plant that produces the cotton, I mean the farmers who are producing it, who are equipped, who have the investment now, who bought the water in your country, who have the facilities to produce that cotton, once you have gotten them out of production, it is not coming back overnight nor in one operation.

Once you have destroyed completely that productive ability, yes, once you have destroyed our ginning capacity and our marketing system, there isn't any way of that cotton coming back, as you suggest. The investment of hundreds of millions of dollars in gins, cotton presses, and so on, once it is gone, is not coming back. No, the people are not going to pay the price, and if they don't realize that the thing that is keeping the price of synthetics down today is American cotton production, they are not too smart. I don't want to belabor this point, but much of the same thing is true on wheat. We are not needing any more wheat than we did 50 years ago. Our population is approximately three times as great.

Our grain production must depend in large part upon exports.

Mr. HAGEMAN. Right.

The CHAIRMAN. And when you export wheat to many parts of the world, you can get about a dollar a bushel for it. Now, of course, I know you don't grow much wheat in your State, but do you think that Mr. Kleppe's State can produce and sell substantial quantities of wheat at a dollar a bushel and pay present prices for his machinery and his labor and his transportation and everything that goes into it? Do you think he can?

Mr. HAGEMAN. I did not say that he could, Mr. Chairman.

The CHAIRMAN. I know you didn't, but do you think he can?

Mr. HAGEMAN. In our policy statement——

The CHAIRMAN. I didn't ask the policy. I asked you the simple question, what you thought about producing wheat at a dollar a bushel. I didn't have to have a policy, and you don't have to read me one to give me an answer.

What do you think about it?

Mr. MILLER. I will say, Mr. Chairman that he may be able to in the near future, in looking at what some of our land development and land

research is doing and with the breakthrough in hybrid wheat just around the corner. In our own area, Arthur wheat, a new variety, which is coming in, will increase yields 20 percent.

In Kentucky the new variety is expected to go over a hundred bushels to the acre. It may well be that we will see some breakthroughs coming within the next few years where that cost of production per bushel will be much lower.

The CHAIRMAN. We all hope we can reduce the cost of production of all our commodities, and we are striving all the time.

Our colleges are doing fine work, but our colleges are not the ones producing the wheat to feed the Nation, it is the farmers.

I come to the question, do you think that the farmers in Kentucky can produce and sell wheat at a dollar a bushel?

Mr. MILLER. I think they are on the brink of doing it, sir.

The CHAIRMAN. With this so-called Gaines wheat or some of the varieties that have been produced, sure, they have grown in Mrs. May's State years ago 182 bushels of wheat an acre, but it is not the kind of wheat you need in your bread. It is not the kind of wheat we are selling you at a dollar a bushel.

Well, Mr. Belcher.

Mr. BELCHER. No questions.

The CHAIRMAN. Mr. Teague?

Mr. TEAGUE. Just this, Mr. Chairman. I want Mr. Hageman and his associates to know that we have one member of this committee, at least, perhaps some more, who is in basic agreement with the recommendations they have made, and I commend them for making what I consider to be some very constructive suggestions and certainly not drastic or foolish in the way they are projected.

Thank you.

The CHAIRMAN. Thank you.

Mr. Abernethy?

Mr. ABERNETHY. Mr. Hageman, I followed your statement with considerable interest. I find myself more or less in agreement with Mr. Poage.

I would like to ask you a few questions which I think are fundamental in view of the philosophy which you reveal here today.

I realize that the farm programs are subsidy programs, but that doesn't scare me away from them. We have so many subsidies in this Government that if they were all printed in volumes I doubt if this room would hold them.

The minimum wage is a subsidy. Woud you repeal that?

Mr. HAGEMAN. No, sir.

Mr. ABERNETHY. And you regard it as a subsidy? It is a direct subsidy, isn't it?

Mr. HAGEMAN. To a certain extent.

Mr. ABERNETHY. What about our tariffs, our exports, are they not in the form of direct subsidies?

Mr. HAGEMAN. We recognize, Mr. Abernethy, that there are many segments of business that enjoy subsidies of one kind or another.

Mr. ABERNETHY. Would you recommend a phaseout of our tariff system?

Mr. HAGEMAN. I would certainly hope in the future that agriculture

could get better agreements with some of the countries that we export to.

Mr. ABERNETHY. You are not responding to my question. I am speaking of all areas and all quotas incidental to all business in the United States. Would you recommend a phaseout and let everything go on?

Mr. HAGEMAN. No.

Mr. ABERNETHY. You wouldn't recommend that?

Mr. HAGEMAN. No.

Mr. ABERNETHY. Would you recommend, or do you support the repeal of the investment credit?

Mr. HAGEMAN. We took no position on that.

Mr. ABERNETHY. How do you stand on it?

Mr. HAGEMAN. Personally?

Mr. ABERNETHY. Yes. Do you feel that it should be repealed?

Mr. HAGEMAN. Yes.

Mr. ABERNETHY. Did you complain when it was enacted?

Mr. HAGEMAN. No.

Mr. ABERNETHY. Do you regard it as a subsidy?

Mr. HAGEMAN. Yes.

Mr. ABERNETHY. What about depletion allowance?

Mr. HAGEMAN. It is a subsidy.

Mr. ABERNETHY. Did you recommend they be repealed completely?

Mr. HAGEMAN. I have no interest in depletion allowances.

Mr. ABERNETHY. I know, but do you recommend their repeal?

Mr. HAGEMAN. No, as long as the depletion allowance is for the best interests of the United States I do not feel they should be repealed, but I believe the best interests of the United States should be considered first.

Mr. ABERNETHY. But you didn't recommend repeal of the farm programs on that basis. You recommended repeal of these farm programs on the basis that somebody might repeal them for us if we don't do it ourselves?

Mr. HAGEMAN. Mr. Abernethy——

Mr. ABERNETHY. Wasn't that your recommendation?

Mr. HAGEMAN. That is part of our recommendation. Our other recommendation is that the Federal Government redirect its programs in order to provide more meaningful assistance to agriculture. The program we are recommending actually is a subsidy.

Mr. ABERNETHY. You suggest that these farms be retired on the bid basis. I agree that that might be something that we should add as a supplement to current programs. That might be a good idea. Our Government purchases a tremendous amount of material on a negotiated basis, first, to assure that the Government gets it at a reasonably fair price and at the same time to insure the person that sells it a reasonable and fair profit; that is true, isn't it?

Mr. HAGEMAN. That is correct.

Mr. ABERNETHY. All right. Now, do you recommend that all purchases by the Government now move to a bid basis?

Mr. HAGEMAN. In this particular case, on land rental, we recommend that that policy be followed. I am not in a position to make any recommendations on other commodities.

Mr. ABERNETHY. Mr. Poage mentioned cotton. I don't know how many cotton farmers there are. I used to know. But there are many of them who just disappeared and there have been so many consolidations, and there will be more. I don't think there are too many people still growing cotton who are unsubsistence farmers. There are subsidized business firms who belong to the U.S. Chamber of Commerce. I think the chamber is a fine organization. I pay dues directly to it through my own chamber of commerce, in my own State. But, you know, I think one of the things that the business people in this country overlook, is the fact that there are literally tens of thousands of people producing a particular crop such as cotton. These people can't sit around a table like eight synthetic fiber producers, as Mr. Poage mentioned, and fit production to demand. Cotton is having trouble now, not because of its lack of quality as a good fiber, but for many other reasons. If it goes out of production and these six or eight producers of synthetics take over, don't kid yourself they they won't produce a pretty expensive cost-of-living item to consumers.

Now, they can sit around a table and fix prices.

Mr. HAGEMAN. That is against the antitrust laws.

Mr. ABERNETHY. They do it, though, don't they? They do it, don't they? I am not saying these particular people, but it is done. There are only three or four automobile industries in this country and they never overproduce. But a half million cotton farmers can't meet and agree on production.

Mr. HAGEMAN. The automobile industry, Mr. Abernethy, faces a somewhat different problem than agriculture.

Mr. ABERNETHY. You didn't answer my question. It seldom overproduces, does it?

Mr. HAGEMAN. No, they don't overproduce.

Mr. ABERNETHY. They have a pretty good idea how many cars they can put out and sell?

Mr. HAGEMAN. They do not plant acreage in the spring and do not experience the effects of weather as does agriculture.

Mr. ABERNETHY. Right. That is one reason for the program. You anticipated it. That was to be my last question, not a question, but a submission of a thought to you. They don't have those hazards. They do have the hazard of strike.

Now they are proposing that farmers also have visited upon them the problem of strikes. You have seen these bumper stickers going around, "Boycott grapes," haven't you?

Mr. HAGEMAN. I have no sympathy for that whatsoever.

Mr. ABERNETHY. It originated out your way, didn't it?

Mr. HAGEMAN. I have no sympathy whatsoever for it.

Mr. ABERNETHY. And it has been recommended we make this strike business applicable to agriculture.

I do think you made a good statement, and I think some of the points you made are very good, but I just can't go along with your ideas that the thing to do is just repeal the whole kabash and say that small business loans and relocation of people and these other things will solve this problem.

It just won't do it. I don't think it will. I wish I knew that it would. I have a lot of people that would like to get out of it—I mean, get into that type of agriculture if it were possible.

Mr. BELCHER. Will the gentleman yield?

Mr. ABERNETHY. Yes.

Mr. BELCHER. Did you vote for the reform tax bill?

Mr. ABERNETHY. Yes.

Mr. BELCHER. Then you cut the depletion allowance, whether we liked it or not.

Mr. ABERNETHY. Did you vote for it?

Mr. BELCHER. No, sir.

He cut the depletion allowance whether we liked it or not.

Mr. ABERNETHY. The gentleman, I don't think, gets my point. I voted for the depletion allowance, as unpopular as it is with many of my constituents, and I will vote for it tomorrow.

Mr. BELCHER. You voted to cut a tax?

Mr. ABERNETHY. No; there was 400 pages of that bill.

Mr. BELCHER. There were a lot of other bad things along with depletion.

Mr. ABERNETHY. Indeed, there were a lot of other bad things. There were a lot of good things, too; but I had only a single choice and it wasn't my fault I had only that choice. I never voted for the gag rule. I never voted for gag rule and I don't—I think the Members of the House ought to have the right to vote for each item in that bill. I thought the good in the bill outweighed the bad, and I had to choose between hundreds of items on one side against hundreds of items on the other. I chose on one side and you chose on the other, which is all right.

Mr. BELCHER. I chose for a lot of other things, too, but I would also say that Mr. Hageman's statement recognizes the fact that there are a lot of bad things about the farm program and a lot of good things about it, and he has just to take a choice. That is exactly what you did with the tax bill. You thought there was more good things about it than there were bad things.

I thought there were more bad things than good things, so I am one of the 30 that voted against it.

Mr. ABERNETHY. I didn't interpret Mr. Hageman's statement to indicate that he thought there was a lot of good things and bad things about the farm program. I thought he thought it was all bad. I interpreted his statement that we should gradually, softly, with the least brutality possible, get rid of it entirely.

Mr. BELCHER. I wish you had done the same thing to the tax bill, but you don't see fit to do it. I would rather you just cut my depletion allowance off 1 percent at a time rather than just chop off 7½ percent.

Mr. ABERNETHY. I appreciate the compliment of the gentleman that I had the tax bill under my personal control. I didn't know I had reached that zenith in my service here.

Mr. BELCHER. You did exactly what you are criticizing Mr. Hageman——

Mr. ABERNETHY. I am not criticizing him at all. In fact, I complimented him. I don't agree with him, but——

Mr. BELCHER. I am glad that you complimented Mr. Hageman. I am not going to compliment you for voting for that tax bill.

The CHAIRMAN. Mrs. May has the floor.

Mr. BELCHER. Now, wait just a minute. Don't take the floor away from me. I sat here 5 days and this is the first time that I have made

any comment. I would like to have at least equal time with the chairman.

The CHAIRMAN. Well, you were given time and you didn't use it.

Mrs. May is recognized. The time is nearly up, and if you don't use it, I will go to the next one.

Mrs. MAY. Mr. Chairman, I will use my time. I would like to have a little time to compliment Mr. Hageman in my own way, not in the way some others may have supposedly complimented him.

I think it is a good statement, Mr. Hageman, and I do thank you, in behalf of the chamber, for recognizing the need for some type of continuing subsidies. I think this is quite a step forward from previous statements we have had from the national chamber.

May I ask you a personal question? What is your background? Do you have an agricultural background, Mr. Hageman?

Mr. HAGEMAN. Yes, Mrs. May.

Mrs. MAY. Do you recruit for your Del Monte Corp., for some of your key people, from business entirely, or do you recruit from agricultural colleges?

Mr. HAGEMAN. Most of the young men, I would say 75, 80 percent of the young men that we recruit in our corporation are recruited from land grant colleges.

Mrs. MAY. Now, having been given a chance to present your credentials, is it not true, for the record, that you present this statement as a member of the National Agricultural Policy Board for the National Chamber of Commerce and not as a citizen of California; right?

Mr. HAGEMAN. Yes, Mrs. May.

Mrs. MAY. I think that should be made clear, because some questions have indicated a presumption that you were reflecting only a California agriculture view. I believe your agricultural background was elsewhere than California?

Mr. HAGEMAN. Yes; that is right.

Mrs. MAY. On that basis, then let's go on.

Will you give me your definition, as you have used it in this statement on behalf of the agricultural policy committee of the chamber, of a commercial farmer?

Mr. HAGEMAN. We regard a commercial farmer as a person or family whose primary business is farming and derives his income primarily from farming and directly related enterprises. This could be one man, this could be one man, his wife, his sons and daughters, it could be two brothers working together.

In other words, they are people who obtain their income from agriculture, and that is their primary business enterprise.

Mrs. MAY. In other words, when you refer to your concern for them, under any changed farm program, you are not referring to what has become kind of a dirty term, it seems, around here, to corporation farming?

Mr. HAGEMAN. No, Mrs. May.

Mrs. MAY. I would like to verify that for the record, because so many times the question is raised. We do have another term this committee and some others call "family farm program," which isn't precise in this definition, but I think it is more to your commercial farm rather than corporate farm.

Mr. HAGEMAN. I would certainly agree with that.

Mrs. MAY. One statement, and I will make it briefly.

I would like to compliment the chamber for recognizing the necessity for a companion or complementary program to help with what could be tragic economic impact of the wrong kind of a land-use adjustment program. We have a number of witnesses who have recommended in their program some form of land adjustment, but almost without exception they have failed to recognize, if this approach were taken under a new farm program, that we obviously would have to cushion the economic shock for people in certain areas of our United States. I do compliment your committee for having studied this problem and come up with some specific suggestions as to potentials for help.

Now, just one last question. The chamber of commerce, I imagine, has a chamber in almost every city of every size in the United States. I come from a rural area where we have nothing but many, many small cities, and I know almost all of them have a chamber of commerce.

So I have always assumed that the chamber and your committee would have access to some grassroots feeling and what the people out in the area, whether they be rural or urban, what they are saying and feeling about, per se, the American farm program.

I also am aware that you have a national office here in Washington, D.C., staffed by a number of competent men in various fields who are very close or pay very close attention to all the Members of Congress and what they are doing. So I assume that people on that staff have a pretty good idea of what is being said within these Congressional Halls about the farm program.

Now, based on the assumption of that knowledge on your part of the men with you, I would like to go back to the point you made in your statement which is really the most crucial question that faces us. When you say we have little or no choice but to come up with a more flexible program for agriculture or risk further erosion of urban support and understanding of farm problems, you are very correct.

Now, we have just heard some very eloquent and factual arguments on what some of the members of this committee think is needed or would want or would like to have in a cotton program.

I gather it is something far different than a phaseout. I could, if we had the time, review some of the very same types of arguments for wheat, which I represent. Those arguments have been made by me and others on cotton and wheat, in the Congressional Halls, back home, out in the country, wherever we have a chance.

Tell me, based on the experience I referred to, do you think the American public and its Congressional Representatives are buying those arguments? Is there any change in public feeling that would indicate increased support for extension of the present programs at the present cost?

Mr. HAGEMAN. We have talked to many people in many areas of the country. We have the feedback from the many chamber of commerce offices which you mentioned scattered throughout the United States. We are absolutely convinced that the urban American will not support the present farm programs and the staggering cost in the future.

Mrs. MAY. Thank you, Mr. Hageman. That is all.

The CHAIRMAN. Thank you, Mrs. May.

Mr. Purcell.

Mr. PURCELL. Yes. I think I will get back to complimenting you in a more realistic manner than we started out. I am trying to be funny, and I appreciate your grinning when I say that.

Now, your company deals with a lot of farm producers I take it, you buy your products from producers, whatever it is, and Del Monte processes and sells them?

Mr. HAGEMAN. That is right.

Mr. PURCELL. None of your producers are under any kind of a farm program that I am aware of; is this correct?

Mr. HAGEMAN. That is correct, Mr. Purcell.

Mr. PURCELL. Therefore, they are not encumbered with all these total failures that the Government has been involved in in the last 30-odd years; correct?

Mr. HAGEMAN. Yes, sir.

Mr. PURCELL. Are those producers growing in number? What is the situation of your suppliers in regard to their prosperity?

Mr. HAGEMAN. In all honesty, Mr. Purcell, I would say that our suppliers are in much better financial condition than suppliers of the federally supported crops.

Mr. PURCELL. And you have a contract with them whereby they know basically what they are going to get?

Mr. HAGEMAN. Yes, sir.

Mr.PURCELL. So therefore they are not like the hundreds of thousands and into the millions that are having to go to the market and say, what are you giving me for my product, are you?

Mr. HAGEMAN. No, sir.

Mr. PURCELL. Therefore, they relate very little to the commercial producer, call it whatever definition you want, of our three basic commodities, feed grain, wheat, and cotton?

Mr. HAGEMAN. There are certain areas where we might contract tomatoes with a man, say, in California, who grows wheat and also might grow cotton. There is that fringe area, but generally the people that we contract with are either fruitgrowers or vegetable growers.

Mr. PURCELL. Yes. If you remember correctly, Mr. Hageman this is the second time the chamber has brought someone other than a man more familiar with the problems faced by the producer of our three basic commodities to be the spokesman for the chamber. I find that interesting.

Now, then, are you familiar with what the chamber is doing, if anything, to gain support from the rural and urban folks to understand the producer's problems or perhaps to better sell to the consumer what a great job the American farmer has done for him?

Mr. HAGEMAN. Mr. Purcell, I am familiar with those programs. However, I think Mr. Stokes would be in a better position to give you more accurate details.

Mr. PURCELL. All right.

Mr. STOKES. I would just comment briefly in that regard and give two or three examples. For example, at the annual meeting this year the national chamber sponsored a forum on agriculture. Our speakers

included the Under Secretary of Agriculture, three members of the chamber's agriculture committee, and a national vice president of the Future Farmers of America, all addressing themselves to the problems of agriculture and consideration for dealing with these problems.

This is in communications primarily with the chamber membership, with representation from all of the urban areas, so that there would be a better understanding. In addition we are in constant communications with local chambers and participate in many programs which focus attention on the farm problems.

Mr. PURCELL. Have you any ongoing program directed toward urban people to educate them, give them information or show in any way the problem that American agriculture is facing?

Mr. STOKES. Yes, sir; our most recent effort is a publication called "Farm Problems, Programs, and Policies." I will be glad to make this copy available for the record. Our regular series of "Here's the Issue" and "Washington Report" reports information on farm problems—labor markets, production, and income.

Mr. PURCELL. And it goes to your members in the cities?

Mr. STOKES. Yes, sir; all over the country.

Mr. PURCELL. You don't have any program or public plan to educate the general public in the cities?

Mr. STOKES. Not a continuing program exclusively for this purpose. The September issue of Nation's Business has a feature story on the problem that American agriculture is facing.

Mr. PURCELL. Well, you have a meeting and you talk to your members, that is what you said a while ago. You have a big meeting and you have the Under Secretary of Agriculture and some other people make speeches to your members.

Mr. STOKES. That was an example, yes.

Mr. PURCELL. You have not told me about any program that you have in any way that educates the public, I don't mean just writing a newsletter to your members, but something I would hope would say what a good job the American food producer has done for the American public.

Mr. STOKES. I would like to call your attention to the membership on the national chamber's agriculture committee which includes many competent spokesmen in behalf of agriculture. We will be glad to leave a copy of this committee for the record, to show how broad the coverage is.

Mr. PURCELL. Have you got any grain people serving on these committees?

Mr. STOKES. Yes, sir.

Mr. PURCELL. Why didn't you bring some of these people up so we can see what they say about getting rid of——

Mr. STOKES. There is one at the table now, Dr. Goodman is a grain man.

May I also add, in response to your previous question, that the chamber sponsors a weekly radio program known as What's the Issue. It is carried by about 500 radio stations and serves to inform the public as well as the chamber's membership. The problems of farmers and related agricultural issues have been featured on this program a number of times.

Mr. PURCELL. What do you do with them? Get rid of all these programs so you can get rich together?

Mr. STOKES. We provide interviews with people, and I believe, sir, you were on this program with respect to a wheat issue some time ago; more recently we discussed on this program the pros and cons of the international grains arrangement. We will be having more discussions on agriculture in the near future for public information.

Mr. PURCELL. You didn't ask me the facts, or I didn't say what you wanted me to? I just wondered.

Mr. STOKES. Give us an opportunity.

Mr. PURCELL. I am here almost every day.

Mr. STOKES. OK.

Mr. PURCELL. In your plans, I don't know whether you ought to respond to this about retiring this land, but you use the term "recreation" and two or three other things, and grassland. I take it by that that you would suggest the use of this retired land for grazing purposes; is that correct?

Mr. HAGEMAN. No, sir.

Mr. PURCELL. What do you talk about when you say grasslands?

Mr. HAGEMAN. It would be planted to grass, Mr. Purcell, to prevent erosion.

Mr. PURCELL. And not use it for anything except grasses, bugs, and grasshoppers?

Mr. HAGEMAN. It could be used for recreation. I would like to also mention one point in our testimony; namely, that the Secretary of Agriculture should have certain authority in such a program. Speaking personally and not for the chamber, it would seem that if there were a shortage of beef in the United States, some land could then be used for grazing so long as it did not penalize the beef producer.

I personally would not want to see an agricultural policy put millions of acres into grazing thus ruining the cattleman as a result. The land should be used only for grazing if there is a shortage of beef in the United States and if cattlemen can use this land to their advantage.

Mr. PURCELL. So, then, you would start subsidizing them if there was a shortage of beef? How would you determine what was a shortage of beef?

Mr. HAGEMAN. That would be left either to the Congress or the Secretary of Agriculture. I would certainly not go to the extent of subsidizing cattlemen. If some of this land were to be grazed, cattlemen would pay the Government for the use of that land.

Mr. PURCELL. You wouldn't let the man who owned it graze it. He would have to rent it out to somebody else?

Mr. HAGEMAN. I would personally have no objection to the man that owned it renting it back from the Government if that was considered to be feasible and for the best interest of the United States. However, some of these details would have to be worked out, Mr. Purcell.

Mr. PURCELL. All right. Will one of you briefly tell me now, in your opinion, whether agriculture has a key role in the competitive stream in the United States and world trade? Very briefly, what is the chamber doing to sell American agriculture products in foreign markets?

Mr. STOKES. I will make a general comment here, and perhaps others can add more specifically with information in their companies and areas. The chamber's international group has primary responsibility for trade programs, trade regulations, and policies for the chamber. The major thrust of the chamber's international program is to increase foreign trade through the support of legislation to remove trade barriers. This is why we opposed ratification of the International Grains Agreement, and why we are currently opposing efforts by the EEC to impose a tax on oilseed products imported by the EEC.

The international chambers of commerce and the American chambers of commerce abroad are assisting us in informing the European countries of the serious impact this would have on the American economy. The national chamber insisted that agricultural products be included along with industrial products in the GATT negotiations. So the chamber is trying to be as effective as possible to protect the American agricultural interest in foreign markets.

We don't have all the answers, but we will be glad to be an active part in this program.

Mr. PURCELL. Well, what I am getting at is, I realize that sometimes you respond to these difficulties as they come up. Are you doing anything to sell anything anywhere except when they have these big meetings that have to do with taxes or import quotas?

Mr. STOKES. I will have to consult more with our international group who is responsible for this, Mr. Purcell, and will be glad to submit it for the record.

Mr. HAGEMAN. I think, Mr. Purcell, I might add one point. The chamber has taken a very strong position with our Government on strengthening agriculture's bargaining position in world trade and specifically exports. We do not feel that in past negotiations, U.S. agriculture has had a fair shake, and we think our position should be improved.

Mr. PURCELL. By that, you mean you jumped on the Government employees and representatives, or are you doing anything to get out and sell the American products?

Mr. STOKES. Mr. Purcell, if I might mention, the makeup of our committee is of men who have been working on this, such as Mr. Pearce, who actually participated in the negotiations in the development of the International Grains Agreement.

Rotation of the committee membership over the years constantly brings in the background of individuals who through their companies or through their organizations are deeply involved in this along with the committee right now, such as Don Lerch, who has been doing a great deal of work in Japan and the Orient.

So, represented on the committee is the background of individuals who personally are involved in this very thing, working in international areas, developing trade, getting American commodities moving.

Mr. PURCELL. And they are in the field working to sell American food products?

Mr. STOKES. Yes, sir.

Mr. PURCELL. Well, Mr. Hageman, let me just say we do appreciate your interest, and I know that you have a great background and sincere interest in agriculture and have devoted a great deal of time in work-

ing with people in that area. We don't mean to be mean, but I don't agree with what you said, at least in your introduction and two or three parts of your conclusion.

But we do appreciate your interest and hope that you will continue to work.

Smoky, sometime you find an old boy in the grain business and bring him up here and have him talk for you.

The CHAIRMAN. Thank you, Mr. Purcell.

Mr. Goodling.

Mr. GOODLING. Thank you.

I want to associate myself with the remarks of Mr. Teague. I am another member of this committee who does not subscribe to the thinking that our agricultural programs have been successful in the past. I realize cotton is a sacred word in this committee, and my heart goes out to cotton growers. I wish I knew the answer to their problem.

We were in Texas a few weeks ago and I think the chairman's home State has the potential to grow all the cotton that this country needs and for a lot of our foreign countries also, given some water.

To get back to the cotton just a minute and the fact that I say programs are not working or have not worked in the past. The statement was made right from where you sit a year or two ago that we are subsidizing cotton almost to the full value of the crop.

I submit that any program that does this is not working, and I wish, as I said, I knew the answer to the cotton problem, but I simply do not.

I think we have got to come up with an answer. I do not think we can continue to subsidize any crop to almost the full extent of the value of that crop. I personally do not think that is good business.

We have a difficult problem, and I hope all of us can get our heads together and come up with a sensible answer. But, as I said at the outset, I do not believe that our farm programs in the past have worked. I hope we can come up with something that will work better than they are working at the present time.

That is all, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Goodling.

Mr. Kleppe?

Mr. KLEPPE. Thank you, Mr. Chairman.

I am a little bit at a loss to know exactly how I want to proceed on this comment. I have the highest regard for the four gentlemen at the witness table and for the organizations which they represent. In the short period of time I have been in Congress, I have found myself in almost complete accord with the positions taken by the U.S. Chamber of Commerce and its committees. Today is different. Our ways are quite separate and diverse regarding your testimony today. I think the views expressed in your concluding paragraph make a lot of sense, but how we go about accomplishing the objectives is much different. I know you have tried, and I know I have tried, but in this area of farm programs and the economic plight of our agricultural industry, our views do not coincide.

Nevertheless, I appreciate your appearance at our committee and thank you for your presentation.

The CHAIRMAN. Thank you, Mr. Kleppe.

Mr. Burlison?

Mr. BURLISON. Thank you, Mr. Chairman.

I would like to commend Mr. Hageman and his colleagues for coming into the kitchen here this morning. I would, at this time, like to associate myself with the remarks of the gentleman from Mississippi, Mr. Abernethy, and the distinguished chairman of the committee.

I would like to go into some of the ramifications that they touched upon, but time doesn't permit that.

I would like to ask Mr. Hageman this question, though: What familiarity you may have with the proposal of the American Farm Bureau Association?

Mr. HAGEMAN. I have general familiarity with their program and recognize that it is somewhat similar to ours, in that they recommend a long-term land retirement.

Mr. BURLISON. I would say, Mr. Hageman, that the Farm Bureau proposal is not somewhat similar, from what I understand of it and what I have seen of it. It is practically identical. Can you point out to me how your program differs from the Farm Bureau proposal?

Mr. HAGEMAN. I would like to refer that question to Dr. Goodman.

Dr. GOODMAN. The Farm Bureau program doesn't go as far in two ways that this statement suggests. First of all, I think you have to do as we have attempted to do in our statement; that is to place substantial emphasis on programs to assist adjustment of both people and communities.

I am not familiar that the bureau has gone that far in their proposition. Also, there are certain specifications in the resource adjustment program, including the land retirement that are not the same as the Farm Bureau's.

Mr. BURLISON. Would it be a fair analysis to say that your program differs only in degree from the Farm Bureau's proposal, the basics of your program identical with the Farm Bureau program?

Dr. GOODMAN. No; I don't think you could state the difference is only a matter of degree in what we are proposing be done with regard to helping people and communities in adjusting areas. The Farm Bureau doesn't say anything about that that I know of.

Mr. BURLISON. No; I don't believe they mentioned the President's new welfare program was going to be utilized for the benefit of our farmers, $4 billion that it is projected that our welfare program will take. And I suppose maybe a fair conclusion on why the Farm Bureau didn't propose that was that their appearance before this committee was before the President's new welfare program was announced.

Thank you, gentlemen, very much. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Burlison.

Mr. Miller.

Mr. MILLER. Thank you, Mr. Chairman.

Mr. Hageman, I wish to commend you on the statement you made. I agree in part. I disagree in part. But I think what you have is exactly what we need; namely, different ideas and different views in order to come up with a program that we hope will work. As I see the member's plan, it would shift from price-support programs to land retirement.

Now, it would also shift the cost from the farm program to other Federal programs. This, in turn, would be moving more people off the smaller farms.

Now, what I am wondering, have you given thought to the cost of moving people off the farms, taking up that cost in the cities? Is it comparable to what the farm programs would cost today?

Dr. GOODMAN. There have been some estimates made in varying research projects about both the costs and the benefits that take place in the movement of people out of agriculture, both historically and for the future. It doesn't necessarily follow that all of these people in the past that have moved out of agriculture have gone to the large cities.

Some of them have gone to the large cities, but many of them have gone to smaller growing cities and towns. The reason that they have made the move at all is because of underemployment.

They have not been assisted in the past and they have had some great difficulty in making that transition. They have tended to move to places where there were supposedly job opportunities. But too often they couldn't find a job, or lacked the needed skill for off-farm employment.

One of the things that you can get out of a program designed specifically to assist these people is to help them prepare for employment and either commute or move to a place where by their mere existence in that place, new opportunities can be generated. In other words, you get development of rural nonfarm areas; that is, towns in rural areas can be somewhat stimulated in this fashion by a program that would improve education, job training, small business investments, and so on.

I can't quote the figures, but this all costs money and it will cost over and above current programs that are presently on the books. It may be something close to the savings from shifting from present commodity programs to land retirement, at least for a while. But there is a big payoff to the economy. You get fruitful employment out of these people and greater production and productivity generally in the economy because you are moving away from underemployment to full employment of workers and growth and development of those communities.

Mr. MILLER. Thank you.

The CHAIRMAN. May I point out the second bell has rung, and we are going to have to get to the floor. That is the second bell, you understand?

Mr. MILLER. I understand.

You have with you the man on the chamber's agriculture committee, Robert Miller, the director of agricultural activities from the Farm Department of the AVCO Broadcasting Corp. of Cincinnati, Ohio.

There was a question as to whether we were trying to get a message to the people in urban areas. I can personally say I have heard what is being done by the AVCO Broadcasting Co., attempting to get the idea to the urban people that there are problems on the farm, in agri-business, and in the economy where today the farm people are receiving less for what they are producing.

I believe Mr. Miller has been the mainstream in attempting to put this message over to the people. I thought this should be brought out at this time.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Jones.

Mr. JONES of North Carolina. Mr. Chairman, in view of time, I had better forgo any statement.

I would like to say this: I appreciate what you said, Mr. Hageman, and the committee representatives here. I find myself in disagreement with a lot of what you did say.

In all deference to my good friend Smoky Stokes—and I like him very much—but I can't buy all that you offer here. Simply, gentlemen, I cannot understand why you would propose that we phase out all farm programs when you have many members of the U.S. Chamber of Commerce who are the recipients of some sort of a subsidy just like the American farmer is. This I can't buy. I think we are wrong about this philosophy. I would like to associate my feelings and remarks with the chairman's remarks, too.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Jones.

Mr. Melcher.

Mr. MELCHER. Thank you, Mr. Chairman.

I would like to be advised, since you think that $3.5 billion from the Treasury is a high figure, on what limit per year you would put on new farmer legislation?

If you think $3.5 billion is high, what would you suggest be the limit?

Mr. HAGEMAN. I would suggest the limit be established by what is considered, in the best judgment of the administration and Congress, to be the figure that could be acceptable.

Mr. MELCHER. Then what you are proposing is less than $3.5 billion for land retirement, planting grasses, moving the people off the land onto the welfare rolls, and developing recreational areas on the retired land; is that true?

Mr. HAGEMAN. Yes, sir; in the long run.

Mr. MELCHER. You think it would be cheaper?

Mr. HAGEMAN. I would like to make one point.

Mr. MELCHER. But if it is not cheaper, if it is not less than $3.5 billion, would you still recommend it?

Mr. HAGEMAN. The key point is that we can go on for another 10 years the way we are now and spend, say, $35 billion. At the end of that 10 years, we will undoubtedly face the same problems we face today.

Under the program which we have recommended we feel that less money would be expended over a 10-year period and at the end of that 10 years we would solve at least a major part of the problems which we face today. In other words, it is not a short-range, but a long-range proposal to solve many of our farm ills with less expenditures by the Federal Treasury over a 10-year period; and at the same time accomplish the more important objective of more lasting adjustments in the use of farm land.

Mr. MELCHER. I would like to point out to you and for the record that everyone else who has testified in detail concerning a land retirement program, the type of program that you have envisioned, has admitted to this committee that it would cost more than $3.5 billion to do it and to phase out the program.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Melcher.

Thank you, gentlemen.

The committee will stand in recess until 10 o'clock, Tuesday, the 16th of September.

(Whereupon, at 12:40 p.m., the committee adjourned, to reconvene at 10 a.m., Tuesday, September 16, 1969.)

GENERAL FARM PROGRAM AND FOOD STAMP PROGRAM

TUESDAY, SEPTEMBER 16, 1969

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to recess at 10 a.m. in room 1301, Longworth House Office Building, the Honorable W. R. Poage (chairman) presiding.

Present: Representatives Poage, McMillan, Abernethy, Stubblefield, Purcell, O'Neal, de la Garza, Jones of North Carolina, Montgomery, Burlison, Jones of Tennessee, Melcher, Belcher, Goodling, Miller, Mayne, Zwach, Kleppe, Price, Myers, Sebelius, McKneally, Mizell, and Resident Commissioner Córdova.

Also present: Christine S. Gallagher, chief clerk; William C. Black, general counsel; and L. T. Easley, staff consultant.

The CHAIRMAN. The committee will come to order. We have met this morning to continue our discussion of the farm and food stamp legislation.

Our first witness will be introduced by our colleague, Congressman Zwach.

Mr. ZWACH. Mr. Chairman, this gentleman represents the Cargill industry. Cargill, as you know, is one of the oldest processing industries in our area. It has grown from a one-man operation to an operation now that has developed throughout our country and much of the world. I have to share him with Kansas because he is a graduate of Kansas State University and a Kansan by birth.

He now lives in Minneapolis. He was chairman of the National Soybean Processors Association, and has been with Cargill since 1940.

It is a great pleasure to introduce a fellow Minnesotan who is well informed in this industry.

The CHAIRMAN. Thank you, Mr. Zwach. We are delighted to have you with us.

STATEMENT OF M. D. McVAY, GROUP VICE PRESIDENT OF CARGILL, INC., MINNEAPOLIS, MINN., REPRESENTING THE NATIONAL SOYBEAN PROCESSORS ASSOCIATION

Mr. MCVAY. We appreciate the opportunity you have given us to present our views on national agricultural policy.

We speak on behalf of the National Soybean Processors Association; however, in making these remarks and recommendations it is our purpose to speak in the interest of the entire soybean complex—a complex that encompasses farming, transportation, processing, feed manufacturing, poultry and livestock production, and the manufacture and distribution of consumer products.

The interest of all these segments of the economy as well as the interest of the U.S. consumer and taxpayer are intertwined and inseparable.

The soybean processor knows that his future is directly related to the future of the soybean producers. But, he also knows that the future of the soybean producer is dependent upon the ingenuity of the processor to process and market the crop efficiently and aggressively, to develop new products, to build new demand, and also upon the feed manufacturer and the feeder and upon the consumer.

It would be difficult to overstate the importance of the growth of the soybean complex in the last 30 years to the farmer, the laborer, the feeder, the consumer, and the taxpayer. Soybeans now make profitable use of 44 million acres of land; they add $2½ billion to farm income. Soybean meal has been the foundation of the growth of the livestock feed industry which has led the revolution that has halved the cost of producing meat, milk, and eggs.

The consumer in the United States spends but 16.8 percent of disposable income for food.

The producer receives but 32 percent of the consumer food dollar.

Twenty years ago these percentages were 23.4 and 44 percent.

Certainly there are other factors and other entities that have contributed to the consumers' improved diet at low cost, but since soybeans are the backbone of an efficient livestock and poultry production, they are a major contributor to these gains.

Soybeans add $1,160 million to the U.S. balance of payments, the largest contributor of any agricultural crop, and agriculture in total is our most important export industry.

And lastly, the economic burden to the taxpayer of maintaining a sound agriculture which is essential to a national well-being has been greatly lessened by the development of markets both at home and abroad for soybean products which has made use of agricultural resources which would otherwise have laid idle.

Soybeans are the one major crop, complimentary to other crops, which the farmer has been permitted to produce in unlimited volume, responding to the demands of the marketplace and the needs of his individual farm operation. This single fact has been of immense benefit to American agriculture. The profound adjustments which have occurred in agriculture during the past generation—the loss of cotton markets, the reduction in peanuts, tobacco, corn, wheat acres; the spread of animal agriculture into the Deep South; the reclamation of large tracts of formerly unproductive lands—these changes have been possible only because an alternative, soybeans, was available.

That we may better understand the reason for this tremendous development in the last 30 years, let us mention some of the reasons for the industry's growth.

There has been a growing demand for protein foods and for vegetable oils.

The consumption of soybean meal in the United States in the last 20 years has increased from 4,178,000 tons to 11,275,000 tons.

The consumption of soybean oil has increased from 1,646 million pounds to 5,750 million pounds.

The exports of soybeans have increased from 23 million bushels to 284 million bushels, exports of soybean meal have increased from 151,000 thousand tons to 3 million tons, and exports of soybean oil have increased from 83 million pounds to 876 million pounds.

This increase in demand for protein and vegetable oil is brought about because of a change in eating habits—and desire for more meat, milk, and eggs, and less carbohydrates. It occurs in essentially every country as they have the economic means to acquire the types and quality of food they desire. The demand continues to grow in developed countries and there exists a great unfilled need for protein in the diets of a large part of the world's population.

While there is a growing demand there is also vigorous and varied competition. Russian sunflower, soybeans from Brazil, rape seed from the EEC and Canada, palm oil from Nigeria and the Far East.

As surpluses in feed and bread grains have developed over the world, many governments have made an effort to divert production from these crops to oilseeds. This has been accomplished in many countries by the payment of substantial subsidies resulting in prices to producers double U.S. prices. Chemical products have developed to compete with natural proteins.

The growth of the past has not come in an untroubled steady progression—it has come by facing and meeting one challenge after another. Detergents replace soap and release great quantities of fats and oils forcing the development of new markets for these products.

Urea replaced much of the soybean meal used in the fattening of cattle.

Fishmeal from Peru replaced much soybean meal in poultry rations.

Russia developed sunflower varieties that doubled the oil production per acre and went from exports of zero vegetable oils to exports of 655,000 metric tons in the year 1968.

Soybeans have met these challenges in the past. They certainly will face others in the future. High lysine corn and protein from petroleum are but two that concern us now.

Another characteristic of the soybean economy is that the demand for soybean products is price elastic. Consumption is related to price.

Over the years for the most part, soybean prices have been determined by the supply of soybeans and the demand for soybean products.

Three times in the past 20 years it has appeared that the production of soybeans exceeded the demand for soybean products, and that a surplus of soybeans was in sight. This happened first when the production was 225 million bushels and again when production was 450 million bushels and again when the production reached 1 billion bushels.

In the early cases, market price adjustments increased demand and encouraged expansion of production and supply and demand were balanced and production grew in step with demand. Recently, the support price was raised to an uneconomic level which curbed demand and stimulated production and use of competitive items.

The use of soybean products stagnated and, in fact, appeared to be on the verge of declining as competitive producers expanded their production and sales in traditional soybean markets.

However, the support price has been reduced and soybean products are once again competing for the increasing protein and vegetable oil demands.

The market is available to use current production and to gradually dispose of present Government stock of soybean products are permitted to compete vigorously.

Another peculiarity of the soybean industry is that agriculture is a major buyer as well as the seller. Livestock feeders are the primary market for the products of the soybean grower.

An expansion of demand helps not only the soybean producer but the livestock feeder as well. If consumption of soybean meal is curbed because of high prices—which causes the consumer to restrict the use of meat, milk and eggs—both feeder and soybean producers are damaged.

We believe that a strong, viable, competitive agriculture is essential to the national interest—the benefits to the consumer, the balance of payments and the general economy we have previously mentioned.

We here speak of the 1 million farmers who produce 87 percent of the agricultural goods marketed. This group must be adequately financed, must be backed by the best in research and technology and in long-term agriculture as a life, must return adequate income to attract and hold some of the most able in our society.

As in the past, the farm community must be led by the inventive, the ingenious, the industrious, so that U.S. agriculture will continue to be the most efficient in the world. To achieve and assist in the development of such an agriculture, Government policy must permit flexibility and must provide and encourage fast response to change.

We have mentioned previously some of the many changes that have occurred in the last 20 years in the soybean section.

Most of these changes could not have been, and were not generally foreseen. Detergents, urea, Russian sunflower, Peru fishmeal, all required immediate response.

This need for flexibility causes us to believe that farm legislation to be most effective, must be considered on a commodity-by-commodity basis.

The attempts to rationalize, to make internally consistent basic policies for wheat, corn, tobacco, cotton, soybeans and all other cash crops raised in this country seem to us to be doomed to failure in this rapidly changing world.

Acreage restriction coupled with direct payments, may be the best solution to the problem of some commodities, but the application of this principle to all manner of other crops, regardless of their basic nature and the condition of their use, seems inappropriate.

In short, then, the soybean complex is characterized by:

(*a*) Growing demand for protein and oil;

(*b*) Hard and vigorous and varied competition;

(*c*) A demand response to price; and

(*d*) The farm sector is the major buyer of soybean products as well as the seller.

Considering these factors, we propose that farm legislation for soybeans should embody the following five principles:

1. Soybeans should remain free of Government acreage restrictions.

No direct allotment or acreage diversion program should be used for soybeans; nor should soybeans be included in any proposed general base acreage of food grains, feed grains, or other major crops.

World demand for soybean products is a complex matter and difficult to anticipate. It is influenced by a multitude of factors including population growth, economic development, nonagricultural competition, emergency of a livestock economy in developing nations, and government action all over the world and in every sector of the world economy.

World demand for U.S. soybeans and soybean products ebbs and flows with changes in world acreages of competing crops. Weather changes have a profound influence on production of both beans and competing crops.

The result of all this is a world demand for U.S. soybeans which develops through time in unpredictable surges. To meet these demand surges, U.S. soybean production must be flexible, free of restrictions and able to respond rapidly.

The U.S. farmer is faced with shifting restrictions on allowable planted acreage for wheat, corn, grain, sorghum, rice, oats, cotton, and tobacco.

Many farmers' operations have survived because they could turn to soybeans as an alternative crop. In a sense, the farmers' freedom to turn to soybeans has made the farm program for other major field crops workable. It would be wise to retain this safety valve.

There is a demonstrated growth in world demand for soybeans. To risk losing our share of this growth by restricting production at this juncture would defy logic.

2. Soybeans must not be legislatively excluded from farm acres by other commodity programs.

We assume that in the years ahead, soybeans will be grown and marketed within a general environment of excess farm production capacity for food grains, rice, cotton, peanuts, tobacco, and other field crops.

In such a setting farm policy will no doubt seek to control the production of these crops, as it has in the past. This in turn forces us to be concerned with the effect these programs will have on acres available for soybeans.

The 44 million acres now used for soybeans, have come largely from land which was no longer needed for the production of oats, pasture, or hay.

In the years ahead, as the market for soybeans continues to expand, and demand is created for 50, then 60 million acres of production, it will be necessary to draw into production acres now held idle under bread grain, feed grain, and conserving programs. Therefore, the Secretary of Agriculture must be given authority to make the set-aside acres available for soybeans as needed.

3. Soybean pricing must be market responsive:

This industry has demonstrated several times in the past that a flexible price broadens demand when supplies exceed current use, and increases supply during periods of strong demand.

The demand for soybeans responds to price. An industry which is actively building a market by capitalizing on growth in demands needs price elasticity.

We do not recommend a completely free market price system for soybeans. We beileve this is unrealistic in a highly complex, economically interdependent system such as ours.

In times of excess supply or sudden contracted demand, the Government should provide a temporary market. But legislation can be structured so that the Government purchase price will be related to market values.

In times of extra production, prices must adjust downward to simulate use, and in times of shortage must advance to encourage production.

The Government soybean purchasing program should be insurance for the U.S. producer, not an umbrella under which competitors throughout the world increase production to serve protein and vegetable oil markets. Only a market responsive pricing system can accomplish this objective.

4. Soybeans should be backed up with an aggressive Government market development program. Every economic system must have a focal point toward which the participants in that system may direct their best efforts.

It is our belief that agriculture legislation for all commodities, but particularly for soybeans, must be keyed to the principle of market expansion.

Congress has been supportive of and responsive to this idea. The result has been a variety of programs which are structured to move agricultural products into use rather than storage.

There are three elements, to successfully expand a market. Products must be priced competitively, they must be readily available, and their quality must be high when compared with their competition.

Market expansion at various times requires concentration on one or more of these elements but if any of them are ignored over a period of time the inevitable result will be the contraction rather than the expansion of available markets.

We believe any farm program developed through this session of Congress must contain elements which encourage and strengthen this effort.

There are some specific areas of market expansion where work is needed on a substantial basis:

A. The desperate human need for more protein and oil should encourage us to support and expand successful programs which are meeting this need.

Public Law 480 encompassing sales for foreign currency, donations distributed by charitable agencies, sales for long-term credit school lunches, are outstanding examples of the type of initiatives which can be taken. The country must, if it is to maintain its leadership of world opinion, take new initiatives to cancel out the disparity between human need and effective economic demand. We can do better.

B. Our access to foreign markets, particularly in the developed areas of the world, is under attack. There are, at present, strenuous efforts being made on the part of some of our trading partners to exclude soybeans from their markets.

The Secretary of Agriculture should be encouraged in every manner in his efforts to counter other countries establishment of trade barriers—quotas, import duties, internal taxes, and all manner of nontariff restrictions.

C. We believe free world trade and a market responsive economic system are desirable goals for world trade in fats and oils.

There are efforts being made to establish a world fats and oils trade agreement. Such an agreement will prevent U.S. soybean farmers from competing for world oil and protein demands.

The Secretary of Agriculture must be encouraged by Congress to take the initiative for our Government in combating such an insidious device.

D. The issue of trade with countries behind the Iron Curtain has a long, controversial history. We recognize the intensity and severity of the public debate which has been carried on in this particular issue.

We urge that it be given adequate public exposure and suggest that resolving it in favor of liberalized trade will be a direct benefit to the agricultural sector of our country. It is obvious that as countries with centrally planned economies continue their economic advance, their citizens will demand better diets.

This, in turn, will translate itself, and is translating itself, into demand for soybean products. We would like to compete for that market. Our failure or inability to compete means that others will seize the opportunity.

E. Centrally planned societies pose a threat to private trade in world oil markets.

Russia has moved large quantities of sunflower seeds and oil into world markets trading on a government-to-government basis. Apparently on attempt is made to relate the sale price with the cost of production.

We can only speculate on the purposes of such action. But regardless of purpose, private industry is obviously not prepared to compete with such a formidable opponent.

The administrative branch of this Government should be provided with tools to combat such market losses when it is necessary and in our national interest to do so.

5. Soybean production and utilization research should be fostered and encouraged. The thrust of research in a soybean area should be in two areas:

(1) To increase per acre yields of soybeans;
(2) To broaden the uses of soybean products.

The research which is currently under way is useful and should be continued.

Production research to increase per acre yield is of utmost importance to aid the U.S. farmer in achieving and maintaining maximum efficiency. The benefits of such efficiency, to the extent they do not interfere with a larger public interest or purpose, need no exposition before this group. We see no conflict of interest in efforts to improve farm efficiency.

Soybean utilization research is essential if soybeans are to compete successfully against the chemical laboratories of the world. We can avoid the kind of market losses synthetic fibers have inflicted on

cotton, resins, on linseed oil, and urea, on proteins from vegetable and animal sources.

Effective research can lead to broadened usage for soybean products in such areas as protein for human consumption—a field of great need with a promise of huge potential—and provide alternative markets as old ones slip away.

To conclude, the soybean complex is anxious that any new legislation drafted, should encourage rather than discourage the soybean complex in supplying growing demands—to produce more soybeans and produce more soybean products for both domestic and world markets.

Make no mistake, the soybean complex faces a turbulent but promising economic future. The markets we developed have attracted the interest of foreign competitors. The chemists have set their sights on capturing the demand on which we have capitalized so well for the past 30 years.

Unless we are prepared to meet these competitive threats, soybeans will go the way of other major cash crops in this country—wheat, cotton, tobacco, and peanuts.

If farm policy stimulates and encourages increased productivity, provides for vigorous competitive agriculture, permits flexibility of production and market response to competition, seeks out new markets and vigorously defends access to old mrakets, assists in the development of new products, then soybeans can and will continue their growth and their contribution to the welfare of the farmer, consumer, and the taxpayer.

I thank you.

The CHAIRMAN. Thank you very much.

I wonder if you would give us just a little bit of a background about soybeans. We haven't had too much about soybeans in our discussions in the last few weeks, and you have pointed out something about the tremendous growth of soybeans in the United States.

Of course, from my viewpoint, I am interested in knowing what you think about the possibility of still further expansion of this area. Do you think we will develop a bean that we can grow in the Southwest?

Mr. MCVAY. Are you speaking in terms of the irrigated land?

The CHAIRMAN. No. I know you do grow a large amount of soybeans up on the Plains, but I am talking about Texas and Oklahoma.

Mr. MCVAY. Soybeans, generally, have not done well in areas where annual rainfall is in the low 20's. I would suppose that wheat and some winter crops that are adapted for that area will continue to be better crops for that area than soybeans.

The production record for nonirrigated land in western Kansas, western Oklahoma, and eastern Colorado, has not been very promising.

The CHAIRMAN. And you don't see much promise for development?

Mr. MCVAY. Not on dry land farmland.

The CHAIRMAN. What about sunflowers? You mentioned the Russians developed a sunflower. What does Russia have that we don't have? What enables them to develop sunflowers when we don't do that?

Mr. MCVAY. There are two parts to that question. First, the Russian scientists did do an outstanding job of developing new varieties

of sunflowers. The other part of the question is that I think Russia had a substantially greater need for oil seed crop in the last 10 years then the United States. Soybeans has been our oil seed crop, and Russia up to a few years ago was short of vegetable oils.

However, they developed the sunflower crop and went from a shortage to a surplus.

There are sunflower developments in the United States. Sunflowers are produced in northern Minnesota and northeastern North Dakota. There is experimental work and test plots being grown throughout the South. Sunflowers have some future.

But I would point out that sunflowers are an oil seed crop, or an oil producing crop; a major part of its value is from vegetable oils; whereas soybeans are a protein crop, the major part of soybeans' value is protein and, therefore, it seems that soybeans meet the needs of the United States and the needs of the world better than sunflowers.

The CHAIRMAN. Now, what are the relative production capacities of sunflowers and soybeans? How do they compare? You do get some oil from soybeans, of course, and you do get some protein from sunflowers, but how do they run?

Mr. MCVAY. Well, in rough terms soybeans are 20 percent oil and 80 percent meal. Yields per bushel are more or less 11 pounds of oil and 48 pounds of meal.

Sunflower, the new varieties, run as high as 50 percent oil. The more common yield is 45-percent oil. But sunflower has an important quantity of hull, which has very little value. So, more or less 45 percent is sunflower oil, 20 or 25 percent of sunflower is hull and the balance is protein meal. But that meal is, because of its amino acid content, less useful than soybean meal.

The CHAIRMAN. About the yield. How does sunflower and soybean compare in yield, in bushels?

Mr. MCVAY. That is very difficult to answer because sunflower yields in the United States vary so much. We do not yet have the experience, our cultural methods——

The CHAIRMAN. What has been the Russian experience?

Mr. MCVAY. The Russians grow up to 1 ton per acre. Translated in bushels, that would be more or less 33 bushels.

The CHAIRMAN. It would be roughly about the same as bushels?

Mr. MCVAY. No, we don't average that. Our national average is 26, but our good areas produce 33 bushels and more. I would suppose some place between half and three-quarters of a ton would be more near the Russian sunflower average. As you know, our best yield in the United States, the exceptional yields run well over a ton.

The CHAIRMAN. Now, how widespread is the sunflower head moth in the United States? Does it bother your crop up in Minnesota and in the Dakotas?

Mr. MCVAY. Not as bad as in the South. It is known in the Dakotas, but our hard winters apparently keep it under control. That is one of the reasons that soybeans—excuse me, the sunflower for birdseed over the years has been grown in the area of Minnesota and North Dakota.

The CHAIRMAN. How far north are the Russians growing the sunflowers, I mean, how far north and south, or just where are they growing the sunflowers, I should say?

Mr. McVay. Well, my impression is that the primary sunflower producing area is the good agricultural region of the Ukraine.

The Chairman. That is black soil?

Mr. McVay. It is their best area.

The Chairman. That has about 30 inches of rainfall?

Mr. McVay. That is my impression, but I am not certain.

The Chairman. The winters are not quite as severe as yours are in Minnesota, I take it?

Mr. McVay. But I believe they are severe. They have a hard winter.

The Chairman. Well, one further thing, you did mention soybeans were needed for the oil, and you had competed with others. What is the oil situation now? I was under the impression that oil was plentiful in the market these days.

Mr. McVay. Excuse me?

The Chairman. I had been under the impression that the oil is difficult to market these days. Is there a market for oil?

Mr. McVay. There is a surplus for vegetable oils in the world, and oil prices at the present time, and for the past 2 or 3 years are at essentially post-World War II lows. Soybean oil must fight for markets. They must compete with sunflower oil and with the rape seed oil that is grown in Canada and the Common Market. There is a great abundance of vegetable oils.

The Chairman. Do you see any prospect of developing enough market to take care of that oil?

Mr. McVay. There is a steady growing demand for fats and oils throughout the world. It comes in two ways: First, as the world population increases; and second, as the purchasing power of the world's people increase.

That world demand is adequate to provide for a rather substantial increase in soybean production. However, it is a question of how large a share soybean oil fills of that increasing demand.

In the 10 or 15 years between 1950 and the early sixties, soybean oil filled a major part of the increasing world demand for oils. There was not any major development of increased oil seed production in other areas, but in the mid sixties we have seen a number of areas, sunflowers of Russian being the dramatic one, but also rape seed in the Common Market, rape seed in Canada, all these developments are competing with soybean oil for this growing market.

The Chairman. Thank you very much.

Mr. Abernethy.

Mr. Abernethy. Mr. McVay, I certainly share your view about the control of acreage. We should exercise every effort to see that this crop is not brought under any type of control, and that the farmer be allowed full freedom to produce this crop. It is true that soybeans are having some slight trouble now, but I think more troubles would arise if it would be brought under acreage allotments.

You made reference to two points in your statement, in one instance you said, speaking of exports, "Efforts are being made to exclude soybeans from their markets," speaking of foreign areas—of what areas?

Mr. McVay. At the present time the Common Market, the European Economic Communuity, this is the greatest threat. Soybeans by agreement in an early round of negotiations during the development of the

farm policy of the Economic Community were bound to no duty as was soybean meal. Both could enter the EEC with no duty, and there was a 10 percent duty agreed to for soybean oil.

This opened their market to the entry of soybeans. They, the Common Market, now choose to increase the production of rape seed.

Incidentally, they support rape seed prices to their farmers at about double the world market for rape seed. They chose to expand this production, to lessen production of wheat, and bread grains, which are in surplus in the Common Market. There are some other reasons for doing it, but since they are bound, since they cannot raise the duty, they now seek to put on taxes $60 per ton on soybean oil and $30 per ton on soybean proteins.

Mr. ABERNETHY. That has been avoided up to now?

Mr. MCVAY. Yes, the Government takes a hard position. A good job has been done in fighting that move so far.

Mr. ABERNETHY. I am familiar with that. I know a number of us have tried to avoid it, but still the danger exists.

Now, at another point in the statement you said, "Efforts are being made to establish a world fats and oils trade agreement."

What do you have reference to?

Mr. MCVAY. It comes from the same general area except it has not only the support of some segments of the Common Market, but also the support of the African producers, also supported by some Philippine copra producers, and Indonesia copra producers. They all seek to raise the price of fats and oils artificially and to enter consumer markets by quota and not by competition.

Mr. ABERNETHY. I was familiar with the activity of the Common Market in these fields, but I asked the question thinking probably there was some other areas beside the Common Market, and you have named some African countries.

Mr. MCVAY. I believe that is a subject that is being discussed under the auspices of FAO in some of their deliberations.

Mr. ABERNETHY. I think Secretary Hardin and his people in Agriculture have done a very good job on the soybean situation in the Common Market.

Mr. MCVAY. I share your view.

Mr. ABERNETHY. They moved rather rapidly, and effectively.

The CHAIRMAN. Thank you very much.

Mr. Mayne.

Mr. MAYNE. Mr. McVay, along the same line you state that the Secretary should be encouraged in every manner in his efforts to counter other countries' establishment of trade barriers. I wonder if you could be more specific in your recommendation as to what you feel he should do, and what we should do in that respect.

Mr. MCVAY. Well, I think that it is important that the Secretary know it is the will of Congress to defend markets that the purpose of the country is to market as much—to build as large an export market for agricultural products as we can.

In terms of how one does this, it becomes, in my judgment, a matter of horse trading, but most of all a matter of valuing our market and not trading it off or giving it off for some—trying to make or affect world opinion by giving away our access to agricultural world markets.

Mr. MAYNE. That is a pretty general statement. Is there anything you specifically recommend that the Secretary do that he hasn't done, or isn't doing now, or anything you recommend he stop doing that he is doing that would help in this regard, getting into the mechanics of the problem?

Mr. MCVAY. I would urge the continuation of the present efforts to oppose the position of the taxes in the EEC, or any other new taxes or duties that may be imposed by other countries.

Mr. MAYNE. Well, if some more specific suggestions, of specific action do occur to you, I am sure that the members of the committee would appreciate hearing them later.

Mr. MCVAY. Thank you. We will work at that.

Mr. ABERNETHY. Mr. Chairman.

The CHAIRMAN. Yes, sir.

Mr. ABERNETHY. I overlooked a very important matter a moment ago. I would like to call attention to the fact that accompanying Mr. McVay is a very distinguished gentleman from my State. He is not my constituent, but he and his company have statewide influence and benefit farmers all over Mississippi. I am sure Mr. Montgomery joins with me in extending Mr. Hilby, of Marks, Miss., a warm welcome.

The CHAIRMAN. The chairman was specifically notified that Mr. Hauck and Mr. Hilby would not accompany Mr. McVay, but would be available for questioning.

Mr. Purcell.

Mr. PURCELL. I have no questions.

The CHAIRMAN. Mr. Zwach.

Mr. ZWACH. Mr. McVay, you have operations in many places in the world and undoubtedly have a tremendous background and knowhow with regard to soybeans.

You stated in your testimony that some countries support the soybean producer at about double the American price. What are some of these countries?

Mr. MCVAY. Well, I have mentioned the EEC should seek to divert production from bread grains to oil seed crops, which is rape seed. The rape seed is an oil-producing crop. but it doesn't meet their needs for higher quality protein for their feed industries. But, nevertheless, that is their policy.

Mr. ZWACH. You do find that other countries protect their agricultural producers with a vengeance through devious methods. Would that be a correct statement?

Mr. MCVAY. That is certainly a correct statement.

Mr. ZWACH. That is a correct statement?

Mr. MCVAY. Yes.

Mr. ZWACH. Now, let's come to the American soybean producers. The soybean producer here has basically, except for a reduced Government loan, no support. Do you think that the soybean producer is in a healthy position with the present structure of soybeans? Do you think he is getting a fair return on his investment and time, input, knowhow, and risk involved at the present price of soybeans, the world price?

Mr. MCVAY. That question is very difficult to answer.

Mr. ZWACH. The other day, just to point this up, the other day on the floor we passed a piece of legislation that subsidized the ship-

builders up to 55 percent because they couldn't meet the world situation.

The cotton people say they cannot compete at a world price.

The wheat people say they cannot complete at a world price.

Now, would it be possible that the soybean people can produce at this level, or do you think, for instance, we ought to have a domestic type certificate for soybeans so that the soybeans used at home and where the producer has the terrific high cost input, that for them we can get a parity price, what is generally known as a fair price?

Mr. McVay. Well, if Congress concludes that the farmer must, that his income from soybeans must be supplemented, then this scheme of a direct payment is the best of the schemes that I am familiar with. However, it is our belief, as the statistics and the history have indicated that the soybean producer has been, that the market price has been adequate to compensate him for his production costs, and I will not comment whether it is a fair return, but it has been a reasonable return. At least a sufficient return that he has continued to increase production of soybeans over the years.

Mr. Zwach. That is basically because soybeans have not been in surplus? Now, we go into the era of soybeans in surplus; what about the producer?

Mr. McVay. It is our belief that if the soybean price is given reasonable flexibility, that soybeans will not be in surplus, and the producer will over a period of time receive prices about the same as soybeans have averaged in the past.

Mr. Zwach. You know that just recently the loan level of soybeans was reduced because of a fear of a surplus.

Mr. McVay. I must remind you that the soybean support price was raised first from around $1.90 to $2.20, and $2.25. And then to $2.50. Now, the use of soybean products continued to expand after the first increase to the $2.25 price, but the demand for soybeans could not continue to grow at the $2.50 price.

So, recognizing this, recognizing that soybean products could not be marketed in large quantities at a $2.50 price, it was reduced to $2.25.

Mr. Zwach. What if it cannot be marketed at—adequately at $2.25, would that mean you expect to make further reductions in loans to producers? You see, on these reductions the processors, the shipper, the importer, all benefit, the exporter benefits, everybody—as you reduce prices—but the poor producer who gets less and has no way to pick up increased costs.

Mr. McVay. We are not recommending supplemental soybean payments because it is our belief at this time it is not necessary. But if Congress feels that supplemental income is necessary, we would certainly recommend a policy that permitted soybean prices to reflect market values, and if more soybeans are produced at $2.25, than can be marketed, then the market should be permitted to move downwards where demand is stimulated and more products can be marketed. If that necessitates supplementing farm income then we would favor it be done by direct payment of some sort.

I would like to mention to you, you made a point, and it is certainly true, that most other countries protect their producers.

However, their experience with fixed support prices is exactly the same as ours.

Mr. ZWACH. They are having problems?

Mr. MCVAY. Great problems. The Common Market pulled itself together only a few years ago in terms of an agricultural policy, and they established what appears to us to be a very high support price for bread grains and rapeseed, and most of all for dairy products.

The result has been they now have a surplus of butter of 350,000 tons, and growing rapidly.

Mr. ZWACH. This is just the European market itself?

Mr. MCVAY. Yes; and it is estimated within a year that surplus will be as much as a half million tons. They are just now starting a program to feed butter, make butter available for livestock feed. They are coloring it different colors so it cannot get into domestic markets.

Mr. ZWACH. Do you think if we had free trade, as we have talked about so long, that the American producer in his near miraculous capacity to produce could compete in the world price?

Mr. MCVAY. No question about that.

Mr. ZWACH. Now, the greatest miracle in America has been the agricultural producer; he could perhaps do it if we do not have these other barriers, but we have to be realistic.

Mr. MCVAY. Therefore, complete free market, and complete freedom of production in the total agricultural economy; as I mentioned, we are not recommending that, and we assume there will be some sort of program developed to adjust supply to demand. But it is our belief that soybeans, if given a chance to, can take care of themselves in the years ahead, just as they have in the past 30 years.

Mr. ZWACH. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

I want to ask the indulgence of the members—we have spent half of our time on one witness, and we have four more. I am wondering if it wouldn't be all right to start on those other witnesses, and then let me start down at the bottom and work back so those who did not have an opportunity to ask quesions could have such an opportunity now.

That seems the only way we can get through with the witnesses, and we do have the astronauts visiting the House, so we can't stay in session long here. Does anyone object?

Mr. KLEPPE. I have an awful good question for this witness, Mr. Chairman, but I will accede to your suggestion.

The CHAIRMAN. We will let you question the next witness.

Thank you very much, Mr. McVay.

Now we will call Mr. Alfred Schutte, of Guide Rock, Nebr.

I am going to ask each of the four witnesses to remain and we will not question any of these witnesses until we have heard the testimony of all of them. Then we will question all of them en bloc.

I am afraid that is the only way we will be able to do it.

STATEMENT OF ALFRED SCHUTTE, WEBSTER COUNTY FARMERS ORGANIZATION, GUIDE ROCK, NEBR.

Mr. SCHUTTE. Mr. Chairman, my name is Alfred Schutte of Guide Rock, Nebr. I appear before you as president of the Webster County Farmers Organization. We were the former Webster County Farm Bureau before we were expelled from the parent organization in 1964.

So that the committee does not get the wrong impression about our organization versus the Farm Bureau, we were expelled because we opposed their farm policies. This is by their own admission in the papers they had drawn up when we were expelled. The exact statement can be found in the Congressional Record of the 88th Congress, May 6, 1964, volume 110, No. 90, by the Honorable Senator Maurine Neuberger, of Oregon.

Farm Bureau policies on the national level are not in line with the thinking of the majority of the farmers. They can accomplish this because their policies are not created through democratic process even though it may appear to be so.

In 1960–64 our county Farm Bureau revealed to the public through news media some of the things that the organization stood for and were promoting which were antifarmer. Their membership loss in Nebraska was 19,623 members in 4 years. During this time their membership dropped to a new low of 12,973 members. They have never recovered their membership to this day.

We endorse in general the farm program as adopted by the 17 other farm organizations on July 8, 1969.

We are very much opposed to the land retirement program as the Farm Bureau has proposed. This program will only benefit landowners: first, the large landowner who does not do his own work, and, second, the farmer who is ready to retire his farm, as these would bid the lowest.

This would do nothing for the young, hard-working farmer who has the know-how and ability to produce for the Nation's consumer; it would actually eliminate the young farmer who owns no land. The seriousness of this kind of action which will eliminate the young and efficient farmer under this program cannot be stressed too strongly.

In our county the average age of the farmer is 58. Much of the Nation would average the same. This Nation will be in serious trouble if Farm Bureau's land retirement and gradual phasing out of the wheat and feed grain is made into law. There is no easy way of starving to death over a period of 5 years. In the early sixties the report of the Committee for Economic Development or the CED was made public. This propaganda program was to eliminate 2 million farmers from the farm by bringing farm prices to unbearable levels.

We recognized this as the blueprint of the American Farm Bureau policy. We wrote Mr. Charles Shuman, president of the American Farm Bureau Federation, at that time concerning this. In a letter of August 20, 1962, Mr. Shuman pronounced the CED report sound and in accord with Farm Bureau's policy.

At this time, Mr. Shuman was also president of the National Food Conference, consisting of 64 of the largest food chains and others. When this became public, Charles Marshall, president of the Nebraska Farm Bureau, explained in a letter to county officers the unbelievable statement that this organization was formed to promote increased use of food for the good of the farmer. We have photocopies of both above letters here for proof and your inspection.

Mr. Shuman has been trying to convince the public that the present farm programs haven't worked. This is one of the most untruthful propaganda statements ever invented. No country has progressed more

rapidly than we have to provide reasonable food prices for the consumer since Government programs were written into law in the 1930's.

We know farmers want some changes but the majority don't want Farm Bureau's land retirement. This program may be cheaper to run but in the end it is like many cheaper things. It is high priced because it does so little for the benefit of people. It is like investing your money by burying it into the ground.

Mr. Shuman says the U.S. farm population has dropped 33 percent from 1960 to 1968, so the farm programs have been a failure. To us this shocking fact only shows that many farmers did not receive enough income to stay on the farm. What Mr. Shuman does not tell you is that under his program most farmers would face financial ruin. Their entire program adds up to just one thing; namely, the man with money must have the right-of-way.

A man with incentive and know-how cannot make an honest living under their program, although in their publications they tell you differently. Our farm programs must be written to help the working farmer more. The past programs have helped the man who owns the land as he has received most of the benefits.

This, again, has given him more money to buy more land, eliminating the hard-working, efficient smaller farmer who under most conditions bears most of the actual case expense. This has also caused land prices to increase far above their actual producing value. The impression is sometimes given that the small farmer is an inefficient farmer. As a whole, there is nothing farther from the truth.

These farmers, who have to work to make a living, know what goes on in their farming operation. The only reason they might not be operating to the fullest of efficiency is because he is not given enough for his product to farm and feed his family.

Under the same circumstances, the large operator who has to hire his help becomes inefficient but he can still stay in business because in the past he has drawn so much more from the Federal Treasury. Too often, the bigger landlord has disposed of his renter, taken the Government payment for himself and has done the rest of his farming by hired help. This often brings efficiency of farming to the lowest degree.

Much has been said about the efficiency of collective farming as it is practiced in Russia. The mechanics of corporate farming operate exactly the same way. For this reason we should avoid corporate farming in this country as the worker has no incentive in this situation.

We feel the old farm history and acreage allotments are outdated and very detrimental and unfair for some farmers. The farmer knows best what crops are most adapted and profitable to his operation. A percentage of land retired from each farm is the simplest program to control. Supporting noncompliance farmers as has been done in the past is wrong and defeating the farm program for which it was intended.

We endorse the $20,000 limits on Government payments. We don't believe it is morally right to subsidize some big landowners with large sums of money just to make a program work when so many in the world go hungry and don't get help. More must be done for the smaller farmer who has been going out of the farming business because of low prices. In the future the American consumer will need these men.

Farmers in general will rather have the $20,000 limit than no program at all or much less Farm Bureau's program. These limits are a must or the big landlords will eventually eliminate all the efficient and working young farmers in the Nation who have not inherited their farming enterprise. If we had Farm Bureau's program, in 2 years many of the Nation's farmers would be bankrupt. Without the limits in our present farm program, farming and landholdings will become a monopoly with the big getting bigger and the small farmer moving from the rural areas to the already overcrowed city.

Farm Bureau's program is a sugar-coated instrument to help get the farmer to the city a little faster when they say they want to supplement the small farmer until he can get a job in the city.

The whole matter of limits brings up two questions: Are we going to have a farm program for the benefit of making a program work, where the bigger draw the most benefit, or are we going to have a program to benefit people, the family farmer and the country in general? The latter program certainly will cost much less.

We think an informed American public will support a necessary farm program where the help goes to the working farmer who needs this help to stay in business for the good of the country. This kind of money is not wasted because selling agricultural products abroad is the one way we get the biggest share of American dollars returned to this country. Agriculture is important.

The urban public should understand that when we get the Nation's commodities on supply and demand, as Farm Bureau suggests, money forces who speculate and gamble on the board of trade make huge profits, which the consumer pays in higher food prices. The present wheat price should prove that supply and demand has produced the lowest price for wheat since the 1930's. After we voted out the wheat quotas in the referendum in 1964, the price of bread still did not drop.

Consumers have had protection against runaway prices since Government programs have been in effect. This will come to an end when we get Farm Bureau's supply and demand. Too large of a margin between Government supports and Government selling price as supported by Farm Bureau will also cause big gambling profits on the board of trade. Gambling with the Nation's food supply should be outlawed and grain bought at the board of trade should be used by the buyer in his business or in his trade.

We want to commend Chairman Poage for trying to keep the food stamp and farm program in one package. It will help urban people who do not understand the farm problem. To separate this is nothing but a scheme by Farm Bureau to help defeat any good farm legislation. Secretary of Agriculture Hardin and all who work for a good food stamp program should be commended for trying to bring this food in abundance to hungry people, but at the same time let's not force the lower income farmer into the food stamp bracket.

We should give a few more facts about the American Farm Bureau. Although they are continually shouting freedom and democracy, it appears their own organization has taken billions of dollars of farmers money under their control through the Farm Bureau enterprises and have taken our own money, to sometimes lobby against the farmer's welfare. No county Farm Bureau knows better than we do how undem-

ocratic this organization can become to keep the power within its leadership.

We know the abuse that can be yours if you start opposing them with honest facts. It generally condemns by insinuation at least, that everything that is not in accord to their policies is socialistic or communistic. They have had policy stands of 50 percent parity for farmers and that farmers wish to raise their own R.E.A. interest rates, and at the same time they favored the 27½ percent oil depletion allowance for the rich oil industry.

The deception and right-wing activities carried on by Farm Bureau has been carried in many newspapers such as the Omaha World Herald, Wall Street Journal, the New York Times, the Kansas City Star, and the Nation.

The Nation carried "The Harvest of Scandal" by Robert Sherril, exposing Farm Bureau; also "The Right Wing in Overalls," in a Wisconsin paper, along with many others. The public is becoming better informed as we have sent thousands of copies of the latter two articles to almost every State in the Union.

We have been told many times that we have the largest file of records on Farm Bureau in the Nation. All of this does not seem to stop or change Farm Bureau. In the business world, people are protected with many laws against this kind of dealings, but not us farmers and consumers against the Farm Bureau. We are talking of and about the American Farm Bureau only.

They have controlled the thinking of the American public by shouting supply and demand and condemning everything else as socialism or communism. Their program became so vile against the U.S. Government in 1964 just to defeat the wheat referendum, that we became so concerned about this that we appeared before the Senate Committee on Agriculture and Forestry that year. We felt Washington lawmakers needed to know why the wheat referendum failed. This, then, led to our expulsion from the organization.

The following is a list of the National Food Conference members of which Charles Shuman was president:

Allied Mills, Inc., American Bakers Association, American Bottlers of Carbonated Beverages, American Can Co., American Dairy Association, American Farm Bureau Federation, American Feed Manufacturers Association, Inc., American Meat Institute, American Medical Association, Armour & Co., California Packing Corp., Campbell Soup Co., Carnation Co., Cereal Institute, Inc., Chicago Board of Trade, Chicago Mercantile Exchange, Cooperative Food Distributors of America, Corn Products Co., Creamette Co., Florida Citrus Commission, Frito-Lay, Inc., General Foods Corp., General Mills, Inc., Gerber Products Co., Great Atlantic & Pacific Tea Co., Green Giant Co., Grocery Manufacturers of America, Inc., H. J. Heinz Co., Hygrade Food Products Corp., Independent Grocers' Alliance Distribution Co., Institute of American Poultry Industries, Jewel Tea Co., Inc., Kellogg Co., Kraft Foods, Thomas J. Lipton, Inc., Oscar Mayer & Co., John Morrell & Co., National-American Wholesale Grocers' Association, National Association of Food Chains, National Biscuit Co., National Canners Association, National Dairy Council, National Livestock and Meat Board, National Livestock Producers Association,

National Tea Co., Pillsbury Co., Poultry and Egg National Board, Procter & Gamble Co., Quaker Oats Co. Ralston Purina Co., Rath Packing Co., Safeway Stores, Inc., Salada Foods, Inc., Sunshine Biscuits, Inc., Super Market Institute, Inc., Super Valu Stores, Inc., Swift & Co., Universal Foods Corp., Visking Co., Wheat Flour Institute, and Wilson & Co.

It has been about 10 years now since we have been in conflict with Farm Bureau and we are sure things will change in the future as we have engaged a reliable constitutional law firm and as soon as the finances are available, we will start court action against them. They use our money to lobby against us, and the majority of the farmers have no control over them. This stranglehold shall be broken. Their farm membership is as deceptive as some of their policies.

Many legitimate business and insurance companies are becoming aware that Farm Bureau is not an ally, but a monopoly against them.

We wish to thank the committee for hearing us out. We have tried to give only facts as we know them and can prove them. We are sincerely convinced that the people of America should be very careful of American Farm Bureau policies. There are powerful forces out to get control of the Nation's food supply which could affect our children for generations to come.

We will be glad to answer any questions.

Thank you.

The CHAIRMAN. Thank you very much.

We will now call the next witness, Mr. Herschel C. Ligon, Registered Farmers, Inc.

When we have finished all these witnesses, we will then question them en bloc.

Mr. Ligon.

STATEMENT OF HERSCHEL C. LIGON, REGISTERED FARMERS, INC., OLD HICKORY, TENN.

Mr. LIGON. Mr. Chairman, gentlemen of the committee, I don't have a prepared statement because if I had a prepared one it would have been exactly like the one I gave you last year, and I know all of you had a copy in front of you.

I think I am following the wrong man here today because I agree in what he has said. This morning I am on the side of you gentlemen. Nobody knows how anybody else feels, but to have an idea, and I have an idea what you gentlemen here go through, when all your farm leaders come up here and one wants one thing, and one wants something else.

We have one that wants collective bargaining for farmers. We have one that wants an extension in the Agricultural Act No. 165. We have one that wants to pay farmers not to plant.

Well, what I have in mind—well, I will say this. I am a little bit different than these other farmers. I am different in two respects. In the first place, I represent the only organization in the world of which you have to be a farmer to be a member. And in another respect, I am sure that a number of them come up here on salary, and they are going to get their salary whether or not they get anything done or not.

Well, I am up here on my own. The organization gives me a few dollars to get up here. Congressman Jones, I have almost enough money to get up here, I don't know how I will get back. But this is exactly the way it stands. I admit I am—I guess I am a little more stupid than the others, because they were smart enough to get them a job and keep the farm up, and I haven't been that smart.

I admit it would be a lot easier to get along with my wife. She is tired of keeping me up with that part-time job.

Just to give you an idea, I think that Tennessee is a perfect example of what our present farm situation is. Last year the average income of the farmers of Tennessee—now this is net income—was less than $2,000. That is in the poverty class, including Government payment.

This year they estimate Government payment for the farmers in Tennessee will be $61 million. I just can't see continuing to bleed the Nation's average taxpayer with a farm program that is putting me out of business.

Now, we have discussed our proposed solution to this problem with people from all walks of life, and we can find nobody that can find anything wrong with it. Our proposal is this: that 100-percent parity price to registered farmers. Now, a registered farmer is one that earns 75 percent of his total income from the sale of agricultural products produced and finished by him.

Step. No. 2, we don't think nonregistered farmers should be allowed to participate in the farm program.

Step No. 3, we don't think that nonregistered farmers should be allowed to use it for tax writeoff purposes. We have discussed it with people from every walk of life, and we have found nobody that can find anything wrong with it.

Now, we think it is a very simple program. The person can be determined as registered or nonregistered from his income tax return for that year. If he got at least 75 percent of his total income from the sale of agricultural products produced or finished by him, he is registered. One year you can be registered and another year nonregistered.

We think it is the simplest and fairest solution to the farm problem.

I would like to say one thing, when it comes to paying farmers not to plant. I just can't see paying farmers not to plant when we have hungry people in the world.

Mr. Chairman, I will be glad to answer any questions.

The CHAIRMAN. Thank you, Mr. Ligon. Just stand by and we will finish these witnesses.

Mr. Kleppe will introduce the next witness.

Mr. KLEPPE. Thank you, Mr. Chairman.

Today there are with us several members from North Dakota to testify on the farm bill. I would like to introduce two of them.

John Scott is a substantial farmer from the east district of North Dakota—the Red River Valley. He also is a banker and a businessman and has trully been successful in his endeavors.

The other gentleman I want to introduce is Russell Kleppe. You will note that he has the same last name that I have. His first name has six letters in it similar to mine. He is the second son of his family and I am the second son of our family. But the dissimilarities after that become more pronounced. Russell is a farmer and ranches specializing in

Polled Hereford cattle. Not only is he a constituent of mine, but he is also my first cousin; and more than that, he was one of my opponents in the election last fall.

STATEMENT OF JOHN SCOTT, GILBY, N. DAK.; ACCOMPANIED BY RUSSELL KLEPPE, DAWSON, N. DAK.; AND G. J. LANG, DAWSON, N. DAK.; AND FRANKLIN HANSEN

Mr. SCOTT. Mr. Chairman, on my right is Franklin Hansen, a farmer from North Dakota, and Russell Kleppe, Dawson, N. Dak., and Mr. G. J. Lang, Dawson, N. Dak.

The CHAIRMAN. We are glad to have all of you, and we will be glad to have your statements.

Mr. SCOTT. First, I want to thank you for this opportunity, and I will go ahead and read my statement.

It is admittedly useless to attempt, in a few minutes, to expose all of the mythology and dispel all of the fallacies that have been used as justification for the 40 years of farm programs that have brought American agriculture to the brink of total ruin. The repetitious belaboring of so many things that are not so has established a cult of socialistic meddling and control that has dominated our legislative halls for 40 years.

The first fallacy that should be corrected is the misconception that our "farm programs" began in 1933. Actually, the farm problem—as well as our continuously disastrous farm programs—began in 1929 when Congress authorized the purchase by the Federal Government of wheat stocks to bolster the market.

The entry of a new customer into the wheat market did, of course, have an uplifting effect. Then came the inevitable consequence. The 257 million bushels of wheat, acquired by the Federal Government during the acquisition period, were dumped on the market in 1931 and 1932. I found out the date the Farm Board decided to not go any further; it was June 1929.

The market broke to the lowest level in U.S. history. It was December 27, 1932, that registered the low on grain in North Dakota. Government disruption of the functioning of the free market created a crisis for agriculture. Congress sought, in the 1933 farm legislation, to correct the situation with the same meddling that had created the crisis.

Many farmers—unable to believe that their Government would break the market—held their wheat in storage until the storage charges exceeded the value of the wheat—and they lost the entire crop as a direct result of Federal Government meddling with the free market.

These facts are history. They cannot be denied. They provide an excellent introduction to the decades that followed during which the proponents of a socialistically managed economy induced the Congress to enact scheme after scheme to further tamper with the Nation's agriculture.

Supply management programs on grain have led to international grain agreements and these grain agreements have destroyed our markets worldwide. American farmers and ranchers have had their hands tied with world trade agreements. As with most international agreements of the past few decades, our trade agreements have restricted

this Nation while other signatories have either conformed or violated the agreements as their selfish interests dictated. The most vicious world trade agreement of all is unquestionably the one ratified by the Senate July 1, 1968. I find that date is off. I believe it is July 8, 1968.

And right here I would like to make a further comment about the trade agreements, and I would like to read it from the article entitled "A Troubled and Destructive Influence." This comment is by the Southwestern Miller, the publication, on July 8, and the grain magazine said:

> The IGA is not only a dismal failure, but more importantly a destructive influence in world markets. The impact of the IGA has been particularly severe insofar as the United States is concerned, contributing in no small measure to the sharp reduction of wheat that was experienced in the pact's first year, and the rather dismal outlook that is widely acknowledge in the 1969–70 crop season that is just begun, unless the United States moves in all possible vigor for the rewriting of the pact in many areas, including the level of minimum prices, or take unilateral action to disregard the pact as an influence in export pricing. This country for two more years, through June 1971, will have its wheat export policy guided by an agreement that has absolutely no chance of meeting its objectives under the current world supply demand conditions. In fact, continuation of the pact in its present form intensifies the present unfavorable market outlook.

While there is no justification for the Federal Government to handle commerce in farm commodities under any circumstances, the situation is even worse when the handling is on a basis unfavorable to the country or to the country's agriculture.

The results of this continuing program of farmer regimentation and control are inescapable. The farmer has been driven from the land. Huge tax resources have been squandered. The free market has been destroyed. The Nation has become dependent upon agricultural imports. Our ability to survive depends upon the whim and caprice of the will and desire of friendly and enemy countries to supply us with the food and fiber necessary to sustain us.

Unfortunately, much of the statistical data disseminated by the Federal Government and its Department of Agriculture during the 40-year agricultural holocaust has been unreliable at best and a perversion of fact at worst. Consequently, both the Congress and the public have been induced to believe much that was and is not so.

A scattered few examples should suffice.

COTTON

In 1929, southern farmers grew 55 percent of the world's cotton; in 1968, only 21 percent. It would require approximately 3 million additional acres to grow the cotton we import annually, to say nothing of potential exports. The destruction of the American cotton industry by Government interference is an incredible story in itself.

"King Cotton" has been made a pygmy by Government meddling.

Claimed replacement of cotton by synthetics can never account for the fact that we import tremendous quantities of cotton to supply the domestic demand. At the same time, we desperately strive to reduce the cotton surplus in the hands of the Federal Government. From August 1, 1965, to August 1, 1969, the carryover was actually reduced somewhat—at a cost—in only support and diversion payments—of $222 per bale.

SUGAR

Since the Federal Government moved into our national sugar picture in 1937, over 2 billion tax dollars have been paid to growers to control production. Yet, in this period of 1937 to 1968, the American people have consumed over 240 billion pounds of imported sugar. Over 2 million acres of sugar beets would be needed to produce our annual importations of sugar.

The need for sugar importation is invalid. Recently, North Dakota farmers were denied the right to extend their production of sugar beets because political considerations resulted in allocating processing plants to Maine and New York. The mere fact of "allocation" by Government is an indictment in itself. When this Nation is forced to depend on imports from friend and foe while denying its own citizens the right to produce for the domestic demand, we can no longer accept the principle that "farm programs" are enacted for the "benefit" of Amtrican farmers.

BEEF

In 1900, American farms carried 785 head of cattle for every 1,000 of total population. In 1928, only 475 head per 1,000 population—a decrease of 39 percent.

Yet, in the face of this truth, the 1933 Farm Control Act was largely built around a campaign to reduce our cattle numbers.

In 1933, we imported 82,000 head of live cattle. In 1968, we imported 1,039,000 head—an increase of 1,100 percent.

From 1961 to 1968 we imported 980,000 tons of beef. An annual average of 246 million pounds.

In 1968 beef imports equaled the dressed weight of 3.8 million head of cattle. The United States has become the largest beef importing nation in the world. To presume this condition accrues to the benefit of American farmers and ranchers is to pursue a mad hatter logic.

WHEAT

The fallacy of Government supply management becomes crystal clear in the case of wheat. Political manipulation for reasons and causes entirely detrimental to the welfare of the American farmer glares at us from the recorded history of our national efforts to socialize wheat farmers. Secretary Freeman's decision to increase grain production in 1967 with the resultant farm price depression was the grossest attempt to gain politically from detrimental market manipulation.

Today the Department of Agriculture reports that our Nation's stock of wheat has reached the highest level in 4 years, while, at the same time, they report the price of wheat stands at a 27-year low.

Reducing the carryover of wheat since the certification plan went into effect with the 1964 crop has been at the rate of $19.19 per bushel. The information on that amount has been raised in companies on competition. And still the market has plummeted to a 27-year low and our carryover is again increasing.

The American farmer realized many years ago the disaster built into our wheat control program. In 1963, under the referendum provided in wheat legislation, they rejected the wheat control program.

The result was not a change in the course by the Congress but a renewing of the patently ineffective programs of the past under new names but without the right of the wheat farmer to vote in referendum.

The record of disastrous failure can be recited in the case of every commodity and product which Congress has attempted to control and regulate during these 40 years of experimentation with socialism of agriculture. From 194 milk cows on the farms per 1,000 population in 1929 to 69 milk cows in 1929—a 62-percent reduction; from 485 hogs per 1,000 population in 1929 to 281 this year—a reduction of 42 percent—the United States is rapidly nearing the status of the world's No. 1 pork importing nation; from 397 sheep per 1,000 population in 1929 to 104 this year—a decline of 73 percent. Feed grain, integral to the above, was reduced as to carryover under our feed grain programs which went into effect in 1961 at a cost of $225 per ton—or $6.30 per bushel of corn equivalent.

There is no evidence to suggest that under a free enterprise, free market system under which U.S. agriculture became the world's leader, the imbalances produced under a supply management regimentation would not be rectified by American farmers operating under and reacting to the wisdom of the marketplace. Neither is there any shred of evidence to suggest that the wisdom of an Agriculture Secretary, commissar, or Congressman is superior to the wisdom of that marketplace.

With the farmer freed from restrictive and destructive control and regimentation, imagine, if you will, the benefits to all segments of our society from the addition of 90 million more sheep, 3 million more hogs, 2 million more acres of sugar beets, 44 percent more milk cows, 15 million more tons of feed grain, and 4 or 5 million additional acres of pasture to the farms of America. That expansion of our agriculture would only replace the present unnecessary imports produced by 40 years of misguided control legislation.

In 1929, 75 percent of our population resided in cities and towns. As of July 1, 1969, 95½ percent are crowded into urban life and only 4½ percent remained on the farm—many working only part time in agriculture. Imagine what it would mean to all segments of our society to see a return of 20 million people to the farms to produce the beef, pork, cotton, sugar, et cetera, et cetera, needed to meet the domestic demands of the Nation.

We critically need Congress to stop all Government interference in farming.

It is suggested that to immediately cease Government controls and subsides would cripple the American farmer. We suggest that he has been almost fatally crippled by 40 years of interference.

So long as the United States continues to subsidize the agricultural economy of foreign nations—including our Communist enemies—this Nation should provide tariff protection for its own farmers.

If the Congress is so conditioned as to be unable to accept the facts of 40 years of disastrous failure of its farm programs, we suggest that the least that Congress can do would be to reinstitute the referendum feature of its wheat legislation.

The American farmer certainly should be given the opportunity to have a voice in his own future.

Gentlemen of the committee, we who remain on the farms and ranches of this Nation are fighting for survival. We simply cannot endure a continuation of the restrictions, regulations and meddling arrangements that have beset us for these 40 years. We earnestly beg relief. We desperately need an end to Federal farm programs.

We appreciate this opportunity to testify in our own behalf. Realizing that we cannot, in this short appearance before you, bring all of the facts to light, we have arranged for each and every Member of this Congress to receive a copy of the book, "Ill Fares The Land" by Dan P. Van Gorder. We recommend it to your intense study.

By the way, that book will be mailed to all Members of Congress this coming week. In fact, the end of this week.

We have also arranged for each member of this committee to receive a copy of the revealing book, "Mainline", by former Senator Malone of Nevada. Senator Malone's research has produced some startling information germane to this issue.

We also most earnestly recommend a reading of Representative Paul Findlay's recent exposé entitled "The Federal Farm Fable."

As Charles B. Schuman, President of Farm Bureau, has repeatedly said, "The one thing wrong with Socialism is—it doesn't work."

Thank you very much for this opportunity.

The CHAIRMAN. Thank you, Mr. Scott.

Now, I understand you have with you three gentlemen or associates who want to file a statement; is that correct?

Mr. SCOTT. Well, two of the gentlemen have prepared statements. They are very brief. I would beg that in their coming this distance that they would be allowed to read them, and also Mr. Hansen has an off-the-cuff statement.

The CHAIRMAN. The Chair cannot entertain those requests because our schedule is made out. We have a Mr. Yeakley, from Bringhurst, Ind. We have Mr. Yeakley to testify. We must give the members some opportunity to ask questions, but we will be glad, if these gentlemen want, to insert their statements in the record.

I have a statement by Mr. G. J. Lang. We will make that a part of the record.

I have a statement by Mr. Russell Kleppe, who I understand ran for Congress as the "good" Kleppe.

We aso have what we consider to be a "good" Kleppe. He is on this committee. He doesn't belong to my political party, but he is an excellent Member of Congress and a good man.

Mr. SCOTT. Can I state there are more good Kleppe's than the Congressman realizes.

Could you excuse me just one second, please. We want to release this time to Mr. Lang.

The CHAIRMAN. It isn't a matter of releasing time. We have five witnesses scheduled this morning, we don't have time to add a sixth or a seventh.

Mr. SCOTT. Please, Mr. Chairman, his testimony is real brief and to the point.

The CHAIRMAN. Mr. Scott, the witnesses were assigned and the witness list is announced. We have five witnesses that are now here, and Mr. Yeakley, we will be glad to hear from you.

Mr. SCOTT. Thank you.

(The complete prepared statements of Mr. G. J. Lang and Mr. Russell Kleppe, above-referred to, follow:)

STATEMENT OF RUSSELL KLEPPE, DAWSON, N. DAK.

I am an active cattlemen, a firm believer in the law of supply and demand. This is what made America great, to rely on God and ourselves for our own livelihood, and not on our government to steal from all of the people to subsidize us.

Without any government checks, taxpayers' money, the cattlemen today are enjoying a favorable market. It is because of many years of not much direct interference from the federal government. In spite of the meat imports that are way above the allowable quotas, no doubt being subsidized by our taxpayers, and in spite of the indirect interference in the feed grains and retired acreage programs of the government, the cattlemen have been producing for the market of supply and demand. That is the reason that they today are better off than the grain farmer, who under all of these federal farm programs, has been controlled and nearly destroyed.

But what is the real situation in the over all cattle industry in America today? We are the dumping ground of the world and it has been going on for years. We lead all other nations in imports of beef and veal, and we are rapidly reaching first place in imports of pork. In 1968, beef imports equalled the dressed weight of 3.8 million head of cattle, an increase of over 1,000 percent since 1933.

We welcome honest competition, but not tax-subsidized competition which puts the American cattleman out of business, and which floods our own markets with foreign and many times inferior products. The taxpaying American consumer pays ever higher and higher prices for his meat for his family.

The federal government control programs have wrecked the grain market and now they are trying to wreck the cattle market with so-called retiring farm acres. While farmers are forced to quit, in the cost-price squeeze of tax subsidized non-production and tax subsidized foreign imports and higher and higher inflationary spending of tax dollars by the government, that same government continues to force more and new big controls on the farmers and cattlemen. Not only the farmers but the small businessmen dependent entirely on the farming income have been forced to quit.

How much longer can this nation survive with fewer than 5 per cent of our tired acres if allowed to do so? What would the addition of 90 million more sheep, 3 million more hogs, 44 percent more milk cows, 15 million more tons of feed grains, and 4 to 5 million more acres of permanent pasture to produce in America the beef and veal we import, do to our sagging farm economy? What would 20 million people now crowded in towns and cities, back on the land and working the land, do for our sagging economy?

How much longer can this nation survive with fewer than 5 per cent of our people living on and farming the land?

Supposedly, the federal farm programs have been designed to "help the small farmer", but the exact opposite is the truth. They have destroyed the small farmer.

According to the United States Department of Agriculture reports themselves, the price the farmers can now get for grains is the lowest it has been for 30 years. The cost of what we buy, farmers and everyone else, is the highest it has been in history, and there is no hope of costs going down or prices going up until we stop this inflationary-tax dollar socialist spending and controls from Washington. The farmers are caught in the low price-high cost-high tax pressure worst of all.

Since 1929, farm taxes, personal and property, increased 830 per cent per capita of farm population.

The whole agricultural federal farm program theme song, sung to us since 1929, is a fraud.

These federal programs are, and always have been, where the greedy have been stealing from the needy. These are socialist-communist tactics.

It is no accident that the 1933 Agricultural Adjustment Act took form in the same unit of the United States Department of Agriculture where the first known and exposed Communis cell was formed among government employees, so-called experts and planners, the infamous Harold Ware cell. Communist Alger

Hiss and many other identified Communists, started their careers making policies for the control of the American farmers through the federal government programs in this same Communist Ware cell in the USDA.

Communist Harold Ware and his Red helpers did much work and spread their evil influence for controlling the farmers, in North Dakota and the whole upper Midwest area, and they moved that influence into the key positions in the cooperative farm movements and all the way up to Washington in top-level jobs. That influence is still there today. These farm organizations now are pushing a bigger-than-ever farm control program.

We need Congress to stop all government interference in farming. Congress must give the farmers and cattlemen constitutional tariff protection against the flood of imports. This is *all* we ask for—freedom—to run our own farm business for a free market of supply and demand.

To permit our United States production of food to fall to a dangerous low and to rely on foreign imports—to force the farmers to produce and reduce their acres for the government planners instead of for the market—to allow our government to use tax money to buy and trade the same commodities from our Communist enemies—to continue price supports and imports and controls which have dried up markets, caused phony over-production and so-called surpuses and lowered farm income by an estimated 2 billion dollars a year—to permit our leaders to deliver our machinery, equipment, animals, chemicals, people and know-how to the enemy on credit and for free—

Is to set up the conditions for famine and to threaten our national survival.

STATEMENT OF G. J. LANG, DAWSON, N. DAK.

You have been presented with undeniable facts that the federal farm program has been a dismal failure. There is only one solution. The free market system must be allowed to work again. It is what is left of the free market that enables our country to function at all.

Our only problem is government meddling. Government, instead of being the referee, got into the game. The taxpayer pays for subsidizing agricultural imports on one end, and the taxpayer pays for subsidizing the American farmer on the other. The death of American agriculture in the market place is the result.

The only solution for you to consider is to return Congress to the supreme law of the land, the Constitution of the United States. Your power under our Constitution is limited, as it should be. The Constitution is our law over you, our Congress, by which we retain our freedom. You were all sworn in to uphold and defend the Constitution of the United States of America.

The federal farm programs, along with the taxpayers' subsidizing, have no constitutional authorization by any stretch of the imagination.

An overall program that this Committee and all of Congress should be working on to enact, to bring our federal government back to sanity under the authority of our Constitution, is The Liberty Amendment. It is introduced in Congress as a House Joint Resolution. The Liberty Amendment is an amazing document. It would not change our original Constitution in any way. It would strenghen it giving it full force and effect.

Until we, the people, can get true representation in Congress to get this done, you, who are here today, should free the farmer before American agriculture is destroyed beyond repair.

The free market works. The free market and free enterprise system in America is the most forward looking, progressive and successful system that ever evolved in the whole world. It must be allowed to work again.

Congress must take immediate steps to remove every trace of government interference from the production and marketing of farm commodities. The farmer must have restored to him his constitutional rights to grow what he wants to grow and to sell it unhindered and unrestricted.

I believe that my views represent generally a cross section of the wishes of all honest farmers and ranchers.

Congress must get the federal government and all of its bureaucracy out of farming.

The CHAIRMAN. Mr. Yeakley, we will be glad to hear from you. Is Mr. Yeakley present?

(No response.)

The CHAIRMAN. Mr. Yeakley is not present.

We will now ask all of those who have testified, all of the witnesses who have testified, to come back to the front and I will be glad to include Mr. Kleppe and Mr. Lang. Come back up and we will allow them all to be questioned together, because it is the only way we are going to be able to get through. We do have the astronauts today, and the committee is going to have to adjourn at 12 o'clock.

Mr. Meyers, do you want to ask any questions?

Mr. MEYERS. No.

The CHAIRMAN. Mr. Melcher?

Mr. MELCHER. Mr. Scott, I would like to know if you are aware of the Farm Bureau's proposition for massive land retirement, are you not?

Mr. SCOTT. In a general way, I am.

Mr. MELCHER. Do you favor that type of legislation?

Mr. SCOTT. No, I do not.

Mr. MELCHER. You mentioned 2 million acres of increase in sugar beets. I presume we would not import any sugar, is that correct?

Mr. SCOTT. I think that is reasonably accurate.

Mr. MELCHER. And you mentioned increases in hogs and beef cattle too. We would not import any pork or beef?

Mr. SCOTT. That's right.

Mr. MELCHER. How would you propose we do this, Mr. Scott, in laws that stated we would not import any of those products?

Mr. SCOTT. No; I wouldn't recommend that drastic a statement or procedure at all.

Mr. MELCHER. Mr. Scott, if we stop importing any of these products, just how would we go about stopping it?

Mr. SCOTT. I believe that under the freedom of the marketplace in all of our agricultural commodities we would have adequately taken care of our production within very close requirements. There would always be an interchange, and should be, but for our country and our Congress to pay taxpayers' money out to not produce and then to allow the imports, I think there is something you should do about it. One or the other.

Mr. MELCHER. Mr. Scott, I am just wondering if you are recommending tariffs, or just what your procedure would be to prevent imports?

Mr. SCOTT. Well, in the sugar instance—and there are men who have studied it much more than I have who recommend a very simple import tariff on sugar and they say—the one I am attempting to quote is Congresman Paul Findley, that that would leave it up to the American producer of sugar, be it cane sugar, beet sugar, or either one, and wherever or whenever and do away with this lobby that comes to our Nation periodically.

Apparently it causes the Congress to continue to import. That is the kind of tariff I would recommend.

On the other hand, as I have stated, in my prepared statement, that as long as we, through foreign aid and other operations, subsidize other countries in that instance, I would recommend some protection.

Mr. MELCHER. You are recommending, Mr. Scott, to be definite, that tariffs should be enacted to prevent any importation of these products?

Mr. SCOTT. No; I am not. You misunderstand. I am not recommending that.

Mr. MELCHER. Thank you, Mr. Scott.

The CHAIRMAN. Mr. Ed Jones.

Mr. JONES. No questions.

The CHAIRMAN. Mr. Burlison.

Mr. BURLISON. Mr. McVay——

The CHAIRMAN. I wish all of you gentlemen who have testified would come up to the front row.

Mr. BURLISON. I share some of the concern expressed by Congressman Zwach in the earlier questioning, and I also would like to express some reservation to the views expressed by my distinguished friend from Mississippi, Mr. Abernethy and Mr. McVay, relative to the soybean acreage support program or acreage allotment program. As I understand from your statement, Mr. McVay, it was your feeling that we probably should continue our programs in such troublesome areas as cotton and wheat and feed grains, that is, our acreage allotment and payment support programs. Is that a fair statement of your viewpoint and that of your association?

Mr. MCVAY. It is our belief that each of these commodities have special problems and that they must be considered separately. That soybeans are different from wheat and cotton, and so forth. I would not like to make the general statement that production of all those other crops shall be controlled. We didn't speak to those points. I think we should consider them separately.

Mr. BURLISON. And we should continue the concept of permitting acres diverted in those other programs to go into soybeans, all of them, as many as the producer wished.

Mr. MCVAY. No, sir, we do not say that.

Mr. BURLISON. You did not say that, Mr. McVay?

Mr. MCVAY. We say, as the acreage is needed from the other crops the Secretary of Agriculture should have the authority to make them available.

Mr. BURLISON. Then, under certain conditions you would favor acreage allotments or limitations as to soybeans?

Mr. MCVAY. No, sir.

Mr. BURLISON. How can you reconcile those two things? How can you reconcile the statement that diverted acres could go to soybeans, and the statement that there should be no soybean acreage allotment? In view of the soybean stocks now on hand and the projected increase, the proposal does not make for a sound program.

Mr. MCVAY. Let's assume that the farm program provides for a feed grain base and a bread grain base, and a conserving base as a present program. The present program permits soybeans to be grown on all other acres. We believe we should continue to have that freedom and flexibility.

However, as the acres presently free for soybeans are used, we believe that in time soybeans can be marketed from some of the acres that are being held from production under bread grains and feed grain programs.

When that time comes the Secretary should have the authority to make those acres available because if produce from those acres can be marketed it will be an increase in farm income and a reduction of cost to farm programs, to make use of that acreage in that way.

Mr. BURLISON. It seems to me, Mr. McVay, that the program presented by your association could have no other results than to make the price of soybeans to the processor as low as possible, and at the same time find the producer of soybeans producing at the lowest possible price, producing below cost. I just entirely disagree with your approach, but I do want to compliment you on the vast knowledge that you have in your field, and the very articulate way in which you presented your program.

Mr. MCVAY. Thank you very much. I would only want to say that we believe we have 30 years' experience, and 30 years' record in which soybeans have been free of acreage restrictions, and in which the demand for soybeans has grown year by year, and that the price received by the farmer for soybeans production has been adequate to encourage them to increase the production to meet this growing world demand.

Mr. BURLISON. I would like to make one final comment on a different subject that in my judgment you are somewhat distorting.

The supporting price on soybeans now, you spoke in terms of $2.25. The loan support on soybeans is not $2.25, it is $2.25 for No. 1 bean, which is a very small percentage of the beans produced. Most of them fall in No. 2, which is reduced to $2.19.

This was not explained to the farmer by the administration when it was done, and I don't think it helps for you to talk in terms of $2.25 for soybeans now when it is really $2.19. I don't believe that the American farmer can produce soybeans at $2.19 under the present conditions, with cost of production increased and continued spiraling interest rates. And it seems to me that your program certainly is not going to give any alleviation to the problems of the soybean producer in the foreseeable future.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Burlison.

Mr. Price.

Mr. PRICE. No questions.

The CHAIRMAN. Mr. Walter Jones.

Mr. JONES of North Carolina. No questions.

The CHAIRMAN. Mr. Zwach, did you have a question?

Mr. ZWACH. No.

The CHAIRMAN. Mr. Purcell.

Mr. PURCELL. Mr. Chairman, no questions in the interest of time, but I want the record to reflect that as far as I am concerned, I would like to have had the opportunity to question some of the statements Mr. Scott made. I do not agree with his analysis.

I read Mr. Kleppe's statement and I particularly found myself amazed that an American citizen made the comments he has made. I totally disagree. I don't want to take the time to question. I don't have the time, but I didn't want the record to be totally unchallenged.

The CHAIRMAN. The record will show your disagreement.

(The following statements were also submitted to the committee:)

STATEMENT OF ROBERT E. BRANSON[1] COORDINATOR, TEXAS AGRICULTURAL MARKET RESEARCH AND DEVELOPMENT CENTER AND PROFESSOR, DEPARTMENT OF AGRICULTURAL ECONOMICS AND SOCIOLOGY, TEXAS A&M UNIVERSITY

A NEW DIRECTION FOR AGRICULTURAL POLICY

Emerging trends in the nation's food and fiber industry offer an opportunity to introduce a new phase, and direction to national food and fiber agricultural policies and programs. The purpose of this statement is to identify these changes and identify the new direction now open and available to us.

Emerging trends in U.S. agriculture

For more than two decades, U.S. farmers have been essentially dependent upon price supports and production controls to assist them in adjusting to the effects of a monumental technological resolution in production methods and organization. Unfortunately, the programs have become, in many respects, ends within themselves. Agricultural producers appear to give more time to obtianing fair treatment from price support and production control programs than they spend upon endeavoring to solve the basic underlying problems themselves. Thus, a change is called for in this direction of attention and emphasis in national policy. Such can be achieved by introducing a new dimension in government agricultural programs that will be outlined shortly.

Another significant set of trends are now at work in the agri-business sector of the U.S. and it is these trends that set the stage, as it were, for a new policy direction. For sake of clarity and brevity, these are enumerated herewith.

1. The technological revolution in production methods will continue and these are now generally accepted forces of change.
2. Matched with the above technological production changes is now emerging a revolution in food and fiber marketing that will have, and is having, equally significant repercussions.
3. The marketing changes, if not being developed within agriculture, are being forced by outside interests. For example LTV entering meat packing and Purex entering vegetable production. And more specifically, perhaps, is the fact that major risk capital is looking at opportunities to better organize food and fiber production and marketing, and especially the latter.
4. Farmers are evidencing, if Texas is indicative, a renewed and sincere interest in mastering the problems of markets and not just those of production.
5. Vertical and horizontal integration in food and fiber production is inducing changes in and formation of new production-marketing systems.
6. The example of the broiler industry has revealed a path that much of agriculture can follow. Production, processing, packaging, product improvement, new product development, pricing and market development and promotion based on sophisticated market research is all being wound into one major coordinated enterprise. For sake of brevity examples will not be cited here.
7. The integration of production and marketing now emerging can come from two directions—a) outside from corporations or risk capital groups that are newly entering the food and fiber markets and bring with them organization, marketing and management know-how or b) from farmers who are interested in maintaining a measure of control over their destinies and therefore integrate forward into marketing or processing and marketing themselves.

There are substantial, successful examples of the latter—the farmer forward approach—and it would seem that those interested in the welfare of farmers and ranchers would prefer this farmer-forward solution. The alternative is for farmers to become employees of outside business corporations. Some may prefer the employee route. My own position is to provide the farmer and rancher an equal opportunity at the business organization, marketing and management role.

Examples of Farmer-Forward development

A number of groups of aggressive farmers have organized Farmer-Forward business organizations. Most, if not all, are cooperatives—a point that needs special consideration later. Again in the interest of brevity only a few are cited.

1. Arkansas Rice Growers Cooperative Association has developed over time 20 different corporate entities. Facilities owned are valued at $71 million. Sales

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[1] Brief vita attached, see p. 608.

in 1966 totaled $29 million. Members totaled 23,000. It is estimated that this organization has brought its members $59 million of extra income over the past 21 years.

2. The National Grape Cooperative Association, Inc. owns the Welch Grape Juice Company. It has 2,500 members, operates 30,000 acres of vineyards across the nation, and has assets of $48 million. Membership in the association is said to represent added value of $1,000 per acre to vineyards.

3. Cotton Producers Association, Atlanta, Georgia had sales of $245 million in 1967, assets of $91 million and net worth of $46 million. In 1966 it ranked 328 in the Fortune list of 500 leading U.S. corporations.

4. Agway, Inc., Syracuse, New York, is a farm supply and food marketing enterprise owned by 1,000 farmers. It has 75 manufacturing plants and 40 processing and storage facilities. Sales in 1967 were $500 million, assets $246 million or $2,460 per member.

5. Milk Producers, Inc. is an amalgamation of producer milk cooperatives that markets milk from first a five state and now from approximately a fifteen state area. Successful marketing policies have increased prices to members by 50 cents per hundred weight above the Federal Order price for Grade A fluid milk.

The major difficulty with this group of examples is that the cooperative form of enterprise has been followed without apparent equal opportunity to follow a straight forward corporate enterprise business organization method.

Examples of Business-Outward development

Numerous examples of Business-Outward development into agriculture are now evolving. For lack of time, again to research the matter further and for sake of clarity, a few examples are cited some of which are local and thereby better known.

1. Neuhoff Packing Co. Dallas, operates a major feedlot enterprise in order to supply its needs and is integrated forward into supplying selected food chains.

2. The Kroger food chain in the Southwest has integrated production operations for broiler and egg supplies.

3. Minute Maid owns extensive citrus groves in Florida for its frozen orange concentrate production and marketing operations.

4. The Purex Corp. is entering vegetable production and marketing as a conglomerate enterprise endeavor by offering innovative marketing services needed but not presently provided by others.

5. Ling-Temco-Voight, an aerospace-electronics firm, purchased one of the major packing companies as a conglomerate operations move into an industry badly needing to up-date its operational and marketing methods.

The compelling need for integration and national risk without it

All of the foregoing integration examples point the way to the introduction of U.S. agriculture into the mainstream of the U.S. free-enterprise-competitive system. But the compelling need is not that simple. The need arises from the consumer market requirement that better and more consistent quality products with new and improved services be provided. The lesson taught in the successful corporations of today is that markets change and products must change with them.

Cotton sat on its traditional production-marketing mold and failed to modernize its product and thereby was undermined by market-oriented, aggressive synthetics. Now cotton is endeavoring to "get with it" by offering stay-pressed fabric, soil release and so on.

Packers integrate outward into feeding because consumers demand consistency in food products and this cannot be achieved by willy-nilly feeding practices of uncoordinated farmers and ranchers. The same motivating principle applies to most, if not all forms of Business-Outward integration into agriculture. The Ford Motor Co. cannot buy wheels or gears for cars from a multitude of producers with different tolerances and structural strength and expect to sell customers automobiles. It is foolish to think food companies can operate differently in this day of mass media communication.

It must be recognized, therefore, that the compelling economic forces are present. They will succeed notwithstanding any federal acreage control or price support devices and programs. The question is can we help those in agriculture, take advantage of this last opportunity to emerge from a government semi-socialized or paternalized program to one of economic independence. No group in the U.S. inherently desires that opportunity more.

The impelling need for a positive program for farmers also arises from the fact that unless producers of natural foods and fibers have the facilities and opportunities to adjust their products to markets only the synthetics will. It will be a travesty for a nation so abundantly blessed with natural food and fiber resources, to end up eating and wearing synthetics simply because we overlooked the opportunity for farmers and ranchers to be competitive in a dynamic economy with free market choices. The R&D (product research and develpoment) and MR (market research) activities of the major corporations creates a dynamic marketing environment. The market for no natural food has a guaranteed market in perpetuity.

Outline of an action program for agricultural progress

Proposed as a new direction for agricultural programs is one to support an agriculture-forward endeavor. The objective is to provide technical, professional and financial assistance to producers and agricultural groups in specific geographic areas to enable them in organizing into business entities that can proceed to analyze their product market alternatives and needs, and how they can fit their production facilities, as farmers and ranchers, into a more profitable coordinated operation.

For years we have had a Small Business Administration that aids and implements efforts of people in the non-agricultural sector to become a part of the on-going stream of our capitalistic competitive economy. Why should we not provide the same implementation to the agricultural segment of our economy? Contact with agricultural groups and leaders in recent years has revealed a sincere interest in considering and solving their own problems. Thus the environment is there for success.

There has not been sufficient time to develop the administrative format for implementation of the proposed program. However, it would possibly assume the following features.

1. An Agricultural Production-Marketing Systems Act. This act would provide federal funds apart from the present ones, to provide grants to university market development teams, or to industry groups directly, to be used by them for the marketing systems research through universities or private research organizations. Such studies would have to qualify in a project proposal approval by the agency administering such funds. This has a forerunner in the Small Business Administration. These latter agencies, however, have been directed essentially to non-agricultural sectors of the economy. Furthermore, they are not preceded by the extension education and research effort necessary to establish the initial groundwork required before meaningful studies can be undertaken, with groups capable of implementing them.

2. Establishment of the Agricultural Finance Corporation. This agency would underwrite loans to agricultural groups with sound economic and production-marketing feasibility plans. Such financing may be used to establish new, or purchase existing processing and/or marketing facilities.

In all instances plans for a feasible production-marketing system strategy would be required of the applicant group. These usually would take the form of contracts with other marketing and processing agencies or food chains or the strategy may be to go into a private brand product program on their own.

Financing could be direct or on a guarantee basis somewhat as FHA serves for residential housing.

Analogies of progress that support the new Farmer-Forward Program can achieve

In response to the above noted conditions, and needs a new concept was developed at Texas A&M University—The Texas Agricultural Market Research and Development Center. This Center provides the type of service outlined or proposed here, but without any financial assistance for facility development to the groups concerned. Provided through an educational-research service is the incentive to organize into business groups and to consider marketing problems and opportunities. Provided is professional research and consultation toward a greater knowledge of marketing problems and opportunities and how to set a production-marketing strategy to profit from market changes.

Also provided is an economic and market analyses and consultation service on a contract basis.

The Center, although only designated in February, 1969, is already serving seven producer groups and has ten reserach contracts currently in operation.

A special staff was recruited to operate as the core task force. Included are five agricultural marketing economists with training and interest in market development research. Associated are agricultural extension service and agricultural experiment station personnel. Food technologists or other specialists become a part of the team as needed for specific projects.

Program limitations

The proposed action program to aid agricultural producers in staying competitive is not a panacea. Yet, it opens the door to a way out of our present dilemma and one that meets the desirable operational criteria of the U.S. economic system.

Solutions for commodities other than cotton and major grains will come first and easier. However, those for cotton and grains can be obtained given time to adapt the program to those commodity problems. There is no reason why contract production cannot be extended to cotton and grains, if it can be used for potatoes, milk and chickens.

VITA

ROBERT E. BRANSON

Robert E. Branson received the B.S. degree in business an deconomics from Southern Methodist University, Dallas and the M.A., and Ph. D. degrees in economics from the Littauer School of Public Administration as well as the MPA degree in public administration from Harvard University. Experience includes over ten years of service in various branches of the U.S. Department of Agriculture in a Dallas regional office and in Washington, D.C. and nearly fifteen years experience in state and regional market development research at Texas A&M University. Experience also includes twelve years of economic and market research consulting experience as President of Branson & Associates, Inc. Publications include the authorship of over one hundred research reports and related articles.

STATEMENT OF G. A. HALE, HALE SEED FARMS, BURDETTE, ARK.

1. DOMESTIC AND FOREIGN MARKETS

Much of recent legislation has been written to favor the production of increased amounts of farm products without regard to the effect of surpluses on farm income. Much of this surplus has been dumped on foreign markets without regard to depressing farm prices in receiving countries and discouraging foreign farmers to produce needed commodities. I have visited most of the free-world cotton-growing countries and observed the extremely low standard of living and the very low cost of producing cotton and other crops. With enormous amounts of idle labor and land available in the under-developed countries, it is unrealistic and unfair to expect us to compete in many foreign markets.

We should concentrate our efforts on the increase and improvement of our American markets as cotton and other crop farmers are doing by contributing money for more research to lower costs and promotion to increase domestic consumption of our crops.

2. PRICE SUPPORTS

Until the time when farmers can receive profitable prices for their products like manufacturers and other businesses, as a result of bargaining power in the market place, price support by the government will be necessary to supply consumers with adequate amounts of farm commodities. Price supports should be set at levels which result in price equal to at least 85 per cent of parity with provision to gradually increase this amount to 100 percent of a fair price for farm products. Cotton farmers are indebted to Senator Ellender for writing into the 1965 Act a provision that the loan value and the direct payment must be equal to 65 percent of the parity price for each cotton crop. This has saved thousands of cotton farmers from bankruptcy. If this value could be raised to 85 percent as provided in the laws before 1965, the need for direct payments to supplement loan and sale prices of cotton would not be needed and much of the objection to the present law would be eliminated. No new law and a return to the old one would be better for cotton farmers than an extension of the 1965 Act.

3. QUOTAS AND ACREAGE ALLOTMENTS

Our government is having to spend unneeded money holding farm elections to let farmers vote on whether or not they want crop programs with acreage allotments and price supports. With one exception, in recent years, farmers have voted overwhelmingly for the provision whereby they can attempt to produce only the amount of crops that the market will take at above-cost-of-production prices. Claims have been made that acreage control have not prevented surpluses, but where this has happened it is usually caused by administrators of the program being too generous with those who profit from high-volume production regardless of the consequences to farm prices. In the case of cotton, the law requires that the Department of Agriculture allot a minimum of 16,000,000 acres each year regardless of the supply on hand and this along with weather factors has resulted in hugh, burdensome surpluses. New laws should lower this, acreage must be allotted to 14,000,000 or leave it to the discretion of the Secretary of Agriculture. Soybeans should be grown on alloted acres and wheat allotments should be refigured on recent planting history so many growers can take advantage of the wheat program.

4. LIMITATION OF PAYMENTS

The socialistic proposal to limit the amount of government payments to each individual farmer taking part in farm programs regardless of his contribution to the welfare of the entire economy is unfair to both small and large farmers. It is necessary that all farmers participate in crop programs if these are to result in ample supplies of farm crops. The best way to discourage young people from farming and thereby endanger ample supplies of food and fiber at reasonable prices in the future is to limit the size of farms and the amount of net income from farming. Under our free enterprise system this makes no sense as no other segment of the economy that receives government payments is limited in the amount of these to individuals or corporations.

5. LAND RETIREMENT AND ACREAGE DIVERSION

Many non-farm people think that we are being given their tax money not to farm, but there is more to idling land than they know about. Diverted acres are often improved for future benefit of consumers by the application of soil and water conservation practices. Part of the cost of practices such as leveling land for drainage and irrigation and planting cover crops to stop soil erosion are now paid by our government and in the long run taxpayers are making a sound investment and this ACP program should be continued and expanded. The retirement of whole farms from production of certain crops is a good long time investment, but for the immediate future the diversion of part of crop allotments should be done so farmers can continue to stay on their farms. Adequate payments should be made to help farmers adjust the supply of farm products to the demand, a practice followed with success by other businesses.

6. IN CONCLUSION

It is in the best interest of farmers and others that the farm economy remain healthy. Because of our large numbers, we must depend on our government to help us help ourselves. Your cooperation will be greatly appreciated. Thank you.

STATEMENT OF TED SAVICH, RENSSELAER, IND.[1]

The farm problem of low prices and inadequate income resulting therefrom will be solved when and only when we stop trying to determine the prices of agricultural commodities by means of a market system in an attempt to relate prices to supply and demand. It is not possible for farmers to attain fair prices in such a system because of the *necessity of food and fiber abundance in our society.* Anything short of abundance is intolerable in modern America. Therefore a "market oriented agriculture" is an abomination without a single hope of redemption.

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[1] Additional information submitted by Mr. Savich may be found in the files of the committee.

Either high prices or fair prices can be achieved only in a situation of tight supply or scarcity neither of which would be acceptable as far as our food supply is concerned. Therefore, since *abundance and surplus are a basic and mandatory condition for agricultural commodities in our society* the prices of agricultural commodities should be determined by some sort of negotiation or by a national farm commodities price fixing board. Moreover, it is the conviction of this writer that fair prices can be determined mathematically by some formula based on the parity concept, which states: that capital invested in farming should earn at the same rate as capital invested in other segments of the economy at comparable levels of risk, and that labor and management applied to farming should earn returns comparable to earnings by these components in industry and business.

Admittedly the institution of a rational system for determining farm prices which is the solution of the commercial farm problem will not solve entirely the problem of rural poverty—but it would form the basis for that problem's solution. It is the starting point for the sound structuring of the rural community, and can help supply the means whereby the rural community can solve its own problems. Inasmuch as one of the elements of the parity concept is a fair compensation for farm labor, migratory and other farm labor would be adequately compensated. Many farmers who have adequate holdings to enable them to earn a decent American living have been forced off the land by low prices. Most of these farms would have been saved by fair prices. Their proprietors have joined the stream to urban poverty or have sunk into the squalor of rural poverty. The residue of rural poverty left in spite of parity earnings must be dealt with by traditional tools invented by social scientists: first fee food—starvation at any level of our society is intolerable; second some form of guaranteed annual income; third education designed to eliminate the ignorance of the poverty stricken (including the proper utilization of food).

The trend to oversized farming aggregates should be stopped and measures taken to reverse it—land reform is necessary in the U.S.A., and a rational system of land tenure must be devised. Our goal should be a family farm system undergirding a strong viable rural community, supplying our society an alternative to a corporation dominated existence. To secure such a system, legislation directed toward its establishment and preservation must be devised. The guiding principle should be that no man should own more land than he and his sons can till.

Surplus above reserves needed to assure an abundant food supply is most sensibly kept as non-producing acres maintained in fertility and ready to use when needed—when politicians have solved the problems of its distribution to our own hungry and those who hunger throughout the world. The cooperation of all farmers to maitnain surplus acres in reserve capacity and fertility *must be expected.* It is anticipated that the burden to farmers for this additional duty can be compensated automatically by including it as one of the computer inputs in the parity formula computation of prices.

The Secretary of Agriculture should immediately set the levels of all price supports at 90% of parity as authorized by Congress. The Congress should legislate mandatory 100% of parity price levels as soon as possible. Further it is urged that the Congress abolish any "free market" vestiges, inasmuch as the "free market" has been turned into a device to keep the American farmer poor and struggling desperately to survive. Other civilized countries under capitalist economies are able to get along without a "free market" in agriculture and maintain prices to farmers at double the levels of American production in spite of efficiency standards and production methods comparable to those prevailing in America.

The achievement and maintenance of complete abundance is essential to the well being of our country. The Congress should invent and implement every possible device to distribute the fruits of this abundance to all of our people who are in need; and once all of our own are adequately nourished, any surplus should be distributed to the poor people in the rest of the world through international agencies not subject to cold war influences.

If these measures do not suffice to prevent supply accumulation above manageable and necessary reserves, any production controls which are needed should be implemented by the government at no cost to the treasury aside from costs of administration, and they should be the obligation of all farmers each contributing his full share. Further at such time as reduced production prevails farms should be compensated for the resultant deficit in income by prices sufficiently above parity levels to make up the difference.

In agriculture there exists a special relationship between farmers and government, viz, a social contract. The terms of the contract are that the farmer will produce a super abundant supply of food and fiber; in return the government agrees to protect the farmer from the law of supply and demand, and in fact agrees to secure for him a full parity of earnings for his investment in agricultural production. As a primary implication of this relationship prices for agricultural commodities should be determined under government auspices by a national farm price fixing board, equipped with computers and staffed with mathemeticians, accountants, and economist consultants, Corollary is that a "market oriented agriculture" is an abomination without a single hope of redemption. Since New Deal days the emphasis on dealing with the farm problem has been to devise means to cope with surplus production. This emphasis exists to this very minute. The contract discovered in this article teaches that the emphasis is misplaced. The emphasis must be turned with full heat on the government's obligation to implement its part of the bargain: parity for farmers. Surplus—abundance is an imperative fact of life. It is the sine qua non starting point. The surplus must be accepted and guaranteed, not liquidated. Farm organizations and farm leaders worth of the name must thoroughly familiarize themselves with the terms of the farmer-government social contract and all of its implications. Their primary function must become the education of their membership and of the public, especially those who occupy positions of power, with emphasis on Senator Ribicoff. Another important implication of the contract is that of farmer cooperation: to cooperate and fully share in any programs of supply control deemed necessary, not to withhold his production, to maintain and extend by every means possible his production efficiency, to strive continuously to improve the quality of his production, and etc.

STATEMENT OF J. R. KNEZEK, SEYMOUR, TEX.

A PROPOSAL—AGRICULTURAL ACT OF 1971

Wish to propose the following short sketch of basic farm program which should be acceptable to those wishing to go it alone; to those wanting price supports; to the taxpayer; and to the consumer.

The purpose would be: ;

1. To provide an effective and truly voluntary farm program.
2. With allotments.
3. With price supports to complying farmer.
4. With maximum farmer freedom.
5. With minimum Government control.
6. Without penalties.
7. Without diversion payments.
8. With assured subsisting income for complying farmer without added cost to taxpayer or to consumer.
9. To assure the nation of an emergency supply of wheat.
10. To avoid stockpiling of surplus wheat.
11. To stop the exodus of farmers and rural community families to the city to become wards of taxpayer.
12. To allow those wishing to go it alone to do so.

Cost.—Less than present program. Limited to those in compliance. Estimated 350 million dollars. The higher the market price, the more farmers would go it alone and the less cost to the government until market reaches 85% of parity at which time, no more cost to Government in price supports.

COMPLYING FARMER

1. Minimum allotment in acres to be equal to or greater than he had in 1959–60—to the *individual* farm that had allotments at the time.
2. If farmer desires—take 85% of parity Gov. support—no deduction for storage—Gov. become owner of wheat.

(*a*) Gov. receive wheat with instructions to sell or dispose of as best it can, EXCEPT emergency supply. The more Gov. receives for wheat, the less cost in price supports.

(*b*) The emergency supply *not* to be sold for less than parity, to keep it from being a depressent on the market and yet available in emergency.

Changes necessary from current practice, to effect the proposal:

1 The Wheat Tax, if not expired in 1970, must be repealed.

2. No penalties for overseeding.

3 Provision, that farmer lose wheat history if he over seeds allotment must be repealed.

4. Allow no substitution of wheat for other grain. (Other grains have never really been under control.)

5. Wheat substituted for other grain and otherwise allowed under current program, must not count as history toward allotments. (Each farm that had allotments in 1959–60, must have a minimum acres alloted equal to or greater than had at the time.)

6. No projected yields to worry with—less work—less expense.

(a) Simply support wheat grown on alloted acres, each year. (Will average out from year to year.)

7. Farmer needs to know his allotment etc. at least a year ahead, so he can farm efficiently. (So he knows how much land to prepare and how.)

8. Each commodity should have own program—No cross compliance:

(*a*) A program for Wheat.

(*b*) A program for Feed Grains (Grain Sorghum, Oats, Barley).

(*c*) A program for Cotton.

(*d*) Each could be patterned after the wheat program sketched above, page 1.

(*e*) Compliance with one program should stand alone, no condition that compliance with another be required.

Farmer can do as he pleases with land not in program.

9. Allow more home allotments instead of imports:

1. Example—Imports of Egyptian cotton instead of allowing larger long staple cotton allotments in the states.

2. Example—Cuban sugar cut off—Imports from new countries or larger imports rather than sufficient increase in home allotments.

10. Would consider sowing of wheat, oats, barley, grain sorghum, strictly for grazing, as optional.

NONCOMPLYING FARMS

1. Would be free to dispose of his wheat as best he can, free market, eat, feed, etc.

2. Would be faced with competition with Gov. owned wheat on the free market. (Without Gov. program, he would be faced with the same wheat competition.)

3. No penalties—to be voluntary and free market:

(*a*) No direct penalties for overseeding.

(*b*) No wheat tax (Mills certificates), to be repealed if not expired in 1970.

(*c*) Provision that farmer lose wheat history if he over seeds allotment, started in 1954, to be repealed.

(*d*) No cross compliance.

EFFECTIVE

1. If market less than sufficient for profit, farmer would comply.

2. If farmer chose to go it alone, wonderful, no Gov. outlay on him.

NO INCREASED COST TO CONSUMER

1. With wheat tax expired or repealed, mills can pay $2.00 for wheat without increase cost to them or consumer.

2. Wheat exports, at $1.63 ($1.53?) regardless, International Wheat agreement.

3. For feed, etc., would sell on free market.

Propose separate programs patterned after this one for:

1. Feed grains (Grain Sorghum, Oats, Barley).

2. Cotton.

P.S.—I have only sketched the basics here with no attempt to explain how or why this would work. Would attempt to do so if interested.

For example:

Complaint, Gov. should not sell in competitive market.

Answer—If the wheat surplus is kept sold off, there would be no stockpiled, costly surplus hanging over the market, yet it would be to the Gov. interest to keep market as high as possible.

Complaint—1959–60 allotments too high.

Answer—The 1959–60 allotments were higher to *individual farms* but only wheat farmers were permitted to grow wheat. The present day surplus comes from allowing of growing wheat in place of grain, sorghum, oats and barley (Never under real control) in addition to wheat allotments and still be in compliance.

The committee will stand in recess, to reconvene subject to the call of the Chair.

(Whereupon, at 12 noon, the committee adjourned, to reconvene subject to the call of the Chair.)

GENERAL FARM PROGRAM AND FOOD STAMP PROGRAM

WEDNESDAY, SEPTEMBER 24, 1969

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to recess, at 10:05 a.m., in room 1301, Longworth House Office Building, Hon. W. R. Poage (chairman) presiding.

Present: Representatives Poage, McMillan, Abernethy, Stubblefield, Purcell, O'Neal, Foley, de la Garza, Vigorito, Jones of North Carolina, Montgomery, Sisk, Alexander, Burlison, Lowenstein, Jones of Tennessee, Melcher, Belcher, May, Wampler, Goodling, Miller, Mathias, Mayne, Zwach, Kleppe, Price, Myers, Sebelius, and Resident Commissioner Córdova.

Also present: Christine S. Gallagher, chief clerk; William C. Black, general counsel; and L. T. Easley, staff consultant.

The CHAIRMAN. The committee will be in order.

We are glad to have such a good attendance this morning. I realize that you cannot all find seats, but I hope you will be as comfortable as you can. We are delighted to have all the visitors here. I hope it reflects an interest in agriculture and an interest in what we might do to be of help to the farmers. We thank you.

We thank you, Mr. Secretary, you and your staff, and your counsel and the rest for being here, because again, I think it reflects an interest in the same thing which we are working for. I do want to say to our visitors here, and I know that we have a number of the press here, that this committee has enjoyed real fine relationships with the Department officials. I think we recognize, and that they recognize, that we are all going to have to work together to try to maintain some degree of prosperity for our farmers if we are to have a sound Nation.

I am probably older than most of those who are here, and I have lived through the 1930's and I know how the great depression started. I know that it started in agriculture long before it affected the rest of our economy. Maybe it is on that basis that I am so convinced that you cannot maintain the kind of prosperous United States we all want, unless you are willing to maintain prosperity in agriculture.

I feel that Mr. Hardin agrees with those same views and the members of this committee agree with that. I know that there are many people in the United States who simply do not understand the relationship between agriculture and the rest of our economy.

So, it is fine, I think, to see this expression of interest on the part of departmental officials and on the part of the public because we have got to have that interest on the part of the public if we—either the legislative or the executive branch—are to be able to be helpful to agriculture.

We cannot do it alone. We have got to have public understanding and public appreciation of the problems.

The Secretary is here to try to help guide us in directions which may be helpful in maintaining that degree of solvency on the farms that we must have. And so, Mr. Secretary, we want to express our appreciation for your interest, and we want to welcome you here and invite you to give us such views as you can at this time as to how we can improve our agriculture.

Thank you, Mr. Secretary. We will be glad to hear from you.

STATEMENT OF HON. CLIFFORD M. HARDIN, SECRETARY OF AGRICULTURE; ACCOMPANIED BY J. PHIL CAMPBELL, UNDER SECRETARY

Secretary HARDIN. Thank you, Mr. Chairman, and if we may I shall proceed then with the statement that we have prepared.

Mr. Chairman and members of the committee, the charge given to me by President Nixon is to represent the farmers of this country in the councils of government. It is in that role that I appear before you and I am grateful for the opportunity you have provided here this morning.

Present farm legislation expires after the 1970 crop. Unless new legislation is passed before then we would fall back to laws passed before the Agriculture Act of 1965 was written. In that situation we would be forced to proclaim a marketing quota for wheat, subject to a producer referendum. We would go back to a high loan for cotton, running much of the crop into the Commodity Credit Corporation. There would be no diversion program for feed grains and a loan level for which all corn would be eligible. At the loan rate, the Commodity Credit Corporation would acquire a very large inventory. Net farm income, we estimate would decrease by approximately a billion dollars below 1969 levels.

It is, therefore, my earnest desire to assist in the passage of good new legislation. And I am aware, as you are, that if new legislation is to be passed it must be acceptable to a majority of the Senators and Representatives.

Our purpose is to work toward farm programs that will increase farm incomes and reduce Government cost. The most promising way of achieving these two objectives, we think, is to help bring about better overall resource adjustment, and within that setting, give farmers a wider range of decisionmaking. The suggestions we have to offer are of this type.

I would like to depart from the statement, if I may, Mr. Chairman,

at this point to inject a related thought. In this presentation I shall confine myself mostly to farm program mechanics, the level of Government expenditures and the specific targets for farm income I would like to consider with you at another time. We must recognize, however, that over the past years farm program payments have added a substantial increment to farm incomes. These payments have been capitalized into land prices for mortgages, tax revenues, income, and expectations. This history must be kept clearly in mind as we proceed with our discussions.

Our objective is to enhance net farm income and to help farmers share more nearly equitably in the fruits of our Nation's advancing technology.

In preparing for this presentation we have tried to be as thorough as possible. We have had a series of very helpful meetings with this committee. We have had listening conferences at Lincoln, Pullman, Fresno, Athens, and College Station. We have consulted with farmers and farm organizations. We have had a task force at work in the Department of Agriculture almost from the time I took office. We have conferred with the leading farm policy men from the land-grant colleges. We have reviewed our judgments within the executive branch and with the legislative leaders. Naturally, the counsel given us was varied.

What we have to say to this committee today obviously is not derived from any single source. After listening to all who availed themselves of the opportunity to be heard, it is clear to us that farmers want help to bring their incomes up to the level of the national average and that they want a bigger say in decisionmaking on their own farms.

This surely is a time when farmers and farm groups, acting through their enlightened self-interest, must find as much common ground as possible. I agree with the statement made by Chairman Poage last week in Texas to the effect that by themselves neither this committee, nor the administration, nor the Republicans, nor the Democrats, could pass a farm bill. We shall have to concentrate on the things that unite us if we are to rally the needed strength. It is in that spirit and in that framework that my colleagues and I desire to work with you.

The most persistent characteristic of American agriculture during these past years has been the ability of American farmers to produce in excess of our markets, both foreign and domestic. It is my firm belief that whatever series of programs we ultimately decide upon must provide the restraints on production that will permit satisfactory levels of price and income and will neither inhibit the growth of markets nor place needless obstacles in the way of efficient farm operation. While there is clear need for sizable programs to restrict output of American farm products, we must avoid giving our overseas competition the idea that they can expand their production without limit while the United States carries, by itself, the whole burden of acreage limitation. We must not concede the total market growth to our competition.

I do not need to emphasize to this committee that problems we deal with are complicated and that their solutions have resisted the best efforts of competent minds for many years. Because they are so complicated and because it is so important that we find workable and constructive solutions, I recommend that we examine jointly and in depth the options that are available. This committee represents, altogether, several hundred years of combined experience in agricultural matters. This is a resource that should be fully used, and another reason why we want to work closely with you. Proceeding in this fashion will give all of us more time for comprehensive analysis and also provide greater opportunity for response from farm organizations, commodity and producer groups.

My presentation is in several sections. The first section relates to legislation for certain major commodities. The second section is concerned with general cropland retirement. I then take up a variety of subjects, including a brief statement on limitations on payments. Finally, there is an appendix with illustrative material on how the various alternative programs would operate on representative farms.

PROGRAMS FOR THE MAJOR COMMODITIES

Programs for wheat, cotton, and feed grains are the ones that affect most farmers and set the pattern for other commodity programs. Therefore, they are considered first. You already have before you a number of proposals offered by the farm organizations. I outline for you two additional approaches, either of which could divert a sufficient amount of land and serve to sustain farm income. They differ chiefly in the degree of freedom they would give to farm operators.

1. A "set-aside" program.

A set-aside program visualizes a domestic allotment for cotton and wheat and, in addition, a national feed grain base. The feed grain base would be similar to the present one. Price support loans would be offered participating producers who would be required to set aside a crop acreage equivalent to perhaps 75 to 100 percent of the domestic cotton or wheat allotment and 30 to 50 percent of the feed grain base. No constraints on acreage or production would apply to any crop except the set-aside acreage, which would be in addition to the normal conserving base. Loan levels would be set (1) at a figure intended to encourage exports generally without subsidy, and (2) at levels that are intended to bring forth a desirable mix of the different crops. Loan would be available for the total output of the participants. The program would be voluntary; a farmer who wished to stay out of the program would be free to do so. He would be subject to no restrictions, would receive no payments, and would not be eligible for a loan. Marketing quotas for these commodities would be eliminated. Under anticipated conditions, the Commodity Credit Corporation would acquire no new stocks.

Income support payments would be made to cotton and wheat producers on the normal production of their domestic allotment acreage and to feed grain producers on the normal production of half of their feed grain base. Rates of payment could vary over time and would affect the number of participants and thus the acreage in the set-aside

The set-aside program encourages some diversion of cropland on all participating farms and pays for it through the commodity payments. It would retain, in part, present constraints on interarea shifts in production.

Chief determinations to be made with this approach would be the acreage computed for the domestic allotment, the size of the Government payment, the amount of land to be diverted as a condition of eligibility for the payment, and the level of the loan. Under this program, the allotment would serve only as the basis for calculating the size of the payment and the amount of land to be diverted. After a farmer had diverted the necessary number of acres he would have full freedom to use the remainder of his tilled land in any way he wished. Thus there would be opportunity to use the land in an efficient manner. Farmers would decide on the acreage planted to cotton, wheat, and feed grains in much the same fashion as they now do for the majority of the other crops.

The program could be used to generate various levels of farm income. A 1-cent-per-pound change in the cotton payment, for example, would make a difference of about $45 million in the income of cotton producers. For wheat, a 1-cent change per bushel in the value of the certificate would mean about $5 million. For feed grain, changes in the amount paid for diverting acreage could affect farm incomes in the same manner.

The program as outlined here will need to be described in much greater detail. This we will be pleased to do at another meeting.

As I said earlier, the appendix indicates, for representative farms, the arithmetic of how the program might operate.

I will turn now to the second program, if I may.

2. A domestic allotment and diversion program, an alternate to the one I just described.

Another possible approach is a "domestic allotment" program. This also grants somewhat more freedom to farmers than they presently have.

As in the set-aside, there would be an acreage allotted to each wheat and cotton producer, equal to his computed share of the domestic market. On this allotment he would receive payments. There would be no diversion required for cotton or wheat.

Feed grains and wheat would be aggregated into a total grain base. There would be diversion payments to take the desired amount of land out of feed grains.

A price-stabilizing loan would be available for participants. Grain producers would be eligible for loans if they produced within their total allotment.

As in the set-aside, this program dispenses with marketing quotas. Wheat and cotton growers, of whom no diversion would be required, could plant whatever they wished on their tilled acreage. Feed grain growers who chose to participate in the program would be required to limit their plantings of feed grains to an acreage equivalent to their base minus the feed grain acreage diverted. Substitution between feed grains, including wheat for feed, would be allowed. Ordinarily, the Commodity Credit Corporation would not expect to acquire stocks.

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The construction of such a program offers several features that can affect the level of farm income, the amount of Treasury cost, and the volume and price of farm products. Chief among these are: (1) the rate of payment on the domestic allotment for cotton, (2) the rate of payment on the domestic allotment for wheat, (3) the level of loan for feed grains, and (4) the rate of payment for diversion of grain base and the acreage diverted.

The domestic allotment approach differs from the set-aside in that it requires no diversion for cotton or wheat. For the feed grains the chief difference is that in the domestic allotment plan the wheat base and the feed grain base are added together to give the new grain base.

This program also will need to be developed in greater detail, and we will be happy to work with you on it.

Next, one feature of the act of 1965, as extended, is authority to provide class I bases for fluid milk. This authority is scheduled to expire with the act. If the class I base plan now in effect in Puget Sound is to continue, legislation must be enacted. It would be good to treat this matter separately and early; if changes are contemplated, it will take some months to prepare for a new marketing order and get it adopted.

Present legislation should be amended so as to provide easier entry for new producers. Precaution should be taken so that bases, while transferable, would not take on unreasonable value and therefore add excessively to the cost of producing milk.

The Department has a draft bill that we think would accomplish these changes. We will be glad to work with you on it.

OTHER PROGRAMS

Certain other features of present legislation are scheduled to expire. Among these are programs for wool, the cropland adjustment program, leasing of tobacco acreage, and the sale, lease, and transfer of peanut acreage. Public Law 480 will expire on December 31, 1970, and the Sugar Act a year later. After some pattern has been set for cotton, wheat, and feed grains, we must give close attention to these other programs.

PAYMENT LIMITATIONS

There are many arguments for and against payment limitations. On one hand, the contention is made by typical family farm operators that unlimited payments favor the large-scale, corporate-style farms. The small growers say that they are willing to meet the competition of the big units on ordinary terms but that the large payments constitute a special advantage.

On the other hand, there is a legitimate concern regarding payment limitations. It is the fear that payments might be limited, first to $20,000, and then to $10,000, then to $5,000, to $3,000 or even less. Payment limits that are too low would force big operators to go outside the program, would break efficient farms down into a number of less efficient units, would impose excessive acreage cuts on the small farms, and, with a given target for acreage reduction, would increase costs rather than reduce them.

We have testified already that we believe it is possible to design sound farm programs that provide for some payment limitation. As I have said before on this subject, a simple amendment to the appropriations bill will not suffice. The Department is ready to work with the legislative committees on basic changes in the legislation. The alternative proposals I have laid before you are intended to be workable with a reasonable kind of payment limit.

RESOURCE ADJUSTMENT PROGRAMS

Annual programs of the type I have been describing are needed to balance up our overexpanded agriculture and to protect current farm income. But they offer little opportunity for shifting unneeded cropland into uses for which there are growing requirements; timber, grazing, recreation, the propagation of wildlife, and other nonfarming uses related to an urban society.

To shift land permanently from cropland to these other uses would be to move in the direction of redressing our agricultural imbalance and would reduce the need for commodity programs.

But sound counsel bids caution. Too rapid a rate of long-term land retirement would depopulate the rural areas. An excessive large program would attract new land into production. Acres put to grazing could unbalance the cattle industry. It is best to proceed cautiously, learning as we go.

Resource adjustment programs should be viewed not merely as a way of balancing our agricultural production but also as a way of facilitating human adjustment and meeting the space needs of our increasing population, using the attractive environment of town and country.

The three resource adjustment programs that I next outline are not alternatives to one another; they could be used together. And they should be used in connection with one of the commodity programs previously discussed.

1. Cropland conversion: The cropland conversion law was put on the books in 1962. It was intended to get cropland converted to noncrop income-producing purposes on a contract basis. It was written as a pilot program, limited to $10 million a year. The program has not been used for some time. It should be funded and activated, providing needed experience for possible later expansion.

2. Living space: Land with a cropping history could be purchased by States and units of local government for parks, airports, and other uses for which the local government needs land. Costs could be shared. Thus, land could be shifted from crop use, for which it is not needed, to other noncrop uses that are in growing demand.

Because of the limited number of areas likely to be needed for these purposes, perhaps not more than half a million acres over a 10-year period, the program would be primarily in the service of city people. It would have relatively little effect on the supply of farm products. Nevertheless, it would be strongly in the interest of the larger public.

A small program of this kind, known as Greenspan, was operated briefly a few years ago as part of the cropland adjustment program. Under this program some 7,000 acres of cropland were purchased.

The share of the cost accruing to the Federal Government was about 25 percent of the purchase price. The program was well received. It was terminated, without adverse appraisal, when the parent act went unfunded.

3. Easement program: A new tool should be fashioned for converting whole farms, permanently, on a voluntary basis, from cropping to other uses. The instrument appropriate for this purpose, we believe, is an easement, the sale of cropping rights to the Government. Title would remain with the farmer, who could continue to live on his land and use it for anything other than crop production.

The easement approach has never been used for this purpose. Thus, we are unable to judge its cost, its effectiveness, or its public acceptance. We, therefore, propose a pilot program.

The total annual cost of the three resource adjustment programs would be about $100 million. About 3 or 4 million acres would be retired annually until accumulated experience permitted appraisal.

PROGRAMS FOR RURAL PEOPLE

Throughout the years, a major effort has been to try to adapt commodity programs to the needs of farmers on small, inefficient units. Despite strong attempts to make this adaptation, the desired result has never been achieved.

Now, however, a new approach has been made. The President has proposed a family assistance program for those who, though employed, have inadequate incomes.

The application of this program to farm people will require the answering of many difficult questions. How can the program be adapted to the self-employed? Are there to be limitations on asset holdings? And some other questions.

We have made some tentative judgments regarding these and other questions. Our best estimate is that perhaps 400,00 farm operator families might be eligible for the program. These families might receive an average of perhaps $1,000 annually, totaling about $400 million.

The rural development program of the Department is being reorganized. A presidentially appointed task force is at work on the problem. I invite the strong support of this committee for the changes and the expansion of the rural development program that we will from time to time lay before you.

Other departments of Government have resources to attack rural problems related to low income. Among these Departments are Health, Education, and Welfare, Housing and Urban Development, Labor, and Commerce. The work of all of these Departments can be expanded, coordinated, and focused on the problems of people in rural areas.

The point of all of this is that we should separate the commodity problems from the people problems, and attack them both, with tools appropriate to each. This we are beginning to do. The primary focus of this committee has long been the commodity problems. These can be more appropriately fashioned if they are relieved of trying to meet a need for which they cannot be well fashioned.

We hear much about three problems: our excess crop production capacity, the population decline in the rural areas, and what we call

the urban problem. We are coming to see that these are in part three results of the same force, which is the technological revolution in agriculture. Rural development attacks all three of these problems. By supplying off-farm employment opportunities in the rural areas, it provides an alternative for boxed-in farmers. It helps hold in the rural areas the people who prefer to live there, and it reduces the urban crush.

And on timing, the Congress last year extended existing farm legislation to December 31, 1970, in order to give time for a new administration and a new Congress to study alternative solutions. We would be well advised to use that time, as this committee has chosen to do.

Legislation is needed prior to the time when farmers, particularly growers of winter wheat, must make plans for the 1971 crop year. It is important that we be thorough in our deliberations, but also that we move with some dispatch.

You members of the committee and I and the farm organizations face a problem together—the task of fashioning sound farm legislation of such a character and such a cost that it will win the approval of the Congress. If we can do that, we will perform a real service for our farm people and the Nation. I pledge, Mr. Chairman and members of the committee, my full cooperation toward that end.

Appendix

I. THE "SET-ASIDE"

Examples:

A cotton farm:

Total acreage (acres)	500
Domestic allotment of cotton (acres)	100
Conserving base (acres)	125
Percent of domestic allotment to be set aside (percent)	75

The farmer would "set-aside" 75 acres of tilled land (100A (75%)) in addition to the 125 acres of conserving base.

The remaining 300 acres could then be used for any crop, or any combination of crops. If the farmer wished he could plant it all to cotton.

There would be a cotton loan at a relatively low level, for which all of the farmer's cotton would be eligible, and a payment of so much a pound on the normal yield on the domestic allotment.

A feed grain farm:

Total acreage (acres)	300
Feed grain base (corn, sorghum, barley) (acres)	200
Conserving base (acres)	50
Percent of feed grain base to be set aside (percent)	30

The farmer would "set-aside" 60 acres (200A (30%)) plus the 50 acres of conserving base. On the remaining 190 acres the farmer could plant whatever he wished.

The farmer would receive a payment of so much a bushel on his normal yield as an inducement for entering the program. There would be a loan at a relatively low level. On cooperating farms all grain grown would be eligible for the loan.

There would be opportunity to divert more than the specified acres for extra payment.

A wheat farm:

Total acreage (acres)	2,000
Domestic allotment for wheat (acres)	500
Conserving base (acres)	100
Percent of domestic allotment to be set aside (percent)	100

The farmer would "set-aside" 500 acres of tilled land (500A (100%)) in addition to the 100 acres of conserving base. The remaining 1,400 acres could be farmed as the farmer wished.

There would be a relatively low loan available for all wheat grown, and a wheat certificate of so much a bushel on the domestic allotment.

For any of the above programs, a farmer could be in the program for one crop without necessarily being in for others. He would be paid only for the crop on which he participated.

II. DOMESTIC ALLOTMENT AND DIVERSION

Examples: Grain farm with domestic wheat allotment.

Description:	*Acres*
Cropland	500
1969 wheat allotment	100
1969 domestic wheat allotment	43
1969 feed grain base	200
Grain base under this program	300
Conserving base	100

Options: By accepting wheat payments the farmer incurs the obligation either to plant to grain or idle an acreage equal to his domestic wheat allotment. (Under payment limits the obligation could be limited to those acres for which he receives payment). He would also be required to maintain his conserving base. No other obligation is incurred by accepting the wheat payment.

By electing to divert grain base the farmer incurs additional obligation with respect to acres idled and planted to grain.

The obligations under several options are outlined below.

Option 1: Accept wheat payment. No grain base diversion.

Land use:	*Acres*
Planted to grain and/or idled (domestic allotment)	43
Conserving base	100
As desired	357
Total	500

Option 2: Accept wheat payment. Divert minimum grain use.

Land use:	*Acres*
Planted to grain and/or idled	43
Diverted grain base	60
Any non-grain use	100
Conserving base	100
As desired	197
Total	500

(By electing to divert grain base this farmer was required to restrict total grain acreage to grain base less diversion.)

Option 3: Accept wheat payment. Divert maximum grain base.

Land use:	*Acres*
Planted to grain and/or idled	43
Diverted grain base	150
Any non-grain use	100
Conserving base	100
As desired	107
	500

(As in option 2, required to restrict grain acreage to base less diversion. This feature makes the diversion option less attractive to those non-participants in feed grain program now exceeding feed grain base. It would *not* be desirable to attract many of the non-participants in present feed grain program to diversion in this program because of the consequent increase in soybean acreage.)

Option 4: Refuse wheat payment. Divert minimum grain base. (This example is also illustrative of farm with no wheat allotment.)

Land use:	Acres
Diverted grain base	60
Any nongrain use	100
Conserving base	100
As desired	240
Total	500

Cotton farm with grain base

Description:	Acres
Cropland	500
Domestic cotton allotment	100
1969 feed grain base	100
Grain base under this program	100
Conserving base	100

Options: By accepting cotton payments the farmer incurs the obligation either to plant to cotton or idle an acreage equal to his domestic allotment. (Under payment limits the obligation could be limited to those acres for which he receives payment.) He would also be required to maintain his conserving base. No other obligation is incurred.

Option 1: Accept cotton payment. No grain diversion.

Land use:	Acres
Planted to cotton and/or idled	100
Conserving base	100
Use as desired	300

Option 2: Accept cotton payment. Divert maximum grain base.

Land use:	Acres
Planted to cotton and/or idled	100
Diverted grain base	50
Any nongrain use	200
Conserving base	100
Use as desired	50

Secretary HARDIN. Now, Mr. Chairman, if I may just say a word.

The CHAIRMAN. Certainly.

Secretary HARDIN. Examples that follow this, as I mentioned earlier, are to show how the arithmetic might work. They may not in all instances be realistic. We have tried to have them representative, but in some instances they may be tougher in terms of retirement acres than will prove to be the case.

The CHAIRMAN. Mr. Secretary, we are very much obliged to you for that statement. I am sure that all of us would wish that it could have been more explicit, but I think that we understand why we must build the skeleton before we put on the meat. I express that wish not as a criticism, but merely as a wish, and I know that you wish it, too.

Secretary HARDIN. Indeed.

The CHAIRMAN. And we hope that that is what we can do during the coming weeks—work out those details and beef up these skeletons after deciding which way we are going. I think we must give some consideration to the details and then make a basic decision as to the direction we are going, and then again rework all of the details.

I am pleased to find that you are as optimistic as you are in feeling that we will be able to maintain farm incomes. I think that that is the crux of the matter, rather than the manner in which we maintain them. I do not think what you have suggested is going to make many people extremely happy, because they are all going to have their own

ideas as to how it should be done. Basically it is not how you do these things, but whether you get that farm income, which is absolutely essential.

Now, I do not want to press you in regard to any details that you are not ready to give us yet. I understand that you will give as much of it as you can, but I was pleased that you could say that you felt that we could and should have a program that would not reduce farm income.

I would point out that, in effect, merely standing still is going to reduce the competitive position of the farmer just as every segment of our economy loses when they simply maintain the status quo in a period of inflation. We have recognized, governmentally, that we must give wage increases to a great many groups, not for the purpose of increasing their relative position, but for the purpose of maintaining their relative position. And while it is not making it any easier for you or for us, we are faced with that inflationary situation and that does mean that the farmer must have the same kind of wage increase. The cost of the things that he buys are constantly increasing, and he finds that he cannot live on the prices of 20 years ago—prices he receives for his products. He could if the prices of things that he has to buy remained static, but they have not remained static. They have constantly gone up.

Every price that any consumer has to pay, the farmer has to pay. Of course, the farmer has to pay the increased cost just the same as the people in the city do. He cannot do it with a 20-year-old price structure on things he produces, because nobody else holds his costs down to that point.

So, I am merely pointing out as an additional problem that we have, that merely maintaining existing prices per pound, per bushel, will not maintain farm buying power if our inflationary forces continue to run as they have been running. Now, I realize the basic effort is to stop inflation so that all of us will be able to buy at more stable prices, but I do want it clear that it is not sufficient simply to maintain a price level on pounds and bushel units.

Now, I do not know that you want to express an opinion or preference between the two approaches which you have suggested. If you do, if you have a personal preference that you think that we should follow, we would be glad to hear it.

If you do not, we do not want to press you on it.

Secretary Hardin. At this time, Mr. Chairman, I do not think we would desire to state a preference. We feel that either of these, or perhaps variations of them, can work successfully to accomplish what we are hoping to do, and that is to give the farmers greater freedom in making their decisions and adjusting their own farm programs and operations, hopefully to take fuller advantage of whatever advantage may occur through specialization, which is so limited under the restrictive programs that we have today.

And may I add further that with respect to the income discussions in your comments, we are very much aware of the problems you mentioned, and this is one of the reasons that I have used consciously throughout the term "net farm income," which encompases both the costs and the prices received.

The CHAIRMAN. Well, of these two options, the second one struck me cold this morning. I do not mean to condemn it at all, but of the two, did you have any suggestions as to which would probably give the greatest farm income?

Secretary HARDIN. On this, Mr. Chairman, I think that either of them can be factored to the same level of farm income.

It might vary a bit between commodity groups on this, but there are several valves that can be adjusted so that I think, as far as help to farm income, they would be equally desirable.

The CHAIRMAN. I think we have to recognize that under these or probably under any other program, the effect on farm income is going to be measured in large part by the size of the appropriations that we can hope to get to maintain these programs.

Secretary HARDIN. I felt that it was highly important that we focused first on the mechanics—not to say that farm income is unimportant, because that is what we are after—but to see if we can build in some additional flexibility without too much risk, and give the farmers the freedom that they need to break out of some of the restrictive patterns that they are in.

The CHAIRMAN. Mr. Secretary, a few days ago you and I discussed very casually and briefly the possibility of applying this type of program, or confining this type of program, only to grains. I think it is clear that these programs you have suggested are basically built around our grain crops; that is, wheat and feed grains. The similarity between wheat and feed grains is considerable, of course. Cotton brings in so many foreign problems that are not related to the grain programs. Without making any firm decision, I have thought that it might be worthwhile to consider the question of whether we might not be able to eliminate cotton from either one of these programs, and consider it as you contemplate considering rice, tobacco, and peanuts, both because of the complexity of the problems and because of the size of the crop.

Now, the cotton crop is grown on less than 12 million acres. That is a very small part of the acreage as compared with grain.

In other words, from an acreage standpoint, it is one of the small crops. I am not asking you to give us a commitment that we should take it out. I am not saying that I necessarily want to take it out, but is there not a posibility that we might work this out so that these programs, either one of them, would apply only to grains and push the cotton in with the rice and peanuts and tobacco?

Secretary HARDIN. I think this would be possible.

The CHAIRMAN. Then I think we ought to give it consideration. I am not trying to pass on it, and I am not asking you to try to pass on it.

Secretary HARDIN. Oh, there are many things that we would want to answer before we made a firm commitment, but I think it is definitely one of the possibilities that could be considered, and I think we want, Mr. Chairman, and I hope the members of the committees do, the reactions of our various commodity groups and farm organizations to help guide us.

The CHAIRMAN. Now, you went into a discussion briefly of the so-called family assistance program, and again I think that we must recognize that we have a very serious problem with rural poverty.

It is not entirely an agricultural problem, but it is basically a social problem. I doubt that any of the agricultural programs alone could solve it, and I do not think that alone, any regulation, any operation that affects farm prices would solve the problem of maybe 400,000 operators.

Now, could you give us a little more enlightenment on what you have in mind for that particular group of people? I take it that you are referring to direct public assistance in addition to anything that is related to the farm program.

Secretary HARDIN. Yes. Well, I am referring, of course, to the program the President presented recently, the family security plan, and in which he had two or three new features for revising the welfare programs. The one I am referring to specifically here is inclusion of the working poor, recognizing that in the urban areas you have the situations where people who have some income from employment were denied welfare payments, whereas the people next door who did not work, might be receiving welfare payments and more total income.

This, combined with the employment test that he recommended, work if work is available and if the person is qualified, training if it is needed, and so on, is a new feature along with inclusion of the working poor.

Well, then this prompts us to suggest that many of these very low-income farm families would meet this qualification. We think that there would have to be a careful definition of income which would take into account perhaps products grown on the farm. Perhaps the means test will have to be decided because we could conceive of a person having more than $1,500 normally considered for this in urban areas in terms of total assets, but still a negative income, and we need to factor this into any definition. But, we think this can be done, and we think the program when it is enacted can be adopted and be very useful to these 400,000 or so low-income farm families.

The CHAIRMAN. Well, Mr. Secretary, I haven't been back in town very long, I just got in last night.

Secretary HARDIN. I know you did.

The CHAIRMAN. And I might not be so bold with my suggestions, but having had fully 15 minutes to consider this, I wonder if it might be worth while for us to consider—for you to consider, and the administration, an approach from the agricultural standpoint that might differ quite widely from what we have been accustomed to doing in the cities.

What you are suggesting is to use Government money to supplement the income of these people.

I think that is probably essential. What I do not like is the idea of giving money if we can avoid direct gifts. Is there any merit to the idea that we might, under a good many circumstances and in a good many instances, subsidize the wages of these workers?

In other words, add to the wages that they are making, because the man that gets his payment in wages is a better citizen. It makes for a better citizenship than to simply have him come to the Government soup line, no matter if that soup line serves beef steak. Might we not, instead of simply giving additional money, simply add to the wages that those men are getting?

Now, I think you recognize that basically those people are getting today all that the agricultural products on which they work will justify them getting. That is, you cannot pay wages that take out more than the values the worker adds to the goods, not very long. But, if the Government subsidizes those wages, added to those wages where work being done on a commodity will not pay out—will not produce the money to pay higher wages, might it not be a better approach all the way around?

Secretary HARDIN. I think this is essentially the same philosophy that is involved in this entire family security program. In other words, we are talking about people here who, as you infer, if everything is right, if the prices were considerably higher than you could ever hope for, and their yield was twice what they are now, they still would have an opportunity to make a living.

Now, the philosophy behind this change in welfare programs is to incorporate this income supplement idea. This is why the employment test is recommended. First, if a man is qualified, every effort is made to match him up with a job that he can do, and if he needs training, try to find training opportunities for him and to help move these people from their present plight into becoming more productive citizens.

Now, also, up until the present time, welfare has been administered in such a way that there was almost a disincentive to work built into it. Under the program that we are recommending, it is factored in such a way that this incentive to work is greatly increased and the incentive not to work is greatly reduced. I think this is getting at the thing that you are mentioning, to try to factor this in such a way that there is a great premium for people to lift themselves up with their own efforts.

Now, whether we could, with a self-employed person, actually find a way to give him more in the marketplace or wherever, I do not know, but the philosophy certainly can be incorporated into this.

The CHAIRMAN. I wonder if you could give us just a word about the mission of the President's recently organized task force that is supposed to be studying rural development and improvement of agriculture?

Secretary HARDIN. Well, this one is just getting underway, Mr. Chairman, and this is pointed at the broader picture or nonmetropolitan America, recognizing that we probably will have another 100 million Americans by the end of this century, another additional 3 million or so per year, recognizing that this is a result of the new births, that most of the new people are going to be born in the metropolitan areas because that is where their parents are. If there is not some dispersal of our total population during the ensuing years of metropolitan centers, our metropolitan centers are simply going to get more and more heavily populated, with the inherent problems that pile up on top of those we already have.

And obviously people cannot be ordered or dictated into new areas. If they are to disperse, it must be for productive employment opportunities, for good living conditions, and so on. So, this task force is examining across-the-board things that might be done to help smaller cities, county seat towns and other towns, communities across America,

particularly the nonmetropolitan areas, to do the things that will need to be done to provide employment opportunties and living conditions for these people. There are, of course, a whole raft of things broader than programs, the current programs of the Department of Agriculture. As I mentioned in the paper, it involves the housing programs of the Department of Housing and Urban Development. It involves labor retraining, it involves consideration of sewer and water systems which is a program in the Department of Agriculture, and long-term planning. We are urging this group to think in terms of services that might be made available to communities that want it on a coordinated basis that would help them develop.

The CHAIRMAN. Well, I just wanted to make one or two comments about that task force. The first is my own concern that it would cause delay in acting on the farm legislation. I think you make it rather clear that it is not intended to cause any delay on this action, because I think you very correctly pointed out that farmers must know as long as possible in advance what they can count on. They simply cannot turn their plant on and off as you could turn a factory on and off, day by day. They have to run it year by year, and ofttimes they need several years leadtime rather than a few days.

One of the most disastrous things we can do for farmers is to create uncertainty by changing programs too frequently. I am glad to have your feeling that it is not going to cause any delay in that respect.

Then in much the same vein I would like to point out that much of the work that they are studying, water and sewer systems and so on, we already know we need. It is all right to study these programs, and we need to study them, and it ought to be done, but in the meantime we ought to be financing the programs we now have. Every time I go home the main thing I hear is why have we not any money to do any of these things.

And, of course, it is because the money is either not approved by the Congress or the President has impounded it—and there has been a good deal of both. We have got to have the money authorized for those programs if they are to be functional and are to give the benefits that we know they can give. Just within the last few days I have seen a great deal of benefits of these rural water systems. They are benefiting not only rural people, but they are enabling a great many urban people to enjoy the advantages of living in rural areas even though they are doing no farming.

I suppose that half of our rural water systems, or half of their customers, are people who came out there because of the water system. They come after the water system is established. It means a great deal.

Well, I could talk on and on with this, but again, let me thank you, Mr. Secretary.

Mr. Belcher?

Mr. BELCHER. I do not have any particular questions. I think the chairman has covered them pretty well. I do want to congratulate you, Mr. Secretary, on the method and the mood in which you approach this committee, and it has been more or less policy in the past for a Secretary of Agriculture to work out a complete farm program, have somebody introduce it, and come down and testify on it.

I am glad that you realize the necessity of conferring with the com-

mittee and using the knowledge and experience of this committee in helping you work out a program.

I want to congratulate the chairman and you, both, for arranging these meetings between the committee and you and your staff. I think we have had 10 meetings in which there was a free exchange of ideas, and a discussion, and an opportunity for the committee to get better acquainted with the staff, and the staff with the committee, in which there was an opportunity for members of the committee to ask you questions, and I want to congratulate the chairman and you both on the spirit of cooperation which you both have displayed here this morning.

As you have both said, there is not going to be a farm bill unless we at least get a great majority of us together, and I think that you are making these suggestions, not as an adamant desire or program in which we cannot cross a t or dot an i without incurring the nonsupport of the administration, I feel, and I have said in all of my 19 years that I have been here, that we have got to get together on these programs, we have got to support each other, we have got to get programs that can be supported by both Democrats and Republicans and by the administration, and the leadership on both sides of the House and the Senate, if we are going to hope at all to solve any of these agricultural problems.

So, it has always been my contention that agricultural problems are not a partisan issue. Democrats and Republicans or Democratic farmers and Republican farmers can both go broke together, and a program that helps one is going to help the other, and a program that bankrupts one is going to bankrupt the other. I appreciate the spirit in which you have come here and which has been displayed here today, and I do not believe there is going to be any partisanship in this. There may be a difference of opinion, but I think that with this approach we can have an opportunity to really solve a lot of these farm problems and really work out a workable program which the Congress can accept and the administration can accept, and both sides of the aisle can accept.

So, again, I want to congratulate both you and the chairman.

The CHAIRMAN. Mr. McMillan?

Mr. MCMILLAN. Mr. Chairman, I just want to congratulate the Secretary on his forthright presentation of this problem. I was especially happy to hear the Secretary express his extreme cooperative spirit when he presented his statement this morning. We all know we must cooperate if we come anywhere near solving this farm problem.

I was also happy to know that he is of the opinion that all of these programs should be studied thoroughly before we change the present programs, to see if they are working successfully. I would also hope that we would try to find out why so many people are leaving the farms at the present time.

Thank you.

The CHAIRMAN. Thank you, Mr. McMillan.

Mrs. May.

Mrs. MAY. Thank you, Mr. Chairman. Mr. Secretary, I, too, would like to join my colleagues in congratulating you and complimenting you on a presentation that leaves no doubt that the administration and

the Department of Agriculture are going to make every effort to cooperate on a nonpartisan basis with Congress in designing equitable and effective farm legislation.

May I make a personal comment and introduction, Mr. Chairman?

We are glad to welcome the Secretary, and I wonder if I might introduce an equally important member of his family in this united effort, and introduce to this committee and the people here his charming wife, Martha Hardin. [Applause.]

Mrs. MAY. Mr. Secretary, you have said in your statement, quite properly, that we have before us a number of farm programs, and then in your statement you have added two alternatives for our consideration. I am assuming you are referring to programs this committee has had hearings on. Programs that come from farm organizations such as the Farm Bureau program, the coalition program, and others.

My question at this point is: Will you be giving us your comments at a later time more in detail and analyses on these programs, an evaluation of these programs?

At this time, do you wish to make any general comments on the other programs that have been presented to us?

Secretary HARDIN. Not at this time, I think. But, I think we should examine all of these and compare them, and also consider the responses in connection with all of them from the commodity groups and the farm organizations that represented them, and I assume that they will want to reexamine their programs in the light of our presentations too, to see if there are features here that have appeal.

Mrs. MAY. Well, I guess what I am trying to say, Mr. Secretary, is that we assume at this point that you feel that you have reservations or that you feel there are drawbacks to one or more of these programs; otherwise you would have embraced one of these approaches?

Secretary HARDIN. Yes, I think this is a correct assumption, that we have reservations with respect to certain features of them. That is correct.

Mrs. MAY. Mr. Secretary, I am very glad that you have given such intelligent and understanding recognition to two important areas in addition to the mechanics of the commodity programs.

One is, of course, your emphasis on people impact, as you say. We have certainly learned, it seems to me, that there is no way to fashion commodity programs to the special needs of our low-income farmers on land that just cannot now or ever provide a decent living income.

And on the other point, I am very glad that you have given recognition to the inescapable fact, based on the experience of past years, that we must give equal, or even greater emphasis to retiring some farm land permanently, because unless we do this we honestly have no real hope of becoming less dependent on the commodity program approach.

Now, the chairman has indicated in his dialog with you that we have not been very successful in selling Congress on going further with programs that would provide wise ways of permanent retirement of land. The unfortunate history of these programs has been, that the programs have passed, and then are rarely funded. They wither away on the vine. Congress agrees with the philosophical

approach but then they are not allowed to work. This is of grave concern to all of us, and I know that it stems from lack of full understanding, by the public. We certainly know that commodity programs and the philosophy behind them do not find great acceptance today in urban areas. They ask for solutions from us, immediate solutions, without recognition that we have to get some place first, before we can change our approach on the commodity program.

I guess the only question I have is do you feel that we can change this attitude by providing understanding to the general public and, therefore, that would bring us congressional support where we need it?

Secretary HARDIN. Well, perhaps you are in a better position to judge this than I, but I am optimistic, Mrs. May. I feel that the American public has a fine sense of justice once they know the facts. When it is generally known that we do have a real income problem in agriculture, and that farmers have not been permitted to share equitably in the rising levels of living that are part of our advancing technology, I think when this is realized there will be, out of a sense of fairness, some support coming forward for these programs. I certainly hope so, and I think it will.

Mrs. MAY. Thank you. I think that gives comfort to all of us on this committee, that working together, maybe we can reach this goal.

That is all, Mr. Chairman.

The CHAIRMAN. Thank you, Mrs. May.

Mr. Abernethy.

Mr. ABERNETHY. Thank you, Mr. Chairman.

Mr. Secretary, I would like to join with my other colleagues in ex-extending you a welcome to this room and compliment you on your manner of approach, as well as on your personality.

We have had some shouting matches in this room over the years. They may come later, I do not know. However, I know you agree with me that the objective of all of us is the same as that of yours, and as set forth on the first page of your statement, "to increase farm income and reduce Government costs." I think both objectives are very sound, and ideal.

Most of the farmers today are receiving considerably less for the crops they put on the market than they were receiving 20 years ago. This is a fact which the American people do not seem to realize. It is a fact that we have not been able to get through to them through the news media. I do not know what corn is bringing today, they do not produce very much of it in my area, but I think it is about a dollar a bushel. It has brought as much as $2.50 and $3; yet today the cost of the farmers' machinery and their equipment and their land and the taxes and other things have accelerated to a point that it is just impossible for them to make money on dollar-a-bushel corn or 25-cent cotton.

I do not know how we are going to increase the income. I am not sure, and I say this in all deference that these views, or this skeleton that you have proposed here, will do it. I am not at all certain about it. I hope that it will.

It may save some money; but at the same time I do not make any apologies to the American people for the costs to agriculture; and I am sure that you do not either, Mr. Secretary. I know that is not your pur-

pose here. You are here representing the farmers. The cost of the agriculture appropriation bills are only about 3½ percent of the operating cost of this Federal Government, and certainly all will agree that agriculture is the most important segment of our economy. It is that segment which produces the food and fiber which feeds and clothes the Nation.

It appears to me that 3.5 percent of the Federal budget is a very small amount of money when we take into consideration the fact that the American people pay for their food and fiber the smallest portion of their income of any people in the world. This is another important factor that we have been unable to get through to the people of this Nation through the news media. I am not criticizing my newspaper friends here, but I do hope they are listening.

I think the people of this conutry need to know of this.

We still have an animal instinct in us. There was a time when the Romans enjoyed throwing human beings to the lions. We still have just a little bit of that in us, unfortunately.

That was due to the fact that we are all animals of a sort. We get a little bloodthirsty occasionally. So the news media have in a sense been throwing our farmers to the lions over farm payments and much of the public has enjoyed it. We had so much storm about this payment business that the people of the Nation have had their attention directed away from the good that has come to them through your great Department of Agriculture and through the great programs that have come through this committee and this Congress.

I hope that the information that is disseminated to the people in the months ahead can divert their attention from some of these rather minor things, and I hope that the idea of chewing out a particular person because of the size of the payment he may have received is not played all out of proportion when considering the cheap food and fiber the public is getting in comparison with the per capita earning in these great United States of ours.

I agree with you, Mr. Secretary, that this is a matter which should be moved upon with dispatch. Of course, I do not think, Mr. Secretary, we can move very far until the Department has a little more than this ready, and you agree with that in your statement.

That leads me to a question, when can we anticipate that you will be down to the point of details, to the point maybe of drafting the type of bill that the Department would approve, to the point of deciding on which one of these programs that you recommend this morning, which avenue you will take?

Secretary Hardin. I think, sir, that we are prepared to work with you on almost any schedule that we could put together. We are ready to roll up our sleeves and go right to work. Once we can have an agreement on the direction we want to go, we will start putting meat on these bones, as someone mentioned, and I do not know how many weeks this takes or how long.

I suspect that will depend upon how quickly we get to an agreement. But, if we can map out a strategy here, we are prepared to put full time on it.

Mr. Abernethy. Well, with all deference, Mr. Secretary, and I am not against anything new, do not misunderstand me, this is a rather

new approach. I do not know how we can get started until we have before us the specific recommendations of the administration. I am not kidding myself into thinking that this committee can bring out something that the administration does not like and pass it. I am sure that we cannot. I know whatever the committee brings out must, to a great degree, coincide with the views of the administration, and what we have this morning is only a very general outline.

We have not gotten down to specifics. I do not think we can get down to specifies until the Department has put in some sort of bill form that which it has in mind.

Secretary HARDIN. Yes, and we realize that. But, I do feel, Congressman Abernethy, that one of the important elements of a program, if it is to be successful, has to be the degree of support that it has with the farm community itself and from the Congress. I feel that we can get some further on this with the presentation we have made here, and once we have it we can move to the next step.

But, I think we would be wasting time to come forward with something that will not have support and then have to start over again.

And so, this is the reason we have chosen this approach. We feel, in fact we think we know, that there are or there exists more than one way in which we can get to where we would like to be, and once we pick a pattern then, of course, we can refine it and move forward.

So, we certainly hope we can get there very soon now, but that is the reason for it, and I feel that it is important that those of you who have had so much experience in this in the past should have an opportunity to get your licks in before we finish and give you the finished document and say this is it, and let's don't make any changes.

Mr. ABERNETHY. That may be the attitude of a good portion of this committee.

Secretary HARDIN. So, let us see what comes. I visited with the chairman earlier this morning a little bit about possibly having some conferences rather soon to plan the next steps.

Mr. ABERNETHY. Well, you are speaking of set-asides, and you are not ready yet to really say what percentages of land should be set aside or what percentage should be diverted, you have come to no finalized conclusions?

Secretary HARDIN. No, but we can give you very quickly, if you want it, some ranges on this.

Mr. ABERNETHY. I understand that. I understand that. Now, you speak of payments. It is your objective to continue to use the payment program?

Secretary HARDIN. Yes, sir.

Mr. ABERNETHY. And you recognize, I am sure, that there is a distinction in the payments, one to supplement income and the other to adjust production, and a necessity for each in order to get for the American people the quantity and quality of the particular crops that they need.

Secretary HARDIN. And to keep our foreign markets, keep access to foreign markets.

Mr. ABERNETHY. And to keep our foreign markets, which are dwindling pretty rapidly, incidentally.

Well, with the limitations that you referred to in your statement—and you did not suggest them—is it your feeling that those figures

will meet the levels necessary to bring about the adjustments, either up or down; that is, to gain the production of a crop that the country needs, or to reduce the crop in the manner that the country needs?

Secretary HARDIN. We think the figures suggested here are in the ball park; yes.

Mr. ABERNETHY. They are what?

Secretary HARDIN. They are in the ball park. They are close.

Mr. ABERNETHY. They are close. You do not propose, as I understand it, to apply those figures to sugar and wool at this time?

Secretary HARDIN. At this time; no.

Mr. ABERNETHY. There would be no limitation; that is, there would be no change in the payments in the current laws that are made on the wool and the sugar program?

Secretary HARDIN. Not in this proposal; no, sir.

Mr. ABERNETHY. Have you come to any conclusion on the loan level that you would allow cotton to be brought into the Commodity Credit Corporation?

Secretary HARDIN. This is an item that I think we need some very, very careful discussion about. I remember Chairman Poage mentioned the other day the concern that he has, and I share it, that sometimes it seems as if the loan rate that was announced became a target for other countries to get under slightly, and this is a problem I think we have to concern ourselves with, and is there a way to get around that problem.

We feel definitely that we must provide a source of credit to farm producers, and that we must keep for that reason a loan program. But, at this point, and recognizing the international situation and the necessity of working within the framework of the General Agreement on Tariffs and Trade, and other things of this kind, we would hope that the emphasis could be primarily on credit and not so much as a support price per se, but the income supplement would come the other way.

There are efforts being made to develop an atmosphere of freer trade around the world, and to convince other countries to depart from heavy subsidies on their exports.

The point you raised is one we must have further discussion on, and it is an extremely important and critical element in the total program.

Mr. ABERNETHY. One or two just hurried questions, Mr. Secretary: What year do you plan to us as a base year for the purpose of making the domestic allotments?

Secretary HARDIN. This is another area that we will need to discuss. We had not planned to propose a new set of base years. This does not mean that we would have to stick rigidly with existing bases. We could, I think, factor in some basis for some reconsideration of hardship cases, but we know that whatever set of years might be taken, it will produce some inequities. It is impossible to do otherwise. There are some in the present schedule that we all recognize, but probably we will need to factor in some basis for altering the bases from time to time.

Mr. ABERNETHY. Well, you have two sets of acreages in these programs, one is a percentage of the domestic allotment, which actually would be planted in and eligible for loan, and then the remainder of the farm, with the exception of the set-aside, may also be put in that

crop. Would all of that acreage be taken into consideration in establishing the base, or only that portion of the domestic allotment?

Secretary HARDIN. Only the portion of the domestic allotment.

Mr. ABERNETHY. All right, now, on page 5 you suggest under the set-aside program that the farmer would have full freedom to use the remainder of his tilled acreage in any way he wished. Would that mean that he could plant, a cotton farmer could plant rice, tobacco, and peanuts and anything else he wanted to plant on that land?

Secretary HARDIN. Subject, in those cases, to the limitations that those programs would have in themselves. There is a rice program and a peanut program, and so forth.

Mr. ABERNETHY. If it is subject to those limitations, then he could not plant an acre of such.

Secretary HARDIN. That is right, that would be limiting there. But, he could plant it all in cotton, he could plant it all in corn, or he could plant it all in wheat.

Mr. ABERNETHY. But he cannot, and I do not want to get too meticulous, but I do want this clear—he cannot then plant it in any way he wishes? It has to be within the limitations of the various programs? There would be some crops that he could not plant?

Secretary HARDIN. So long as we have a tobacco program that limits the acreage he would be subject to that limitation, of course.

Mr. ABERNETHY. Now, on the easement program, you say that the farmer could continue to live on the land and use it for anything other than crop production. What would he use it for?

Secretary HARDIN. He could——

Mr. ABERNETHY. Timber, is that regarded—timber?

Secretary HARDIN. I beg your pardon?

Mr. ABERNETHY. Timber?

Secretary HARDIN. Yes; certainly that would be one. The matter of grazing would be a question that we would need to decide. Obviously, the price that would be paid for the cropping rights would be influenced by whether or not grazing would be permitted. Presumably, if grazing would be permitted, the cost would be less.

This would be something we would have to consider in writing the specifics into the bill. If he happened to be fortunate enough to be where there was a highway going through, I suppose he could sell it for that, or a park, or anything else.

But, as far as the Government is concerned, the only limit would be tilled crops.

Mr. ABERNETHY. Do you contemplate this program will begin with the 1971 crops?

Secretary HARDIN. Yes.

Mr. ABERNETHY. And, therefore, we will continue through 1970 with the current programs?

Secretary HARDIN. Yes; that is correct.

Mr. ABERNETHY. Therefore, you continue to stand on the position you announced here some several months ago that you think it would be a mistake for the limitation on payments to be applied to the pending appropriations bill?

Secretary HARDIN. Yes. I think we have made our position very clear on that. We feel that it would complicate the program for 1970 very much to have the limit under existing legislation.

Mr. ABERNETHY. As well as——

Secretary HARDIN. Would increase the cost of the total program to the Government.

Mr. ABERNETHY. You are still of the opinion it would cost more money?

Secretary HARDIN. Yes, we are.

Mr. ABERNETHY. I hope the press is listening to that, also.

Now, Mr. Secretary, if the Congress should insist on the limitation of the payment program, what do you propose to recommend to fill in gaps such will create? We have told him this is what the program will be through 1970. It was voted out of this committee and approved by the Congress. It was signed by the President.

Now, do you have any ideas as to what we can fit into the breech if the limitation is applied?

Secretary HARDIN. No, sir, I do not have a recommendation on that.

Mr. ABERNETHY. Regretfully I don't, either. It disturbs us all.

Secretary HARDIN. And if this action is taken by the Congress I think that all that we can do is to carry out the intent of the congressional body.

Mr. ABERNETHY. Well, thank you very much, Mr. Secretary.

The CHAIRMAN. Thank you, Mr. Abernethy.

Mr. Wampler.

Mr. WAMPLER. Mr. Secretary, I am privileged to have among my constituency some 17,000 growers of burley tobacco. I notice on the bottom of page 8 of your statement you said that after some pattern has been set for cotton, wheat, and feed grains, we must give close attention to these other programs.

Mr. Secretary, are you prepared, this morning, in spite of that statement, to share with this committee any views which you may have pertaining to the future of tobacco growers?

Secretary HARDIN. No, sir, I am sorry, but we simply do not have any recommendations at all to make on the tobacco program at this time.

Mr. WAMPLER. I know from previous conversations with you, Under Secretary Campbell, and Assistant Secretary Palmby, that you have several extremely knowledgeable men in the tobacco program.

May I make just a few brief observations: It seems to me that of all of our commodity programs, tobacco, in spit of what some agencies of the Federal Government and others might say, has been successful. First, it has, by and large, kept supply in line with demand. Second, I think it has been a minimum cost to the taxpayer. Third, our grower referendums indicate there is almost unanimous acceptance of the program among the growers. Last, but by no means least, tobacco has been one of our most sought?after export commodities in our agricultural programs, and it certainly has been most helpful in bringing about that goal that we all want to get—a desirable balance in our payments.

Secretary HARDIN. That is true.

Mr. WAMPLER. I hope that you will take this into consideration, because despite what others have said about tobacco, it is still a legal product. It has not been outlawed yet, and many of us are concerned. I know of your attitude and I appreciate it very much.

Thank you, sir.

The CHAIRMAN. Mr. Stubblefield.

Mr. STUBBELFIELD. Thank you, Mr. Chairman.

Mr. Secretary, I would just like to compliment you for putting this skeleton together very cautiously, and I hope you will continue to work in the same fashion in putting the meat on the bones. Going from Mr. Wampler's comments on tobacco, we just hope that the boat is not rocked any further. It has already been shot full of holes, but I hope we can repair those. Still, I would implore you to please not dabble with the tobacco program.

That is all, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Stubblefield.

Mr. Goodling?

Mr. GOODLING. Thank you, Mr. Chairman.

Mr. Secretary, Mrs. May used a term that I do not particularly like, and I do not believe you used it. I am referring to your statement, Mrs. May, on permanent retirement. Now, every time we build a superhighway, every time we build an airport, every time we build a school or a big industrial complex in a rural area we are taking land out of production permanently.

Now, I think we all agree in this committee that we must take land out of food production, but I do not want us to take land out of production permanently. If and when the need arises, I want us to have a program that we can bring land back into food production at any time the need is there. That will probably not happen in your time or mine but I can see in the future where we may well need all of the land thatwe can put into production in the United States.

Secretary HARDIN. Perhaps the word "permanent" is an unfortunate one here. Presumably, if the Government owned the cropping rights there would be a basis upon which they could be made or put back into the farmers hands, if, indeed, there was a need at some point in the future.

I think our concern here is one of getting something moving, started, one that gets us out of the merry-go-round that we have been on, that you take it out for 1 year, or 5 years, or 10 years, and then have to start it all over again. If we could get something here that would give us at least, if we do not want to use the word permanent, long lasting benefits in attempting to regulate production.

Mr. GOODLING. That is all, Mr. Chairman. Thank you.

The CHAIRMAN. Thank you, Mr. Goodling.

Mr. Purcell.

Mr. PURCELL. Thank you, Mr. Chairman.

Mr. Secretary, every one has stated that we appreciate your thoughtfulness, and I do not want to get left out on that. I would just add another note of urgency for us not waiting so long that farmers cannot make their plans. We saw an example last week on a trip that some of us were on where a machine that picked cotton cost, I think, $22,000. This November that same machine goes up to $24,000, and if the people in the cotton business are going to be required to spend this kind of money, they certainly must know as far in advance as possible, and so I just want to add, as most of the others have, the importance of moving with some degree of promptness now, because this is about the first of October.

Then one statement and question about the rural development programs that you referred to briefly in your statement.

Now, I think I can understand your desire to bring about commodity programs that are liked by farmers, and none of them are perfect and, therefore, I can understand your desire to change them.

I am aware that there are rural areas that have gone into a cooperative or where there are multicounty groups that have gone together and have made some real progress, and yet I believe that basically this has been a dormant area. You say here, in your statement that there is a Presidenial task force studying this.

Now, can you give us any time estimate as to when these studies that have been in effect so long, will bear fruit? I think we know what the problems are—we need better combinations, we need housing, we need water, we need sewers, we need a way of planning for the progress of these areas in units that are larger than the counties which are laid out and were laid out many years ago. Now, when can we get going again?

Secretary HARDIN. Well, of course, in several of these areas we are still moving, and nothing has been stopped. To the extent that there are funds available for sewer and water systems, they are being pushed.

The effort at community planning and all of this is continuing. What we are discussing here is how we can get a bigger thrust into it, and step up the timetable. I have heard very little criticism of what we are doing except it is not going fast enough and it is not widespread enough. I think this is the thrust. Is there some way that we can move significantly, and then perhaps pull in more than we have in the past some of these programs that have been designed primarily for the urban centers, but which can be adopted and used extensively in the rural areas?

Mr. PURCELL. Well, I think that we cannot force any changes in the rural-related areas unless we, and I am not saying "you," but "we" can show some progress.

The final statement I have about the easement approach, the fact that you again today say that there is a possibility of grazing these areas; I am not pretending to put in the first note of real objection, but I want the record to show that I do object, and I think that we are going to make the price of meat to the consumer higher over the next year or 2 or 3, if there is a significant amount of grazing allowed by these programs, because this will bring in new people, it will take off the market female cattle that would have to be used to put on these acres, and with the price of meat as it is now, the consumer will be more concerned than ever. I think it would be an unfair method of subsidizing competitive products that do not need that.

The consumer does not need to have his products artifically raised in price, and I feel in the long run that that would be the case.

Secretary HARDIN. We are certainly aware of this situation, and that is one of the reasons that we have indicated caution.

The other one that I did not mention in the statement I think is also important, as we have studied what the possible impact of this might be if it were a large program. It is the tenant farmer, the man who is renting one or more farms from different landlords, and the spot that he could be in if he happens to be dealing with these different

landlords and two of them should decide they would come into a program like this, and what this would do to his organization.

So, these are all things that we must look at with some caution.

Mr. PURCELL. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Purcell.

Mr. Miller.

Mr. MILLER. Thank you, Mr. Chairman.

Mr. Secretary, I listened to your remarks with interest. I have a question concerning the set-aside program, the domestic allotment, and the diversion programs, where Government payments would be made for the domestic allotment. Now, it appears as we project ahead that you would be giving the farmer a greater choice of operating his own business by allowing him this freedom to produce what he desires on a given amount of his land. Now, would this make it possible for the large farmowners, who possibly could operate more efficiently, to help recapture a part of the foreign market and help in our balance of payments as we see it today?

Secretary HARDIN. Well, Congressman Miller, this is certainly a hope, and I suppose we will not know the answer for sure on this until it is tried. But, there have been a great many farmers who have indicated that if they could plant more acres of wheat or some other crop they could reduce their costs, and they feel they can compete effectively at world prices with a portion of their crops. It is awfully hard to predict how much of this would happen at this point, but it is certainly one of the things we very definitely have in mind.

Mr. MILLER. We are saying that we would give it a try. Now, would this brush off on the domestic market so as to lower the price for the farmers in the same area? Could they be isolated?

Secretary HARDIN. Well, under the set-aside the same prices prevail both places so that the consumers would also have the advantage, the local domestic consumers, of the lower prices.

Mr. MILLER. One other area that you spoke of concerns me; that is the people problem. It is so true, and I am glad that you and the department are facing up to this, it has been a problem over the years in the rural area. I have also cosponsored legislation that we call reverse migration legislation. We should have more sewerlines, more waterlines in the rural areas, so we can attract industry and move many of the people that would like to live in the rural areas back from the cities where they have moved in order to find jobs. I am happy to see that you have this in mind.

Secretary HARDIN. Fine.

Mr. MILLER. That is all, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Miller.

Mr. O'Neal.

Mr. O'NEAL. Thank you, Mr. Chairman.

Following up on the questions and comments of the gentleman from Virginia, and the gentleman from Kentucky, I have one question, Mr. Secretary. When do you hope you can, or when do you plan to make recommendations on allotment transfer programs of the Department, particularly peanuts and rice as well as tobacco?

Now, I know that on page 8 you say that it will be after some pattern has been set for cotton, wheat and feed grains, but I wondered if you

could be a little bit more specific in that, and before you answer, I might say that I do not think continuing the present program would exactly be tampering with it.

Secretary HARDIN. Would be exactly—pardon? What?

Mr. O'NEAL. Tampering with the programs. The gentleman from Kentucky said he did not want any tampering with the tobacco program, but I do not think continuing the present program would be tampering.

Secretary HARDIN. No. The reason that this is put in here is just to recognize that some of these do expire.

Mr. O'NEAL. Yes; and I was just trying to find out when you hoped you could make some recommendations about the allotment transfer.

Secretary HARDIN. I think we would be prepared to meet any schedule that seemed desirable, but in any event, I think it has to be in the next very few months in order to give the growers a chance to make their plans.

Mr. O'NEAL. I agree, and I thank you, sir.

The CHAIRMAN. Mr. Mathias.

Mr. MATHIAS. Thank you, Mr. Chairman.

Mr. Secretary, I know we all appreciate your being here this morning to tell us your views on this very important upcoming legislation. I do not have any questions at this time, but I am looking forward very shortly to meeting with the USDA and trying to solve this very great problem we have.

Secretary HARDIN. Thank you.

Mr. MATHIAS. That is all I have, Mr. Chairman.

The CHAIRMAN. Mr. Foley.

Mr. FOLEY. Thank you, Mr. Chairman.

Mr. Secretary, I have listened to your testimony with great interest. It is very informative in showing the general direction that the Department wants to move.

I was, however, a little bit reminded of that story about the disappointed congressional speech writer who, having been turned down for a raise wrote into his Congressman's next speech specific promises to provide a detailed program by which the United States could meet all of its foreign and domestic obligations, meet national security, meet the problems of health and welfare, the cities and transportation, while at the same time cutting Federal taxes 50 percent across the board.

I do not know if you have any disappointed analysts in the Department of Agriculture, but it seems to me that the three goals referred to in your statement pose a pretty tall order for both the Department and the committee. They are: one, increasing farm income; two, reducing Government costs; and three, reducing Government controls.

The committee has received suggestions from other sources which would reduce income, reduce controls, and reduce costs. We have recommendations that increased costs, increase income, and increase controls. But, I have never had the pleasure of seeing a program that increases income while reducing costs and controls. If the Department can suggest such a program, this Member of Congress will be enthusiastic in supporting it.

Secretary HARDIN. May I just say a word there?

Mr. FOLEY. Yes.

Secretary HARDIN. I do not think these are necessarily inconsistent. It is partly a matter of timing, and I do not think that we can look to reducing costs immediately, but if we are going to look to reducing costs down the road, I think it is extremely important that we permit some flexibility so that these adjustments and advantages of specialization can take place, so that the market can be more active on its own. And if there is hope that the payments can be reduced without adversely affecting farm income, it has to be in this sphere, and this is what we have in mind in putting those three in there. It is a matter of timing, which I did not make clear.

Mr. FOLEY. I am pleased to hear that the Department does not feel the time has come to propose a major, large-scale land retirement program, and that you prefer approaching our land resource problems on a small scale. I would like to ask just one more question.

Has the Department made extensive studies on various payment limitation levels and their effects in the commodity field?

Secretary HARDIN. Yes; we have made a number of studies of what the impact of this would be, what the impact would be, for example, on how much more acreage we would have to have coming out of the smaller farms, and things of this kind, assuming that we lost some of the larger farmers from the program as a result of the limitations.

Mr. FOLEY. Will those background studies be available to the members of this committee for their information?

Secretary HARDIN. Yes; indeed they will.

Mr. FOLEY. When the Department does present specific recommendations to fill in the framework and the structure that you have outlined today, will they be available to farm organizations and others who are interested in them?

Secretary HARDIN. Yes.

Mr. FOLEY. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Foley.

Mr. Mayne.

Mr. MAYNE. Mr. Secretary, I want to thank you for this testimony this morning and for the great amount of time that you have spent with the committee and the meetings referred to in your statement.

I noticed in discussing the "set-aside" program you said that the feed grain base would be similar to the present one, and then, in your answer to a question from Mr. Abernethy I was very encouraged that you stated you would not stick rigidly with the present base, but would probably factor in some way of taking care of hardship cases.

Now, am I correct in assuming that this means the determination of the feed grain base will, indeed, be flexible enough to remedy the many instances of unfair discrimination which have occurred under the present program?

Secretary HARDIN. Well, Congressman Mayne, I do not want to get committed too flatly on it, but I am not sure anyone can design one that everybody would think is fair, but what I was really indicating here is that if the committee agrees that we should have some means of making adjustments, we certainly would have no objections to this, and we feel there are some cases where there are indeed hardships. But, to say that we can come up with something that everyone would regard as fair, I think is asking a lot.

Mr. MAYNE. But at any rate, you are not recommending that the present base should be frozen without any opportunity for adjustments?

Secretary HARDIN. That is correct.

Mr. MAYNE. And under your proposal, farmers who do honestly believe they have been unfairly discriminated against, could look forward to a sympathetic consideration of this problem of what should be their feed grain base?

The reason I mention this is that this is one of the most frequent complaints that I get about the present program. It comes from farmers who did, in good faith, cooperate with their Government back during the 1959–60 base period by following good programs of crop rotation and conservation, and they feel that they have been unfairly penalized ever since while their neighbors, who had no interest in these very worthy programs, have had a much higher base and an unfair advantage over them.

I thank you, Mr. Secretary, for this additional assurance that you, at least, favor enough flexibility to consider the problem of farmers who find themselves in this situation. Thank you.

The CHAIRMAN. Thank you, Mr. Mayne.

Mr. de la Garza.

Mr. DE LA GARZA. Mr. Chairman, seeing the nice treatment that the committee has afforded the Secretary, I'm hoping that he might make a return appearance, and looking at the clock, I will defer my question until his next appearance before the committee.

The CHAIRMAN. I am not going to allow anybody to reserve their questions because as I get on down the line here we may not have time. We will come back to you if we can, but we may not have the opportunity. If you want to run the risk, all right.

Mr. Zwach?

Mr. ZWACH. Mr. Chairman, thank you.

Mr. Secretary, I appreciate especially your statement on the bottom of page 2 and the top of page 3, that says:

> It is my firm belief that whatever series of programs we ultimately decide upon must provide restraints on production that will permit satisfactory levels of price and income.

I think you acknowledge here how fortunate we are that we are dealing with abundance, and our problem is not, thankfully, scarcity, it is one of fierce and efficient production by our producers, and our problem is to try to bring them a fair price.

We are here trying to do what Government can do to help them. In your visits about the country, do you find that producers themselves are getting more marketing strength, marketing power, and that they are going to be able to do more for themselves to get a fair and equitable price in the marketplace?

What is your assessment, briefly, in this area?

Secretary HARDIN. Well, I think, Congressman Zwach, that there is a definite trend this way. Several groups have taken steps, have organized themselves in such a way that I think they are increasing their bargaining power, and I think this is important and a trend that we should encourage.

Mr. ZWACH. Yes.

Secretary HARDIN. Yes; but I do not think it has been dramatic, but I think it has been solid and the trend is there.

Mr. ZWACH. There is some hope in this area?
Secretary HARDIN. I think so.
Mr. ZWACH. That is all, Mr. Chairman. Thank you.
The CHAIRMAN. Thank you, Mr. Zwach.
Mr. Kleppe?
Mr. KLEPPE. Thank you, Mr. Chairman.

First of all, Mr. Secretary, I was pleased by the introductory remarks made by the chairman calling this hearing, and also the remarks of Mr. Belcher, and I would like to associate myself with those remarks regarding your appearance here.

I want to make specific mention of the statement on the first page that indicates that if we do not have a farm program that we will revert back to the old programs, and that farm income would be decreased by a billion dollars, roughly. I want to emphasize this, and I would like to put it in parentheses or do anything else that needs to be done to call proper attention to what could happen. I think those of us that try to speak for, and represent, the farmers realize that this is a very important ingredient in our deliberations and in your work.

Secondly, I would like to agree with you and compliment you on your views regarding CAP funding. I feel that this is a good program, and I certainly hope that we can succeed in convincing this Congress that it should be funded, and with the help of the administration it certainly is going to improve our status in that regard.

Now, I do have one question regarding payment limitations, and you are familiar with the situation that has developed, particularly in the House I am referring to now. Have you given any particular thought in regard to a program of payment limitation as to whether it should be a flat figure or whether it might be a graduating figure?

Secretary HARDIN. Yes, we have given thought to it, Congressman Kleppe, and we have a graduated program with one commodity now, sugar. I think this is one of the very definite ones that has a possibility, and we should take a hard look at it.

Mr. KLEPPE. It is in a category of something that falls along the line of getting down to the details after we have agreed on the mechanics by and large.

Second, in that regard, have you had any particular thoughts as to whether or not these limitations ought to be limited to one commodity or one producer?

Secretary HARDIN. I think there has to be, well, probably has to be some tie between them, but you get such a wide variety of situations that this is a little bit difficult to be specific. Any tying together that is done, of course, is going to have different effects on different people, because if they are in specialized areas they are affected one way, and if they are not they are affected another way, and so on, but I do not think I would have anything specific to recommend right now.

Mr. KLEPPE. One reason I am asking these questions, Mr. Secretary, is a little bit along the lines of what Mr. Abernethy referred to, and what you referred to in your statement. We do have a problem right now with the agriculture appropriation bill, and the fact that it is tying in this limitation of payments situation, and I agree with your recommendation that it ought to be in the legislation involved and not hooked into this appropriation bill. This was the reason I was looking for some further observations.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Kleppe.

Mr. Jones.

Mr. JONES of North Carolina. Thank you, Mr. Chairman, and first I would like to compliment you on your statement as well as your appearance before this committee today. I was most interested in your statement and concur wholeheartedly that the problems of agriculture transcend partisan political lines. I hope that this philosophy extends even to the Department of Agriculture employees on the State level.

One question here, or perhaps two:

You have come before this committee with alternative proposals—tentative proposals, set-asides and domestic allotments. Has the department had an opportunity to study or evaluate either of these in relationship to costs compared with the costs of the present farm program?

Secretary HARDIN. Well, I will respond to that, Congressman, in the manner that I did earlier. We feel that there are enough valves or adjustments or places to audit these or adjust them that either of these, including the present farm program, can really be adjusted to any level of cost or farm income supplement that we would feel was desirable.

I think they all have that potential, and that is why I suggested that we should not try to choose between them on the basis of cost because they can all be brought to the same level, but rather, think in terms of the mechanics. If this increased flexibility works the way we hope it will work, it might have some effect on cost at a later date, not immediately.

Mr. JONES of North Carolina. One further question, Mr. Secretary:

Since you have been in the position that you now occupy, have you had any criticism or objection or complaints about the present tobacco support program?

Secretary HARDIN. I think we would have to say that the complaints with respect to the tobacco program have been very minimal.

I think I have a feeling that most of the people that are involved in it are pleased with it.

Mr. JONES of North Carolina. That is true. Thank you, sir.

The CHAIRMAN. Mr. Price.

Mr. PRICE. Thank you, Mr. Chairman.

Mr. Secretary, I would like to compliment you, Mr. Campbell, Mr. Palmby, Dr. Parlberg, Mr. Cowden, and all of your staff and associates for your long study and dedication, and long hours that I know you have spent in bringing these proposals together. I think the conferences you have had all over the United States have been of great benefit to those who took the opportunity to present their views.

I am also pleased that you have kept an open mind as to the possibility of changes, and that you have not become wedded to a particular legislative program. Developments in agriculture are taking place with such rapidity that a flexible stance is needed at the moment. In that fashion receptivity to good solutions to the problems that plague our Nation's farmers will be at its peak.

Mr. Secretary, I would like to ask you a couple of questions.

On page 5 of your testimony, you state that after the farmer has diverted the necessary amount of acres he would have full freedom to

use the remainder of his tilled land in any way he wishes. Does that include using the land for grazing?

Secretary HARDIN. Yes, he has that privilege now, and we would not further restrict him, of course.

Mr. PRICE. On page 7 of your testimony, you state that substitution between feed grains, including wheat for feed would be allowed.

As to this point, there has been a great deal of interest throughout the country in using silage without it being treated as part of the base. Could similar consideration be given in formulating other policy areas; for example, not using silage or hay as a part of the base?

Secretary HARDIN. This is a detail that I do not believe we have gotten into yet, but we will certainly be glad to put it into study, Congressman Price.

Mr. PRICE. What restrictions will be placed on acres set aside?

Secretary HARDIN. Well, our thoughts here would be simply that they could not be used for either cropping or grazing or hay.

Mr. PRICE. Must they be planted in cover crops?

Secretary HARDIN. I should think so.

Mr. PRICE. Will there be any compulsory rotation of acreage to be set aside on each farm, or can the same acreage be set aside year after year?

Secretary HARDIN. We have made no such recommendation on that point. I think it is an open question. I think we probably would like to see it rotated, and I suspect most farmers would prefer to rotate it, but we have not made that recommendation, and I think we want more judgment before we do recommend specifically that we put in such requirements.

Mr. PRICE. One last question, Mr. Secretary——

Secretary HARDIN. My inclination is to keep it as flexible as possible, unless there is strong reason to the contrary.

Mr. PRICE. Will diverted acres be eligible for ACP or Great Plains funds?

Secretary HARDIN. You are asking some tough questions. I simply do not know.

Mr. PRICE. Well, it seems to me that answers to questions such as these must be developed.

Secretary HARDIN. I should think so.

Mr. PRICE. I am pleased you agree.

Secretary HARDIN. This is off the top of the head, but I would think so.

Mr. PRICE. Thank you, Mr. Secretary.

The CHAIRMAN. Thank you, Mr. Price.

Mr. Sisk.

Mr. SISK. Thank you, Mr. Chairman. I simply want to associate myself with the comments already made by my colleagues, Mr. Secretary, in commending you for being here this morning.

I had to leave the room momentarily at the time the chairman was asking some questions relative to the costs, and I returned on the questions by Mr. Jones.

But, let me ask you this: Is there any indication or do you have any time schedule in which, for example, we might have an opinion or a position from, let us say, the Bureau of the Budget or others who are going to be concerned about actually how much money might be recommended in these major commodity programs?

In other words, whether we are going to be dealing with what might be a ceiling of $500 million, or $1 billion, or some specific program. This is a question that was raised, as I am sure the Secretary will remember, a short time ago at a meeting. I was curious to know if there was any time schedule or any point at which you feel that the administration, itself, may make its position known as to what they feel would be the maximum beyond which they could not go in the cost of a program, in these major commodities.

Secretary HARDIN. I suppose we will not actually have that firmly until such time as a bill is prepared and is reviewed by the Bureau of the Budget. That, as you know, is the normal procedure. But, I suspect that we will have some informal feel for this as we go along.

Mr. SISK. One other question, Mr. Secretary, just quickly, and you may not desire to even comment on it because this gets to some extent into the field of foreign affairs and diplomatic problems, but we, today, for example, in certain specific commodities in the areas of farming and agriculture are suffering from injury and some serious problems regarding farm income, resulting from imports of agricultural commodities.

Now, as I say, I recognize this gets into a broader situation of national policy and international negotiations, but would you make any comment as to your own feelings?

For example, today we are actually importing or permitting to come into this country, commodities which are affecting prices of domestically produced items from countries with which we do not even maintain diplomatic relations, and I was curious to know if the Department has any policy, and as I say, maybe you prefer not to comment, because I recognize that this does deal in national policy.

Secretary HARDIN. Well, I do not know quite how to respond to this Congressman Sisk. I am not quite sure I know which instance, or instances you have in mind, but we are spending a great deal of time on this whole matter of imports and, of course, as you have said, it is not simple. But, to the extent that we have a policy, we are attempting to prevent nay significant disruption from sudden bursts of imports that might come, and working within the tools that are available, which are not always adequate for given situations. If you can lead me further I will be glad to respond.

Mr. SISK. Well, I appreciate this, and as you, of course know, having visited our area out there, my area is deeply involved in what are called specialty crops, variety of kinds, foods, vegetables, and other things, and even to some extent it gets into the berry situation, today, where imports have substantially caused disruptions.

Now, I recognize that these are serious and complex problems because they get into the realm of foreign policy, and the diplomatic problems we have with countries, but here again the farmer is looking to you and to the Department of Agriculture as being, in a sense his defender, and as I say, I do not attempt to put you on the spot. These are areas that many farmers are concerned about, and I thought maybe you might have some comments.

Secretary HARDIN. I do not feel put on the spot, and particularly with regard to vegetables and other fresh crops. I think when we deal with this we should be concerned with a whole group of commodities that move both ways across the border.

Mr. SISK. Mr. Chairman, there are other questions but I will yield.

The CHAIRMAN. Thank you, Mr. Sisk.

Mr. Myers.

Mr. MYERS. Thank you, Mr. Chairman.

Mr. Secretary, coming to the end of the line like this there is little praise that I might add now that hasn't already been covered, and since there has been so little criticism this morning, I will not break precedence by bringing any in here, and I could not anyway.

I can say one thing, make one comment, though, that no one else on this committee can make, and that is to associate myself with you this morning as a fellow Hoosier, and I am proud to do that.

I might add that I must take a little bit of exception and difference with my colleague from Mississippi in that I certainly appreciate your fresh new approach. I remember when I studied government I always thought that the executive, which you are a part of this morning, had the responsibility of enforcing the law and not writing it, and that you did have the responsibility also of coming down, as you have this morning in establishing guidelines and making recommendations which I think you certainly have this morning, and then it was the responsibility of Congress, and more specifically, of course, today our committee, to write those laws, and I think this is what you have done this morning. I appreciate that approach.

I do have one comment specifically. I like your comment that export is a very important part of our agricultural picture of disposing of the product, and a most important part, and you recognized this when you said that you did not want to sacrifice, or I believe you used the word "concede" any of the protection or increasing production to anyone else, and if we recognize this I think we can stay competitive with the world, and I certainly congratulate you for your broad views, and thank you for coming down. Thank you.

The CHAIRMAN. Thank you, Mr. Myers.

Mr. Alexander.

Mr. ALEXANDER. Thank you, Mr. Chairman.

Mr. Secretary, very briefly I would like to thank you for your proposals here. The people of the First District of Arkansas have been waiting for these proposals, and I acknowledge the fact that you have a very tough job, and I want to state now for the record that I, for one, as a Democrat, am going to give you a chance, and we are going to take these proposals and circulate them through our district and have meetings on them to do what we can to cooperate with you.

I recognize, as you obviously do, that we on this committee represent a minority of people in this country, and that minority becomes smaller in number each year. We face serious problems in the future of continued growth in our metropolitan areas.

I like the statement that you have made with reference to job opportunities and industrial development in rural areas. Sometimes, however, we get sidetracked with bushels, bales and pounds in agriculture, and forget to look at the dollars. I would like to ask you if your department has looked at the tax structure as a possible means of providing relief to the disparity that we now have in the agricultural sector of our economy.

A minute ago Chairman Poage made this statement, that farm labor is being paid all that the traffic will bear. It is obvious that the reason people are leaving the farms is because they cannot make as much money there as they can if they go to the city. Now, I have talked to a number of people that say if they could make equivalent amounts on the farm they would prefer staying.

Has your department looked into the tax structure as related to farming operations? The thought that I advance is that there may be possibilities of reducing the disparities that exist between the cost of production and the price received for products through tax incentives. For example, does there exist a feasible incentive by providing a multiple tax deduction for farm wages paid in excess of the minimum wage? Is this a method whereby the producer can be permitted to compete through the tax incentive method? These are ideas that have been tossed around my office but we have no way of exploring the long range effects with the facilities that are available to us. It is my hope that your department will look into these possibilities as another area that will be helpful to the American farmer.

Thank you very much.

Secretary HARDIN. An intriguing idea, and we will be glad to put it into study and see what comes up.

Mr. ALEXANDER. Thank you

The CHAIRMAN. Thank you, Mr. Alexander.

Mr. Sebelius.

Mr. SEBELIUS. Thank you, Mr. Chairman.

Mr. Secretary, I have enjoyed myself here this morning in listening to you present this, and I am especially impressed with the freedom and the flexibility idea for the farmer on down the line.

It probably draws an extra note for me as coming from the district that raises more wheat than any other State in the Nation, but that is a very desirable thing, and the setaside program especially.

You mentioned the word "certificate" and I was wondering whether or not you envisioned that the certificate that we have in the wheat program will be money from the industry in helping finance that program?

Secretary HARDIN. Yes; our thoughts were there, that with possibly some minor variations this would continue.

Mr. SEBELIUS. That is my only question. Time runs out. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Sebelius.

Mr. Burlison.

Mr. BURLISON. Thank you, Mr. Chairman.

Mr. Secretary, I join also in the warm welcome of my colleagues to you for your appearance this morning. I would like to associate myself with the remarks of the gentleman from Mississippi, Mr. Abernethy, with his very, I think, penetrating and incisive comments and questions with you earlier; I am not sure that I share with Mr. Sebelius the respect for your concept which you have mentioned a couple of times in your statement about the fredom to the farmer.

I am speaking, of course, of the concept of economic freedom which is what you were referring to, not political freedom. I think we need to keep in mind that economic freedom for the farmer may not mean

too much if he is in the process of going through bankruptcy at the same time, and I think this is where we will find a substantial portion of our farmers if we accept this concept too broadly.

I would like to ask you Mr. Secretary, if you have anything specific at this time to report to the committee, relative to the soybean program. I did not see mention of that in your statement.

Secreary HARDIN. No; we did not mention soybeans, not because they are not on our minds all of the time. They have been.

There have been suggestions, discussion, and consideration given to possibly including them under the feed grain concept, or at least tying them together with this pattern, with one or the other of these patterns we have suggested. Right now the soybean situation looks a bit improved from 2 to 3 months ago.

Exports are increasing, domestic consumption has increased, and there is at least an outside chance that next year when we start a new crop we may not have added very much to stocks during this 12-month period.

So, I do think that during the remainder of these months that we are considering this legislation we will want to keep soybeans very much in mind and discuss whether or not they should be included or whether they can be safely left out.

Mr. BURLISON. Thank you very much.

Thank you, Mr. Chairman,

The CHAIRMAN. Thank you, Mr. Burlison.

Mr. Jones.

Mr. JONES of Tennessee. Thank you, Mr. Chairman.

Mr. Secretary, I just want to compliment you for the very constructive statement that you gave us this morning regarding farm problems and some of your thoughts relative to how we might remedy them.

Due to the shortness of time, I just would like to associate myself with the remarks of the chairman and my colleagues here regarding farm program legislation, and I sincerely hope that we can move rapidly in this direction.

I, like so many others, my people back home are really anxious to get moving on a program.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Jones.

Mr. Melcher.

Mr. MELCHER. Thank you, Mr. Chairman.

Mr. Secretary, I am the newest Member of the Congress and the youngest member of this committee, but my reaction may be different than the rest of the members of the committee, but I am shocked; I am shocked at your testimony concerning 400,000 farm families that are headed for the new welfare program of President Nixon. I may be the only one on the committee shocked by it, but I can assure you that there are thousands upon thousands of farmers and ranchers in Montana who would also be shocked.

We are talking about close to 15 percent of the operating farm families, are we not, when we mention 400,000? What is the income situation that would put them on relief?

Secretary HARDIN. Well, I am surprised that you are shocked at this because the income figures for farmers have been published, and rather widely.

There are, according to census definition, approximately 3 million farmers, and there are 1 million of these that have gross receipts in excess of $10,000, and all of the rest are under that figure.

Now, we are talking about gross receipts, not net farm income, when I make this classification. There is another three quarters of a million that are somewhere between $2,500 of gross receipts and $10,000, and then there is over a million that are still below that, and these figures have been published for many years, and it is the lower end of this scale that we are talking about.

Mr. MELCHER. You appear to have arrived at some figure for income per family, that is required. Does this in any way give you a guideline for how much total money the Department would recommend that we put into the program this year for agriculture?

Secretary HARDIN. For all farm programs?

Mr. MELCHER. Yes, Mr. Secretary, for all farm programs.

Secretary HARDIN. For this year?

Mr. MELCHER. For this year.

Secretary HARDIN. Well, this year——

Mr. MELCHER. I will amend that. Not for this year, but for the year after.

Secretary HARDIN. Well, then we are talking about the first year that this would be effective, which would be fiscal 1972. No, as I indicated earlier, the mechanism is here on either one of these programs to factor this to whatever level income the committee and the Congress would feel is desirable.

Mr. MELCHER. You are not prepared, then, to say whether you would recommend a lesser amount or a greater amount than is going into form programs in the current fiscal year?

Secretary HARDIN. No, I indicated to you that I felt that we had to take this into account, the fact that we have a history of income supplement, which has been built into land values, land prices, into mortgages, into taxes and standards of living, and so on, and that we should not depart downward without realizing that there would be very serious repercussions. I hope this gives you a little indication of my own feelings.

Mr. MELCHER. Well, then, I think it would indicate to me, Mr. Secretary, that you would consider the same amount then, at least.

Secretary HARDIN. Well, you are free to put any interpretation on it you wish at this point. I am not free to give any further specifics on it.

Mr. MELCHER. I am curious, Mr. Secretary, since you have mentioned the sum of $400 million in regard to welfare payments, does this have any bearing on what the Department's and what your thinking would be on the total amount for the——

Secretary HARDIN. No.

Mr. MELCHER. It has no bearing?

Secretary HARDIN. No.

Mr. MELCHER. Mr. Secretary, would it be fair to say that on the plans that you have outlined here that you are contemplating grazing on some of the acres that are subsidized?

Secretary HARDIN. Not necessarily.

Mr. MELCHER. Does that mean no, or probably no, or probably yes, or——

Secretary HARDIN. No, it means that we think that the committee should share in that decision.

Mr. MELCHER. Well, it means no recommendation then from the department?

Secretary HARDIN. We merely have pointed out that this is a possibility and that we would have to decide if we wrote the legislation whether to put in the extra dollars if we are not permitting grazing because the rights will cost more if grazing is not permitted.

Mr. MELCHER. And then right along this line, concerning the conserving base acres, which are now grazed, as I understand it, is there any thought or any recommendation for a change in that regard?

Secretary HARDIN. We are recommending no change in that.

Mr. MELCHER. Thank you, Mr. Chairman.

Thank you.

The CHAIRMAN. Thank you, Mr. Melcher.

Mr. Córdova.

Mr. CÓRDOVA. Mr. Chairman, in connection with the chairman's question to the Secretary about the possibility of a farm subsidy, it may be of interest to know that we are experimenting with just such a subsidy in Puerto Rico. We enacted the measure just about 2 months ago.

Of course, it is too early to tell how effective it may be.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Córdova.

That completes the questioning by the members here. Let me say again, Mr. Secretary, we appreciate your attendance and we look forward to meeting with you again, possibly informally, as early as tonight or tomorrow.

The committee will stand in recess until 10 o'clock tomorrow morning.

(Thereupon, at 12:35 p.m., the hearing was recessed to reconvene tomorrow, Thursday, September 25, 1969, at 10 a.m.)

GENERAL FARM PROGRAM AND FOOD STAMP PROGRAM

FRIDAY, OCTOBER 10, 1969

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to recess, at 10:05 a.m., in room 1301, Longworth House Office Building, Hon. W. R. Poage (chairman) presiding.

Present: Representatives Poage, Stubblefield, de la Garza, Jones of North Carolina, Sisk, Burlison, Rarick, Melcher, Goodling, Mathias, Mayne, Kleppe, Myers, and Resident Commissioner Córdova.

Also present: Mrs. Christine S. Gallagher, chief clerk; and John A. Knebel, assistant counsel.

The CHAIRMAN. The committee will be in order.

We are met this morning to hear from our former colleague, Congressman Paul Findley, who is the author of a number of bills before us on a number of subjects, always fluent on any of these subjects, and our colleague, Congressman Hall, who is here to be heard on his bill, 13717.

Mr. Findley, we are glad to have you back on the Agriculture Committee. I am delighted to know of your continuing interest in agriculture and we will be glad to hear from you.

STATEMENT OF HON. PAUL FINDLEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. FINDLEY. Thank you very much, Mr. Chairman. I note some smiling faces after yesterday's vote.

The CHAIRMAN. You made me feel better.

Mr. FINDLEY. I do very much prize the associations I have had with this committee, and especially appreciate this opportunity today to present legislative suggestions. A conflict prevented me from attending the earlier scheduled date, and I know from my own experience on this committee that you have a heavy schedule and the fact that today's hearing was arranged was not easily accomplished and I do most sincerely express my appreciation to you, Mr. Chairman.

In major respects our Federal food programs, those relating to both production and distribution, fall short of their potential in terms of both public service and the more narrow interests of agriculture.

Food production programs are currently oriented almost exclusively to individual commodities. They are very high cost for the results achieved, and at the same time have caused farmers to rely upon the Government for a major part of crop income. This trend, in my view, impairs the long-term health of American agriculture. It is time to embark on a definite planned phaseout of these individual commodity programs.

In their place I recommend two separate but complementary approaches: first, a general cropland adjustment program not tied to individual commodities; second, a program of personal assistance available only to farmers of low income.

Food distribution programs for low-income families have now emerged from a trial period nationally and I feel are ready for expansion and reform. The need is self-evident. Although food is so abundant in this country that the Federal Government spends many millions of dollars a year to curb production, Federal food aid programs for poor families succeed in serving only a small percentage of those who are poor.

This situation in our bounteous land is, in my view, a national disgrace. We have spent billions of dollars to feed the hungry of the world with food from U.S. larders, while at the same time not even recognizing the hunger of our own people. It is a sad commentary on the governing institutions which permit such a situation to develop.

What is needed now is a firm commitment, as President Nixon stated, "to put an end to hunger in America itself for all time." Such a commitment can succeed only if we in Congress are willing to recognize the existence of hunger and malnutrition—both nationally and in our own districts—and act in an adequate manner.

In this respect, Illinois, my home State, is hardly a paragon of virtue. I do not appear before you representing a State which has solved its own hunger problems and is ready to offer advice to those who have been derelict.

I am sorry to report to you that Illinois has a lower average percentage of participation by the poor in Federal family food aid programs, than all other States. Meanwhile, last year 4,248 Illinois farmers received over $5,000 for a total of over $34.8 million for participating in Federal programs to restrict the production of food. (See Congressional Record of May 21, 1969, p. H3943 and June 26, 1969, p. H5321, for data on each county in the United States.)

In fact, Mr. Chairman, your State and my own have two of the poorest records. While at last report Illinois had the largest number of counties with food aid programs reaching less than 10 percent of the poor, Texas had the largest number of counties—95—with no Federal family food aid program whatsoever.

Nationally, where the food stamp program operates, only 16 percent of the poor on an average are served. Where the surplus distribution program operates, only 22 percent of the poor are served. These figures show that we have hardly begun; they also show the magnitude of the job yet to be done.

It is a strange paradox that many people are in want nutritionally in our land of abundance. Perhaps the shocking aspect came to light last spring. At that time, 424 counties, some with very high concen-

trations of poverty, were discovered not to be participating in either the food stamp or surplus distribution programs. Among them were counties in which payments to farmers not to grow food were extremely high. (See Congressional Record of May 12, 1969, p. H3531, for list of counties.) This despite the fact that free food under the surplus food program is immediately available from the Department of Agriculture to any county willing to distribute it.

The low percentage of poor families served is especially shocking in some of the leading food-producing States in our country, such as Illinois, my home State. Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Ohio, and Wisconsin.

In these very States where the poor simply are not reached, both the number of farmers receiving Federal checks in excess of $5,000 especially for not growing food, and the total amounts received last year skyrocketed—in one case by as much as five times the previous year.

In many counties where participation in Federal food aid programs was abysmally low, payments to farmers for nonproduction was, in my view, unconscionably high. Thirty-one counties which purport to have food aid programs actually feed less than 1 percent of those who are poor; yet at the same time, wealthy farmers in these counties receive millions of dollars in farm payments.

The low percentage of participation in counties where Federal food aid programs do exist results from several factors.

The surplus distribution program provides for the distribution of surplus foods to accredited recipients. The Federal Government pays for the food and for delivering it to county warehouses. The county or other unit of local government needs only to pay for warehousing the food and distributing it to those who are hungry. Yet, as Secretary Hardin has pointed out in his testimony before this committee, problems abound with the program and it can by no means be adjudged a success.

Usually there is only one warehouse in each county. Access to a family may be granted only once a month during limited, specified hours. It is difficult for the poor to get there on time at the right time. A strong man might be able to load into his car the bulky 34 pounds of food which make up the average monthly supply distributed. But most of the poor in this country are not strong men, nor do they have cars. The sick, the aged, the infirm, women and children find it difficult to find transportation to the warehouses, and next to impossible to get back with their burden. Often they must pay others to drive them to the distribution points and pick up the heavy commodities, thus even further depleting what little money they have.

A poor person who gets the surplus food packages home must deal with still other problems. A family depending upon this food for its total monthly supply will find that it generally runs out on the 22d day of the month.

Furthermore, the food is presented in unappetizing, Government-issue packages. Some powedered milk items are widely disliked and not used, because they taste bad and are lumpy. Some of the contents of the food package are difficult to prepare and instructions are often difficult to understand. These are just some of the complaints that I have heard raised about the items.

Finally, the contents of the food packages vary greatly from season to season, among the States, and even among counties. Poor families often do not know what will be in the packages until they pick it up. State and county officials may refuse certain items included by the Department of Agriculture, even though the poor recipient might desire the food. Very few counties give out all 22 items of food.

Mr. Chairman, at this point in the record I would like to place a listing of the items as distributed during August of this year which shows that there were 1,274 administrative units which participated in the commodity distribution program but not one of them distributed all 22 items. I have a breakdown showing how many of these units distributed each of the different items. With your permission, I will place that in the record.

The CHAIRMAN. Without objection, it will be received.

(The document referred to follows:)

During August, 1969, 1274 administrative units (county, Indian reservations, city) participated in the commodity distribution program. The following foods were distributed:

Food and number of units that received them

Canned meat or poultry	1,260
Rice	1,234
Flour	1,229
Fruit and vegetable juices	1,228
Canned chopped meat (luncheon type)	1,222
Canned vegetables	1,220
Peanut Butter	1,201
Nonfat dry milk	1,199
Lard and/or shortening	1,198
Cheese	1,190
Butter	1,188
Instant potatoes	1,175
Raisins	1,166
Evaporated milk	1,163
Hot cereal (rolled oats or rolled wheat)	1,158
Corn sirup	1,085
Dried beans	1,082
Scrambled egg mix	1,074
Corn meal	1,043
Dried prunes	788
Corn grits	442
Wheat bulgur	203

Mr. FINDLEY. It is interesting to note that none of the 1,274 units distributed all 22 items.

Food stamps represent a big improvement over surplus distribution because they utilize the merchandising convenience of private food stores, but here too, participation by those in need is extremely low.

The food stamp program is designed for those with a small, but steady income. A family must participate in the program on a regular monthly basis in order to continue to receive benefits. Thus, those whose incomes fluctuate from week to week are prohibited from participating.

The poor who can afford to participate may be required to spend between 37 and 50 percent of their monthly income for the food stamps. This compares with 17 percent spent by the average American for food. Such an expenditure for the entire month's allocation of

stamps must be made all at one time, rather than every 4 or 5 days as most housewives do. Since many must spend as much as 50 percent of their income for food, saving this much money for a monthly expenditure constitutes an extreme additional financial burden upon the poor, a burden which most Americans do not have to face.

Although a poor family must often spend a large proportion of its income for food stamps, it will receive sufficient stamps to provide it with only two-thirds of the food supply needed for the month. This incredible situation can only be described as, Government mandated hunger.

Finally, since the accreditation process for those eligible to receive food stamps is closely linked to welfare eligibility requirements, the food stamp program suffers from many of the same deficiencies and variations which plague state and local welfare systems.

Even in homes served by stamps or surplus distribution, the nutrition level still may be quite unsatisfactory. Education on how to purchase and prepare nutritious meals may be lacking and may be the source of many problems.

To help meet these immmediate major problems in our food distribution programs to poor people, I have six specific suggestions. Except for the first one, which I feel should be acted upon immediately, I suggest that pilot studies of the others be authorized as a means of measuring their practicality for national applications.

My suggestions are:

1. Require that benefits be made available uniformly throughout each participating State. The State would have to assume the responsibility of assuring uniform availability to all citizens. This would effectively bring all counties in the United States under Federal food-aid programs.

2. Discontinue Government warehousing of surplus food items and Government-issue packaging and utilize instead private food stores as points for the distribution of items on a surplus list. Under my proposal, vouchers would entitle those eligible to select approved items from regular merchandise stocks. Stores then subsequently would be reimbursed by the Government.

3. Utilize private food stores for the sale of food stamps and delivery of surplus food vouchers. Private food stores are readily accessible to every area, urban and rural and by their very nature constitute a highly efficient distribution and service system. They are part of our private merchandising system and that is an important aspect. All of them are open at least 8 hours a day, 6 days a week and are well situated for customer convenience. Furthermore, they have demonstrated their ability efficiently and conveniently to handle all types of coupons redeemable for merchandise. So this would not be a new experience for them.

Supplementing the distribution of stamps and vouchers at food stores, we should provide those who are in poverty and regularly receiving monthly Government or retirement checks—thus, having a set income—with food stamps by mail. This part of the system could thus be automated, reducing costs and allowing the concentration of our limited Government manpower on those whose incomes fluctuate monthly.

Elimination of special Government-issue packaging and warehousing would serve two important purposes. It would to some extent, partially reduce costs, and it would also remove a stigma experienced by child and adult alike, the stigma associated with the presence of "poor people" food packages in the home and standing in "poor people" lines at Government warehouses.

4. Require that the local unit of government certify those eligible for food stamps and/or surplus distribution quarterly and in some cases at greater intervals, with vouchers or stamps issued more frequently to the poor than at present. Under this system, weekly purchase of food stamps through the private food stores, could readily be accomplished.

5. Permit concurrent operation of both the food stamp and surplus distribution programs in counties. The concurrent operation of both programs, is now prohibited by law. In my view all poor people should be eligible to purchase food stamps, and those of extremely low income should also be made eligible for surplus food vouchers.

This arrangement, I feel, would serve two important purposes: It would give extra free food to those who have the greatest financial need for it; it would create a highly flexible means of stimulating consumption of selected items that may from time to time become in heavy surplus. To illustrate, a price-depressing glut of potatoes, apples, rice, wheat, or butter could readily be put to good use by this means. This would also, I feel, make it unnecessary to provide some food stamps without charge, as many have called for, while at the same time assuring the poor an adequate diet.

6. Require that each eligible family must include at least one person with competence in food purchasing and preparation. Those already competent could meet this requirement by passing a written test. Others could establish eligibility by attending special courses offered through local schools or classes similar to those now being sponsored on a pilot basis by the U.S. Department of Agriculture.

These suggestions, hopefully, would help to assure that benefited families get maximum nutrition from these programs.

When Secretary Hardin testified before this committee earlier this year, he stated his own awareness and that of the Department of Agriculture of many of these problems which I have discussed today, and he presented many suggestions for coping with them, several of which are similar to those I have listed and in a few cases are already underway on a pilot basis.

In one instance, a group of Illinois State and local officials and representatives of the private retail foodstores in the Chicago area sought my help in setting up an appointment for them to meet with Secretary Hardin and Assistant Secretary Lyng so that they could present a plan for a program which will utilize vouchers permitting those qualified to shop at regular retail foodstores. Subsequently, other meetings were held in Chicago between these officials and USDA specialists, and I am glad to report that a forward-looking pilot program is now being developed for testing in the Chicago area. This pilot voucher system would permit expectant mothers, or mothers with infants, who were qualified to participate in the supplemental food program, to shop for selected nutritious foods at their neighborhood

foodstores and "pay" for their purchases with vouchers. This would replace the present system in Chicago under which these expectant mothers and mothers with infants have to go to a central warehouse on a certain day and pick up Government-issue packages. Thus, the program would use the considerable experience, know-how, and efficiency of retail foodstores to distribute nutritious foods to needy mothers.

My second set of recommendations deals with long-term farm legislation. Even with expanded food-aid programs for needy families, I am convinced that general adjustment legislation assisting agriculture generally and marginal farmers particularly will be needed for the next few years at least.

I also feel that present programs are not satisfactory in terms of cost effectiveness, impact on the agricultural economy, and assistance to marginal farmers. Despite very high cost, they do not effectively control production. At the same time, they have caused direct Government payments to represent an inordinately high portion of crop income.

Cotton farmers now get about half their crop income from the U.S. Treasury, wheat farmers about one-third, and feed grains farmers about one-fourth. I believe this is most unfortunate and I believe there is a better way. A suggestion I have made is embodied in H.R. 9009, and I hope this committee will be able to give it serious consideration. Identical legislation has been introduced by 24 other House Members and by 20 Senators.

It has three primary objectives:

First, to provide special assistance to the farmer whose income is low because his farm operation is very small. There are over half a million farmers whose individual gross annual sale of farm products is no more than $5,000 and whose off-farm income is no more than $2,000, this according to the latest census information. From this small gross income must come all the operating expenses of running a farm. These people need help, and present programs do not provide it.

H.R. 9009 provides for retraining grants of up to $1,000 for these farmers, to enable them to go to schools to acquire skills for off-farm work. It also provides for adjustment assistance of up to $2,500 a year for not more than 2 years; here again, an income cushion to enable them to make the adjustment to off-farm income, perhaps even to leave the farm. It provides for loans under existing credit programs to help ease the transition to off-farm employment. H.R. 9009 also provides for compensation for acreage allotment surrendered to the Secretary of Agriculture for permanent cancellation and also for basic acreages that would be similarly surrendered. This is a concept, I might add, that was first proposed to this committee about 5 years ago by the man who is now on the President's Council of Economic Advisers, Mr. Hendrik S. Houthhaker. At that time he proposed a transitional acreage payment plan called TAPP.

These aids would help submarginal and marginal farmers gain skills to secure off-farm income and thus to better themselves whether they continue to farm part time or not.

The second feature of this proposal would be to phase out acreage controls, base acreages, marketing quotas, processing taxes, and direct payments for wheat, feed grains, and cotton over a 5-year period.

Total payments under these programs would be limited in 1971 to 80 percent of the amount spent in 1969, and each succeeding year thereafter would be reduced by 20 percent of the present level of spending so that by 1975 no payments would be made.

During this period, and in the future, marketing loans for wheat, feed grains, cotton and soybeans would be available at 85 percent of each commodity's average market price over the 3 previous years. Thus, the Commodity Credit Corporation would once again function as it was originally intended to function, as a convenience to orderly marketing. At present, and especially in recent years, CCC acts more as a permanent storage center for surplus crops which have piled up year upon year, causing immense storage problems and costs, much waste, and adverse influence on market prices.

The third feature is to phase in an extensive program of land retirement emphasizing the retirement of entire production units. This program would be operated by the Secretary of Agriculture on a competitive bid basis in order to obtain the maximum benefit for the taxpayer's dollar. As annual limitations gradually eliminate present commodity programs, all of which involve annual land retirement of only a percentage of the land on each farm, cropland will be pulled out of production under these competitive long-term contracts.

The cost of implementing H.R. 9009 would obviously depend upon the scale of land retirement undertaken by the Secretary of Agriculture, and on other factors like the aid programs to the low-income farmer, but by the end of the 5-year phaseout, I would estimate that the new farm program would cost less than half the present level of spending.

If, as I recommend, extensive reforms and expansion of the food stamp and surplus distribution programs are undertaken, utilization of food would increase. This, in turn, would reduce the need for cropland adjustment.

H.R. 9009 is people oriented. Present programs are crop oriented. My proposal provides effective adjustment aid to farmers who have the most pressing personal financial need. Present programs give income support instead to commodities and yield many payments of astronomical size to individual farmers, which in turn, give the big operator resources with which to get still bigger, often at the expense of the small farmer.

In my opinion, H.R. 9009 makes sense both politically and economically, and is very much in tune with the times. It affords a sensible way, I feel, for this committee to deal with a serious dilemma, a dilemma which I am sure has caused you much study.

An extension of the Agricultural Act of 1965 without substantial change is most unlikely. At the same time, a radical change of existing law would be very difficult for many members of the committee to support, in light of the individual constituencies served. My proposal provides a way out.

Because it is long term, covering a 5-year period, my proposal gives individual farmers and the agricultural economy abundant time to make adjustments. At the same time it provides assurance of substantial reform within the 5-year term.

All of us, I am sure, want to see the day when farmers get all their crop income from the private market, instead of getting a major part

of it from the U.S. Treasury. All of us want farmers to be free to plant whatever crops they wish, without the influence of Government inducements.

All of us want the abundance of our farmland made available to low-income people. We cannot countenance hunger in a land of plenty.

The proposals I have made here today would, over a 5-year period, restore American agriculture to a sound private-market base and crop selection freedom to the farmer.

My proposals on food aid to poor families would cost money, perhaps a great deal of money. But they would end the unconscionable paradox which finds our Government spending millions to curb food production while many of its citizens go hungry.

Thank you very much, Mr. Chairman, for this opportunity.

The CHAIRMAN. Thank you, Mr. Findley. We are always glad to hear from you.

Do you have any questions, Mr. Melcher?

Mr. MELCHER. Thank you, Mr. Chairman.

Congressman Findley, I notice in your testimony your reference to a retraining program for farmers where it would not be economically feasible for them to stay on the land. Are you referring to small operators or average? Are you thinking of 80-acre farmers, 60-acre farmers or quarter-section farmers or what size?

Mr. FINDLEY. Well, I know some farmers who do very well with a livestock feeding operation on a small acreage, so it is possible to have a financially sound farming operation with not too much in the way of total acres. But this is the exception.

As defined here it would mean a farmer whose gross sales have averaged not over $5,000 and whose off-farm income has not exceeded $2,000. These, I am sure you would agree, would be submarginal farmers.

Now, it is very doubtful in my mind, that any of them could be operating over 150 acres. I cannot conceive of that occurring in Illinois, at least. It might be true elsewhere in the country where land is almost totally unproductive.

Mr. MELCHER. When the Secretary of Agriculture was here he referred to President Nixon's new welfare program, family assistance, and suggested that quite likely from his viewpoint, 400,000 farm families would go on to this new program, and on questioning him about who those people would be, he referred to net income.

Now, on the basis of net income, say $1,500 or less, is it not your experience, Congressman—it is certainly mine—that there are many farm and ranch operators that are grossing $20,000, $30,000, $40,000, $50,000, yet during the past few years they are showing losses or very, very small amounts of net income?

Now, these people who have quite an investment, and whose age is probably in the fifties or late forties, are not likely to fit into a training-type program for new skill or a Job Corps type thing; are they?

Mr. FINDLEY. Yes; and frankly, the proposal I have made has dealt with the very bottom edge of the economic spectrum.

Mr. MELCHER. Well, then ——

Mr. FINDLEY. It may well leave some farmers with very serious financial problems. I would not question that at all.

Mr. MELCHER. Then, you are not directing this phase of it at this broad number of operators who, while they have a high gross, and have an economic size unit, still are not making any money?

Mr. FINDLEY. That is very true, and there may be needed some further study of their problems. But I would suggest we start with those who are clearly submarginal, most of whom I think, would choose to get out of agriculture under this program and whose presence in agriculture does add to the problems of the farmers whose plight you have just described as well as adds to the problems of agriculture generally.

Mr. MELCHER. Well, you envision, then, that these operators would be making up this 10 million acre land retirement each year until we had 50 or 60 million acres retired? Are those the operators you think would be participating in the land retirement?

Mr. FINDLEY. Yes; many of them could be along with many of the operators you referred to. I can conceive of, for example, a whole farm being taken out of production, and the one who operated that farm also being eligible for the benefits under this program.

Mr. MELCHER. Who would have control over the land retired? Would the Secretary have control of the land?

Mr. FINDLEY. Oh, yes; subject to contract.

Mr. MELCHER. It would be subject to contract, with the Secretary determining when it would be put back into production, if ever?

Mr. FINDLEY. Well, he could control it only during the period of the contract which I would hope would be for about a 5-year period, and he would set forth in the contract the way the land was to be kept during that period, such as controlling weeds and erosion. The usual conserving practices would have to be maintained and the Department now has a rather broad experience in this and I do not think they would have any problem. In fact, it has not been too many years ago that the Government did negotiate some long-term contracts on whole farming units. This experience would be helpful.

Mr. MELCHER. Well, would the Secretary determine if these retired acres would be grazed?

Mr. FINDLEY. He would have to control the land and it would not be subject to grazing. Grazing would introduce a new element of uncertainty into the productive plan of the country and might throw livestock production out of kilter.

Mr. MELCHER. But is it in your bill that he could make that determination?

Mr. FINDLEY. My bill would give the Secretary no more authority than he currently has.

Mr. MELCHER. Are you referring to the same standards that apply to soil bank land?

Mr. FINDLEY. No. Soil bank is past history. I am talking about the controls over land retired under the cropland adjustment program which my bill simply amends and extends.

Mr. MELCHER. Well, would it be your opinion, then, that the Secretary could or could not make the decision to graze this land?

Mr. FINDLEY. Under existing law which my bill does not change, the Secretary cannot permit grazing unless a disaster is proclaimed.

Mr. MELCHER. Thank you, sir.

The CHAIRMAN. Thank you, Mr. Melcher.

Mr. Myers?

Mr. MYERS. Thank you, Mr. Chairman.

Mr. Findley, along the same line of H.R. 9009, from what I can see here, your bill seems like it is one that this committee will consider and I think that there are some parts of it that have much merit.

Along the line that Mr. Melcher was speaking about here—incidentally, Mr. Melcher testified before the Government Operations Subcommittee the other day on special studies and at that time he said he was shocked that the Secretary would recognize 400,000 farmers as not receiving enough income and would offer a welfare program to them, but I see you have a half million farmers in that category. I was not real sure what your reply was to just what went into this figure when a farmer was receiving an income that would cause him to be eligible for some help as a person rather than as agricultural products assistance.

Now, I am not sure either. I went back after Mr. Melcher's criticism of the Secretary and reread his statement and he said that he recognized that much thought had to go into this, that there had to be some things resolved.

Now, is it a net figure that you are thinking about in your bill or is it a gross figure?

Mr. FINDLEY. No. In fact, it is very plainly stated that those eligible would—let me give you the exact language. It is on page 9 of the bill:

> For the purpose of providing a transitional program to assist low-income farmers making necessary adjustments, et cetera, the Secretary is authorized to formulate and carry out a program under which agreements would be entered into with farmers who had average gross annual sales of farm products of not more than $5,000 and had average annual off-farm income of not more than $2,000 including income of both husband and wife in the case of a married farmer during the 3-year period immediately preceding the year in which the agreement is entered into.

Well, you have to draw the line some place, John, and this is an arbitrary line but I think you will agree with me that a farmer whose gross income from the sale of products averages only $5,000 cannot hang on even by his fingernails if he depends upon that for his liveli- and even when you add in an average of $2,000 from off-farm ac- activities on the part of this husband and wife, he is still just barely staying alive. So, these clearly are the very neediest of farmers. And that is why I suggest we start with them.

Mr. MYERS. As I read your bill on down, it does not provide for a total $7,000 adjusted between the two categories. It has to be no more than five of one and no more than two of the other, maximum.

Mr. FINDLEY. Yes, but if the committee can devise a fairer formula, I would support it.

Mr. MYERS. I think you are right in this area. I think too often or too long we have tried to solve the problem by working toward the total picture of a commodity rather than separating the two as people

and commodities and I think the Secretary and you both are right on this and I congratulate you on attacking it this way. I do not like it, either.

I quite agree with our colleague from Montana, Mr. Melcher. It is a terrible thing that farmers are in this position or anyone else in this country is in this position but I believe we have to be realistic and attack the problem as it is today.

Now, what caused it today, probably many, many things. I do not think any one thing probably caused it but I believe you are possibly on the right track here.

I have one other comment and that is about food stamps. On page 2 you talk about 37 to 50 percent of the poor people's monthly income has to be spent for food stamps. Paul, where did you get those statistics? What goes into that?

The reason I am asking the question, it is my understanding that the minimum anyone has to pay for food stamps is $2. Now, that means their income for a month would have to be something like $3.50 or $4 to qualify for 37 or 50 percent.

Mr. FINDLEY. Would you tell me where on that page?

Mr. MYERS. Bottom of the page, very last paragraph.

Mr. FINDLEY. Those are average figures. Sometimes the percentage of income which must be paid for food stamps is higher, sometimes lower. The figures are derived from tables prepared by the Consumer and Marketing Service of the U.S. Department of Agriculture. They are intended to convey the financial problem of many poor people participating under the food stamp program. You are quite correct, that some people are made eligible for a much bigger bargain—in fact, I understand that in one State they are given free. But, for some people, food stamps are really not much of a bargain.

Mr. MYERS. OEO, I think, puts in the $2 in some areas. I do not know whether it is more than one State but we have had witnesses here where OEO—it is my understanding usually the welfare agencies of the various States distribute and set up the criteria after the guidelines are established by the Federal Government, but it is on a budget system, is it not, so much for housing, so much for medical care and so much for food, and all they have to do is meet one of these areas.

I had never seen figures like this before, I do not believe.

Mr. FINDLEY. Well, if I may, Mr. Chairman, I will put in some details explaining the background as to how those figures were arrived at.

The CHAIRMAN. Without objection, the witness can make further explanation.

Mr. MYERS. Thank you.

(The material referred to appears below:)

The percentage of income required to purchase 1 month's supply of food stamps was derived from the following tables for a family of four supplied by the Marketing and Consumer Services, U.S. Department of Agriculture. The tables for the North and the South show the purchase price of food stamps at each level of family income, and the total retail value of those food stamps. For example, a family of four with a monthly income of $70 must spend $32—46 percent of their income—for food stamps which are worth $70 worth of groceries.

FOOD STAMP PROGRAM NET INCOME BASIS OF COUPON ISSUANCE (NORTH)

Monthly net income [1]	Monthly			Semimonthly		
	Purchase	Bonus	Total	Purchase	Bonus	Total
0 to $19.99	$2	$58	$60	$1	$29	$30
$20 to $29.99	6	54	60	3	27	30
$30 to $39.99	10	52	62	5	26	31
$40 to $49.99	14	48	62	7	24	31
$50 to $59.99	20	44	64	10	22	32
$60 to $69.99	26	40	66	13	20	33
$70 to $79.99	32	38	70	16	19	35
$80 to $89.99	36	36	72	18	18	36
$90 to $99.99	40	36	76	20	18	38
$100 to $109.99	44	34	78	22	17	39
$110 to $119.99	48	34	82	24	17	41
$120 to $139.99	52	32	84	26	16	42
$140 to $159.99	56	30	86	28	15	43
$160 to $179.99	60	28	88	30	14	44
$180 to $199.99	64	26	90	32	13	45
$200 to $219.99	68	24	92	34	12	46
$220 to $239.99	72	24	96	36	12	48
$240 to $269.99	76	24	100	38	12	50
$270 to $299.99	80	24	104	40	12	52
$300 to $329.99	84	24	108	42	12	54
$330 to $359.99	88	24	112	44	12	56
$360 to $389.99	92	24	116	46	12	58
$390 to $419.99	96	24	120	48	12	60
$420 to $449.99	100	24	124	50	12	62

[1] 4-person household.

FOOD STAMP PROGRAM NET INCOME BASIS OF COUPON ISSUANCE (SOUTH)

Monthly net income [1]	Monthly			Semimonthly		
	Purchase	Bonus	Total	Purchase	Bonus	Total
0 to $29.99	$2	$56	$58	$1	$28	$29
$30 to $39.99	8	50	58	4	25	29
$40 to $49.99	12	48	60	6	24	30
$50 to $59.99	18	42	60	9	21	30
$60 to $69.99	24	38	62	12	19	31
$70 to $79.99	30	34	64	15	17	32
$80 to $89.99	36	32	68	18	16	34
$90 to $109.99	40	30	70	20	15	35
$110 to $129.99	44	26	70	22	13	36
$130 to $149.99	48	24	72	24	12	35
$150 to $169.99	52	22	74	26	11	37
$170 to $189.99	56	22	78	28	11	39
$190 to $209.99	60	20	80	30	10	40
$210 to $229.99	64	18	82	32	9	41
$230 to $249.99	68	18	86	34	9	43
$250 to $279.99	72	18	90	36	9	45
$280 to $309.99	76	18	94	38	9	47
$310 to $339.99	80	18	98	40	9	49
$340 to $369.99	84	18	102	42	9	51

[1] 4-person household.

The CHAIRMAN. Judge Córdova?

Mr. CÓRDOVA. I want to commend my colleague from Illinois on his statement, particularly with respect to a matter I understand a little bit better than the farm programs, and that is the question of distribution of food. I do not know whether my colleague knows that in Puerto Rico we have the free food distribution program, have had it for several years. It has the same difficulties, the same shortcomings that have been pointed out and that are noticeable here on the mainland.

The food stamp program, however, is not applicable to Puerto Rico. I notice you propose a combined free food distribution and food stamp program. The need of Puerto Ricans, the poor, the hungry, the ill-nourished, is certainly as great as that of any other region in the Nation.

Would you have an objection to the inclusion of Puerto Rico in a program such as you suggest of combined food stamp and free food distribution?

Mr. FINDLEY. Puerto Rico is part of the United States. It has a commonwealth status which is very unique. But these are American citizens and I think they ought to be treated equally with others.

Mr. CÓRDOVA. Thank you.

That is all, Mr. Chairman. Thank you.

The CHAIRMAN. Thank you, sir.

Mr. Burlison?

Mr. BURLISON. Thank you, Mr. Chairman.

I would like to take this opportunity to commend my friend from Illinois for the usual eloquence that he has displayed this morning in this very fine statement that he has given the committee.

I would like to ask the witness—first, for my own edification and background, do you, Mr. Findley, have any rural constituency? Do you represent any farmers or people in rural areas?

Mr. FINDLEY. Yes. In fact, to a great extent mine is a rural district. I have 13 counties. Springfield, Ill., is the biggest city. It does have 90,000 population. But most of the area is diversified farming. Corn, hogs, cattle, fruit.

Mr. BURLISON. Are you aware of any farmers in your constituency that are going out of business or on the brink of bankruptcy? Do you hear from any of these people? Do you get any correspondence from them?

Mr. FINDLEY. Yes. In fact, on every trip home I hear the number of public sales of farmers who are quitting farming seems to be more numerous this year than any previous year, and there are many farmers who are in severe financial situations.

Mr. BURLISON. As I understand—incidentally, is your program the same as the Farm Bureau-sponsored program?

Mr. FINDLEY. Yes. I was the first one to introduce it and I would like to put it this way, that I am gratified that the Farm Bureau has picked up my ideas.

Mr. BURLISON. Thank you. That was my understanding of the situation but I did want to clarify that.

The other 20 legislators in the House, or 24, and the Farm Bureau, and the 20 Senators adopted your plan and introduced and support it.

Mr. FINDLEY. I like to think of it that way. That may be just a slight exaggeration.

Mr. BURLISON. Well, I think you are being, and I do not say this derogatorily at all, I say it sincerely, I think you are being overly modest.

Now, as I understand your program, Congressman Findley, you would entirely phase out the farm support program over a period of 5 years.

Mr. FINDLEY. For the crops specified. It would not apply to rice and tobacco and other crops.

Mr. BURLISON. Yes. This is cotton, wheat and feed grains.

Mr. FINDLEY. Yes.

Mr. BURLISON. Basically.

Mr. FINDLEY. It would phase out the individual programs, the programs for the individual commodities. I would hate to leave the statement that I am phasing out programs for these commodities because I feel that the other provisions of the bill are in a real sense, a program for these commodities or the farmers that produce them.

Mr. BURLISON. I presume you have reference to the land retirement phase of the program.

Mr. FINDLEY. Yes.

Mr. BURLISON. And you are seeking to return agriculture, then, to the free and the open market over a period of time.

Mr. FINDLEY. I doubt if we will ever see what can accurately be described as a free market. We have a lot of things that I think are helpful and good that help to take some of the edges off the fluctuations of what otherwise would be a completely free market, but it would certainly restore the right of the farmer to plant and harvest and market whatever crops he wants to. So to that extent, freedom would be restored.

Mr. BURLISON. I am wondering if you have introduced any legislation that would eliminate tariff provisions to protect our business interests. Are you interested in any legislation in this field at the present time?

Mr. FINDLEY. I have introduced a number of bills which would effect our tariff regulations, including the subsidy rate on sugar, I might add. In general, I am a strong believer in the freest possible flow of merchandise and services without regard to national boundaries except where short-run imbalances occur. So, I do the best I can to resist the protectionist tide that seems to be rising in many quarters.

Mr. BURLISON. And do you have a similar position on import quotas in various businesses and industries?

Mr. FINDLEY. I think generally that tariffs are far better than quotas and where I have a choice, I much prefer a uniform tariff which gives every country the same equal access to American markets that others have. Quotas work in quite the opposite direction.

Mr. BURLISON. Have you introduced any legislation or taken a strong interest in eliminating all of the tax loopholes and preferences and shelters that are taken advantage of by all of the business and professional interests——

Mr. FINDLEY. Well——

Mr. BURLISON (continuing). In the Nation?

Mr. FINDLEY. Well, I just voted for the bill that emerged from the House, as I presume the gentleman from Missouri did, which is regarded by many as a significant tax reform bill. I would not say we have done as much as we should, though.

Mr. BURLISON. But it falls far short of eliminating all——

The CHAIRMAN. May the Chair comment right now? I do not want to deny anybody the right to go into a broad discussion, but I do not think it is in order to simply question the witness as to what he introduces and what he believes about the opinions of the Pope or anything of that kind. I think after all he is here to testify on the statement he

made and I know we can go a long way on that statement and I want the members to, but frankly, I think it is going a little too far just to badger the witness. I hope we will keep a little closer to the statement, rather than to go into his ancestry and his beliefs.

Mr. BURLISON. Mr. Chairman, I would like to publicly apologize to the chairman and to the witness for my badgering. I do humbly apologize for that, Mr. Findley, because the 9 months I have been here in Congress I have observed you and I admire the skill and articulation with which you present your beliefs and convictions and I apologize.

Mr. FINDLEY. I appreciate those thoughts and I was not aware that you were badgering me.

Mr. BURLISON. I want to conclude my questioning by merely commenting that I was trying to get to the point of showing that while we have so many Members of this Congress and so many people in this Nation that want to deprive the farmer of any protection, any Government help, while we are imposing upon the Nation and upon the consumer of this country import quotas, tariffs, tax preferences, shelters, and loopholes, all to the benefit of the business and professional interests while our farmers are going bankrupt and going broke. I get letters every day from farmers that are going broke in my district, big operators and small operators, and I feel that this is the point that I was trying to approach and I hope that I have in some very inadequate fashion expressed this position.

Thank you very much, and thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Burlison.

Mr. Kleppe?

Mr. KLEPPE. Thank you, Mr. Chairman.

Congressman Paul Findley, I want to start out with a word of commendation to you and all with the same beliefs that you have for the work and study that you have done in presenting not only this bill but your statement this morning. I do not happen to agree with the general thrust of it but this does not lessen my respect for you and others who have worked on this and have come forth and submitted it as something that we can take a look at and work on.

I would like to ask you some questions. I am very, very concerned and interested in this farm legislation and I am going to try to stay within the 5-minute rule, Mr. Chairman. I will just get at a few questions that I have and leave the others for another time.

I am sure, Congressman Findley, that you are familiar with Secretary Hardin's proposal on the set-aside arrangement. Would you generally agree that his proposal has one basic design to it, to achieve more income for farmers out of the marketplace?

Mr. FINDLEY. I am sure that is an objective. It has several good features. It gives the farmer, as I understand it, a little greater freedom to plan as he would wish.

Mr. KLEPPE. I am glad you said that because I was going to ask that question, also.

Mr. FINDLEY. That is important. It does have some weaknesses, though. His plan retains the annual land retirement weakness which is high cost because it provides that only a portion of a farm is taken out of production. This diminishes the effectiveness of the land retirement that the Government contracts for by this arrangement. So, I

do not think it is quite as effective or as efficient or as desirable as what I propose but nevertheless, a step in the right direction.

Mr. KLEPPE. Well, in answer to my question, you do agree that is one of the thrusts of his proposal?

Mr. FINDLEY. Yes.

Mr. KLEPPE. That the marketplace would supply more of the farmer's income than it does today?

Mr. FINDLEY. Yes.

Mr. KLEPPE. Under your proposal you have the concept of whole farm retirement. You know, in the area that I represent we have many little farms and many little communities that live and exist because of servicing the farms. If we were to go the whole farm concept of land retirement, it would be the demise of a great deal of that part of agricultural America, much of which is in my particular area. From a very practical standpoint I can see that North Dakota would become—the west district of North Dakota particularly—would have a lot more cattle and a lot fewer people.

We already have five times more cows than we have people and maybe this is not all bad, but it is a very difficult thing to sit here and plan on bringing about the demise of agriculture and the population, the farm population, in an area like that. And this is one reason, of course, I am so basically opposed to the whole farm concept.

Would you have any additional comments on that?

Mr. FINDLEY. I come from an area which apparently is not too much unlike your own because the farming units in my district are small and they are served by small communities. These smaller communities have already suffered greatly because of the shift in population from rural areas to the city. But I think this was inevitable.

As to the effect of the retirement of whole production units, this need not be a disaster for these communities and I am sure it would not. My bill does not change existing legislation which authorizes the Secretary of Agriculture to impose limitations as to the number of acres or the percentage of land in a given township that could be taken out of production under the whole farm approach. There would have to be very severe and carefully worked out limitations. This would still not diminish the effectiveness of the whole farm concept. We should remember that the present annual commodity diversion programs under the act of 1965, of 50 million acres, has already forced major adjustments.

Mr. KLEPPE. Would you agree that it has a great many problems in connection with it?

Mr. FINDLEY. No, sir. I do not think it has any insurmountable problems of consequence. I can recall, for example, some whole farm land retirement under the soil bank program, and this was in the experience of the farmers and the nearby communities successful and not an unpleasant experience at all. So, I think we have some past history that should give us some confidence as we consider this possibility.

Mr. KLEPPE. I am of the opinion that we are practically out of business if this happens. I am not going to pursue that any more, but I would like to get into one other thing before I yield back my time. And that is, on this section, title V of your bill, on page 9, you were talking about this farm adjustment retraining program. The criteria that you have established is that if a farmer has less than a $5,000 gross volume, he is a poor farmer.

Mr. FINDLEY. He is, indeed.

Mr. KLEPPE. He is not making a nickel.

Mr. FINDLEY. But there are a lot of them like that.

Mr. KLEPPE. The point I am making is this. He is not making a nickel. You have a retraining proposal in here which is a form of welfare.

Mr. FINDLEY. That is right.

Mr. KLEPPE. There is no question about that. And your proposal—it seems to me that it would move in the direction of taking some help away from this farmer through the agricultural program and putting it in a welfare program and this has been one aspect that I have always objected to. I think we are much better off trying to keep a farmer alive and healthy from an income standpoint through the agricultural program than we are to just categorically say, you have had it. Get out and we will subsidize you through a welfare type of program.

Now, again, the nonfarm income that applies in my area, for example, is practically nil for a farmer. I am talking about a farmer living on a farm. His nonfarm income is very, very low. We do not have industry where he can pick up a part-time job. We have some of them that do drive a school bus but these are very few in numbers. So, they are dependent on what they get. You and I have heard a great deal of criticism over our present farm bill, a great deal of it.

Would you agree with me that in recent weeks, maybe I can say in recent months, many of the farmers who have openly criticized the present program because of the exodus of farm population, because of what inflation has done, because of many other factors, have brought about a situation where today they are starting to look at the termination of this and are saying, "Boy, we have got to have this or something just like this." Are you finding this, Congressman Findley?

Mr. FINDLEY. Well, I am finding many farmers who are getting out of farming and I certainly recognize that there has been a substantial population shift that creates hardship problems. Nevertheless, I think we have to admit that this population shift is perhaps the only reason we have been able to achieve the tremendous technological progress that our country has achieved.

People have not had to stay on the farm in order to get enough food to eat. They have been able to get off the farm and each year one individual has been able to grow more food than the year before and thus feed more people living off the farm. This is the key to our progress.

So, while we should have a proper concern for the little fellow who is marginal and has to make that shift, we should nevertheless recognize that it is a part of a bigger, brighter picture for us all.

Mr. KLEPPE. I have little doubt in my mind that your proposal would cost less money over the long haul. I am sure it would.

Mr. FINDLEY. The initial cost might even be a little higher.

Mr. KLEPPE. It is possible, but over the 5-year period it would be considerably less cost. But I have a great concern about the fact that the reduced cost would be at the expense of the farmer and saving would be rechanneled to another Government agency and we would have a worse proposition than we have channeling it through an agricultural program. Again, I just want to say I respect your study, I respect your views, though I cannot find myself in a position to agree

with most of them, but I think you have done a great job in presenting them.

Mr. Chairman, I will yield back my time.

The CHAIRMAN. Thank you, Mr. Kleppe.

Mr. Sisk?

Mr. SISK. Mr. Chairman, thank you.

I might say to you, Paul, that I agree completely with the statements made by Mr. Kleppe. You are very articulate. I think you do a very excellent job as a proponent of those ideas that you hold.

There are many questions I, of course, could ask with reference to your proposal or what is sometimes referred to as the farm bureau proposal. Let me simply say, as a general principle, and this is pretty much along the line of some questions already raised.

You state, for example, early in your farm recommendations that cotton farmers receive about half their income from the U.S. Treasury, wheat farmers a third, feed grain a fourth, and so on. And, of course, under your proposal at the end of 5 years, this will cease to be true. That is, they will not at that point, as I would understand it, receive any income from the Federal Government.

Mr. FINDLEY. They would then get all of their crop income from the marketplace.

Mr. SISK. That is right.

Mr. FINDLEY. Yes. But some of them would get income for land retirement.

Mr. SISK. The question that arises with me, Paul, and I have asked many people in the Farm Bureau and others, is what do you foresee 5 years from now that is going to substantially change, that is going to have any hopes of maintaining anywhere close to our present level of farm income? I think you and I both will agree there are problems in the farm community across our Nation today with the present farm income. But as we begin to cut back on these programs, what in your proposal—you can say this land retirement is going to take out land and, therefore, apparently cut production and in that way tend to make supply and demand tend to cause prices to rise. I cannot see it in the proposal basically.

Is that the way you feel that they are going to recover the income that they are going to lose through a cut back in programs? We would all like to see, of course, a cut in Government expense, no question, and freeing up of farms and to that extent I would be all for it if I felt there was any way of maintaining a reasonably decent level of income.

Mr. FINDLEY. It is a hard thing to prove but I have felt since the feed grains program was started in 1961 and variation on that for wheat starting in 1962, and then something somewhat similar for cotton, that the effect of all of these programs has actually been to keep market prices low, much lower than otherwise would be the case.

Now, I freely admit that there are arguments on the other side, but I am convinced myself that, as Secretary Freeman said to this committee at one time, the whole thrust and purpose of the feed grains program was to keep market prices low. In other words, it was to have the farmer look to the Government payment as a major part of his income in the process of producing and marketing these crops.

Well, that is an approach that I think is most unfortunate and unwise and to answer your question more directly, I am confident that

commodity prices would be substantially higher at the end of the 5-year term than they are today.

I point to hog prices right now. I do not hear any complaint from hog producers. A couple of years back they were complaining because prices were down, but the hog market does fluctuate and the cattle market fluctuates and those that stay with it and stay through the downs as well as the ups like it and make money. I believe that with the marketing of grain and fiber on a similar basis, not involving Government stockpiles and the uncertainty of when Government officials might choose to sell commodities and at what price, that market prices would strengthen.

Now, no one can forecast what market prices will be in the future. It may be that there will be some innovations in fertilizer and the technology of agriculture to make it possible to grow corn a lot cheaper than we do today, but I think the disciplines of the private technology ought to be the forces that bring about the proper price.

Mr. SISK. Well, I recognize we can all speculate; the idea that hogs, for example, or cattle because they have not been specifically controlled has been cited many times, and yet had it not been for certain kinds and types of control and regulation on feeds and feed grains and a variety of other things I question whether they would have survived to the extent that they have, and I think many would admit this frankly.

Mr. FINDLEY. And yet, the old theory that cheap corn makes cheap hogs has not been proved to be correct during the last year or so.

Mr. SISK. Let me ask you, what is your opinion about bargaining associations? I happen to believe, and here again I suppose you and I see this differently, that the only alternative to some kind of a Government program, something similar to what we have now or an improvement of it, seems to me, at least in the minds of many people, the only alternative is then for the farmer to have some control over the price he sells his commodity at and to that extent, then, he is going to have to go into some kind of very tightly controlled bargaining association where he actually controls the flow of his produce, commodities, to market through the denial to the market at a price below cost.

As you know, there are some developments in this area that have crossed American agriculture. What is your opinion of such a program?

Mr. FINDLEY. I think they constitute a very proper and needed approach. I regret the general farm organizations have not been more effective than they have been in the field of marketing. I think they could do better than they have done. The National Farmers Organization started out as an organization for collective bargaining. They had some pretty good ideas. They were going to try to be the bargaining agent for the marketing of feed grains and wheat and other crops and they did a pretty good job of selling contracts to farmers. They became quite popular and they espoused some very appealing and attractive ideas aimed at improving the farmers' income at the marketplace.

I am not sure just what their approach is today, but I think they had some sound ideas in their original formulation.

The Farm Bureau has been doing more in this field but still I do not think enough. Farm organizations ought to concentrate more on the problem of strengthening the position of the farmer at the marketplace than they have been in the past. I agree with the gentleman.

Mr. SISK. Let me conclude, Mr. Chairman, by joining again with Mr. Kleppe in the statement he has made, that in spite of all the criticism that has been directed toward recent farm programs, of course, for many year, I find in my area an increasing feeling, particuarly in the past few months, that we just must continue to have a program and that probably we should continue the present program. It seems for some reason when this matter is now in doubt as to what we are going to do, suddenly this program that we have today has a great deal of favor in the farming areas. And I did not quite understand what your answer was to the gentleman from North Dakota. Is that generally true in your area? Are you finding a good deal of favor expressed now and the fear that we may get something worse than we now have?

Mr. FINDLEY. I asked this question on my annual questionnaire this past year: Should present price-support programs for agricultural commodities be continued? A majority of the people answering—this included city people as well as country—did not favor the present programs; 10,042 did not favor continuing the present programs while 8,094 did favor them.

Mr. SISK. Thank you, Mr. Chairman. I appreciate the statement of the gentleman though I, too, find myself in some disagreement.

The CHAIRMAN. Thank you, Mr. Sisk.

Mr. Mayne?

Mr. MAYNE. I, too, want to compliment Mr. Findley on his very thoughtful and carefully preparfed testimony, although like the other members who have already questioned him, I cannot agree with much of it and most especially that part of it which would end all commodity programs and payments within 5 years.

Now, with reference to your second and third primary objectives, the second being the phasing out of the commodity program and payments, and the third being the retirement of entire production units, I would like to ask you, Mr. Findley, is it your thought that these two objectives are inseparable, that they would both have to be adopted, or would it be feasible to have one or the other?

Mr. FINDLEY. Any one of the three parts could be enacted separately or in any combination.

Mr. MAYNE. Well, the first one is special assistance for the lowest income farmer.

Mr. FINDLEY. Yes. That need not be a part of the three-part package.

Mr. MAYNE. If you only had an adoption and implementation of the third objective which is the retirement of whole units, do you have in mind long-term retirement of entire production units?

Mr. FINDLEY. Yes. I feel that long-term retirement is the fairest approach from the standpoint of the taxpayer. He is more apt to get the greatest degree of adjustment of productive resources through long-term retirement.

Mr. MAYNE. Now, if we did adopt this third objective of yours, a long-term full-farm retirement, would it be your thought that the

$20,000 limitation of payments that you have advocated should apply to payments under such a whole-farm retirement program?

Mr. FINDLEY. Yes. I must say that I cannot conceive of very many problems arising as a result of a $20,000 limitation. I think it is obvious that no tobacco land would be included because of the high capitalized value of the right to grow tobacco. The same would be true of rice. And until the 5-year phase-out has been accomplished, I would imagine the same would be true of most cotton units, too.

Mr. MAYNE. Well, for the sake of this question, now, we are assuming that no phase-out is being accomplished, that only the third of your objectives would be——

Mr. FINDLEY. The land retirement? I see——

Mr. MAYNE. (continuing). Would be implemented.

Mr. FINDLEY. Well, to get right to the question, I do favor the limitation of payments; yes, but as I said before, I do not think this would be any severe encumbrance upon the effectiveness of the land retirement. I do not think you would have any problem of getting contracts.

Mr. MAYNE. Well, have you given consideration to what retiring a whole farm, perhaps a large farm, would mean in terms of dollars and the impact of the $20,000 limitation on that?

Mr. FINDLEY. I might say, too, that if the—I am from a part of Illinois where I have a little difficulty visualizing the King Ranch or the Boswell operation or anything of that magnitude. But no doubt there are some very large operations, and if there were no limitation on the amount that could be paid annually for cropland adjustment, theoretically it could be possible for a whole townsrip constituting one farm to go under contract and go out of production. This would indeed have a disastrous effect upon the merchants and the little crossroads grocer. I think that is another good reason to have a limitation on payments.

Mr. MAYNE. Under the present programs we do not have entire farms going out of production.

Mr. FINDLEY. That is true, because the Congress has not funded the CAP program for the past 2 years.

Mr. MAYNE. Whereas here you are advocating entire farms going out and I would suggest to you that would cause quite an increase in the dollars involved.

Mr. FINDLEY. It could conceiveably as you contemplate the bigger farms but I am sure that there would be no difficulty getting a sufficient amount of land under a limitation on payments on the cropland retirement; $20,000 would cover a lot of the best acreage in Illinois.

Mr. MAYNE. Thank you, Mr. Findley.

The CHAIRMAN. Thank you, Mr. Mayne.

I am going to ask the committee if we may not now—we have taken up nearly three-fourths of the morning and there are still members who have had no opportunity to examine Mr. Findley, if we we could not ask him to stand aside for a moment.

Dr. Hall has been waiting on us for an hour and 25 minutes. I do not think his testimony will take so long, and if there is no objection, I am going to ask Mr. Findley to stand aside and let us hear from our colleague from Missouri and maybe he can then come back.

Dr. Hall, we will be glad to hear from you.

STATEMENT OF HON. DURWARD G. HALL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI

Mr. HALL. Thank you, Mr. Chairman. I certainly thank our colleague. I am not in any hurry personally. The only reason I retired to the rear end of the room and paced the floor back there was because of a sore tailbone and these chairs are not completely adaptable to that condition, Mr. Chairman.

I appreciate this very, very much. And I appreciate being before this committee on a Friday morning and seeing the intense interest and especially exposing yourself not only to double jeopardy but triple jeopardy as far as I am concerned, in the last three Congresses.

Mr. Chairman, I have asked to appear before this committee today, as one who is vitally interested in changing the direction of the past and present trend of the Nation's largest and I thoroughly believe this Nation's most vital business, agriculture.

It is for that reason I was interested in auditing the very perceptive questions and answers of the committee and that I was not in a hurry. I suppose in my heart I am envious of each member of this committee because of your mission and objective and the challenge and the opportunities that you have.

I have read with interest the statement by the Secretary of Agriculture to your committee.

I have noted with approval the magnanimous way in which he was received.

I certainly applaud his announced intention of giving the American farmer greater freedom.

But I did feel a slight "twinge" of disappointment when little reference was made to the "marginal" farmer—I refer to that individual who is "stuck" on poor land, with lack of adequate rainfall, and little capital with which to compete. I think this fact was exemplified, on the part of the Secretary, by a reluctance to set payment limitations for fear of running the big producers out of the program. This in turn, will virtually guarantee that the small farmer will have less of an opportunity to share in the American dream.

I felt another slight "twinge" at the thought of simply retiring more farmland, instead of keeping and improving what we have, and putting it always to better and better use.

Perhaps though, Mr. Chairman, my "twinge" was actually just a slight muscle spasm, and I should be seeing a medical committee instead of one dealing with agriculture.

Be that as it may, I feel the necessity to offer a prescription, mixed and compounded by men of the soil, a prescription, so to speak, that might not be a complete cure for the situation, but one that could act as a "shot" in the arm to help get the patient back on its feet, so that it could do some of its own doctoring and perhaps even heal its own wounds, thus alleviating the necessity of "round the clock" nursing, from its big brother in Washington.

Mr. Chairman, if I may intersperse, members of this Committee have traveled at different times to the district that I am privileged to represent and have listened on two previous occasions to one of the "men of the soil," Mr. Gene Poirot, who has become a friend of many

of you. He has served several administrations on agricultural advisory committees and is an agronomist of no mean stature and certainly is a hard working implementer of the "state of the art." He is an evangel in trying to spread the good way of life on the farm and at my request he did not seek to testify before your committee against this year but he has commented in a letter to me dated October 5 and then in a more personal vein commenting on that letter as to the Secretary's testimony before this committee.

I would like your permission at this point before going into H.R. 13717, to insert that in the record, because I think many of you will find it not only personally interesting but good comment, worthwhile and advantageous to the committee.

The CHAIRMAN. Without objection, that letter will be inserted.

(The letter referred to follows:)

POIROT FARMS, INC.,
Golden City, Mo., October 5, 1969.

DEAR DOC: After reading the enclosed letter I find that it should contain a lot of thoughts I did not bring out. If I mentioned them the letter would become so detailed that it would still be harder to understand. For that reason consider the following thoughts:

The Secretary's statement as well as all previous legislation deals with the PRODUCT (wheat, feed grains, cotton, milk, etc.). It should deal with land and its USE. Food and fiber production is ONE use. This approach is mentioned on page 10. The suggested way is not flexible enough to meet our changing needs for land in the future.

An "Income support payment" made on any crop even though it is a "Domestic allotment" adds an incentive for producing it which does not come from the consumer demand. It is in a way unfair competition with acres on the same farm and on the farms producing for the world market offering a lower price than our market offers.

Your bill allows the consumer, farmer and world market to make the price. Any one who cannot produce against that competition is offered "THE SECOND MARKET FOR LAND USE" which gives him a chance to get back into that competition or divert his land to some other use.

This is "Increased farm net income" (page 1), "better overall resource adjustment" with conservation and restoration added (page 1). "Wider range of decision making by the farmer" (top of page 2). Control "ability of American farmers to produce in excess of our markets both foreign and domestic" (bottom page 2). Top page 3 first paragraph my answer. Let us compete with any nation in producing but NOT by destroying our resources of SOIL FERTILITY and WATER and by asking our farmers to live at a pauper's level to do it. Your bill in one stroke takes that out of our agricultural production.

The statement by the Secretary does not offer the farmer in trouble any better chance to correct his problem than it offers those who have no problem. The farmer on poor land not making a profit should be allowed to retire 100% of it and be paid for putting it to a profitable use. Your bill gives him that chance.

I wish they would study it and understand there is more to farming than the MARKET PRICE.

Sincerely yours,

GENE.

POIROT FARMS, INC.,
Golden City, Mo., October 5, 1969.

Congressman DURWARD G. HALL,
House Office Building,
Washington, D.C.

DEAR CONGRESSMAN: I have given some study and thought to the statement made by the Secretary of Agriculture to the House Committee on Sept. 24 and my reactions are as follows:

1. The objectives he outlines on pages one, two and three, with emphasis on the underlined one on page three are good. In my opinion they can not be reached

with the mechanism he outlines on pages 15 to 19. It is too much like that which we have tried for the past many years. It is based upon payments made on a "Domestic Allotment basis". None is to be made on *products sold* in world markets.

This would work if:

1. The total national support payment was high enough to give agriculture a parity of income in NET profit equal to that others now enjoy PLUS enough to pay the cost of resource restoration, management, and capital invested.

2. If each farmer had, enough of the allotment, his land was rich enough for economic production, and his management as good as that of other farmers, so that he would be sure to get his part of the national income. He would then be free to produce for the world market if the price offered was good enough. AS WE HAVE USED DOMESTIC ALLOTMENT PAYMENTS IN THE PAST AND AS THIS STATEMENT SUGGESTS WE DO NOW, WE ASSUME THAT EACH FARMER IS GOOD ENOUGH TO PRODUCE FOR THE WORLD MARKET. "Allotment" says so.

SOME are and they should have the chance to do so without restrictions. Many more are not able to do so but they should be given the chance to restore their resources and use the science of agriculture so they can reach that level of efficient production.

THAT IS YOUR BILL.

The payment for soil and water restoration is the allotment payment equivalent. The farmers who can produce for a world market don't want it. The farmers who can not are given a chance to correct their problem on in INDIVIDUAL basis. They are then back in business. "Income support payments" relief payments etc. have never solved the problem in the past for individuals though they make the total agricultural income look better.

If our agriculture can not produce for the world market, our consumers some day will be buying their supplys at that market.

There is more but for now just keep pointing out how your bill is better, reaches all farmers in trouble, and solves the production problems for the farmer and consumer.

Good wishes from all of us,

GENE.

Mr. HALL. Mr. Chairman, members of the committee, my proposal is contained in H.R. 13717, which you have before you and I have in past Congresses dubbed it as the cropland and water restoration bill. I think this committee might in its wisdom well choose to simply enlarge title IV of the present bill which has about the same title but I think it is vital that we recognize that the backbone of this legislation is for soil and water restoration and the incentive, I underline the incentive, to accomplish both with a realistic profit margin for the farmer or the producer.

To me, effective agriculture production depends upon a suitable supply of air, sunshine, soil plantfood, minerals, and water. This is the balance of nature and much of my original stimulus to produce this legislation as the committee knows, came from the book "Our Margin of Life", written by Mr. Gene Poirot.

The absence of any one of these can and does, limit agriculture production. These four requirements of nature can and will produce food and fiber, with or without man. But, when man enters the picture in the twofold role of farmer and consumer, and one pays the other for producing his needs, then science and economics also must be present to assure an orderely means of exchanging livelihood for livelihood.

Thus, the knowledge and ability of the American farmer along with the "state of the art" of techniques in agriculture, has expanded so well that more nutritious food and fiber has been produced than has been purchased, resulting in an exodus by the farmer to the city, in search of a more equitable way of existence.

I think we can all agree that the big problem in agriculture has been one of surplus or surpluses. For years economists as well as politicians—few of whom are farmers—have been working overtime to reduce these surpluses. Many farm programs, most at a considerable cost, have been on the books for 30 years. They have not been totally successful, but at the same time, Mr. Chairman, have not been totally unsuccessful, but they have in the main as I analyze the situation, disregarded the following important items:

1. Soil and its plantfood minerals: 37 percent of the topsoil is gone, beyond redemption or repair. As late as 1963 we were still using and wasting three times as much plantfood as we returned to the soil in all forms of fertilizers. We have no program to change that course.

2. Water: It falls on the land for the most part in abundance. But agriculture needs it in great amounts for efficient production. Farm programs have, perhaps by necessity, ignored it as a vital part of agricultural production and have seldom made any effort to conserve it. It has been assumed or taken for granted often as a part of the greatest gamble.

3. Farmers: 70 percent of them are in the poverty group, family net income of $1,851 in 1965. This has been well brought out in the discussion here this morning. The average income of all of them is about 64 percent of that of the nonfarm population—in previous years it has been 50 percent or less. Farmers cannot control the price of what they buy or sell. They have no control over the research done for them. They have no control over the farm programs. They are penalized if they do not participate. They do not agree on a policy of their own, or on Government programs.

4. Consumers: Past programs were to increase the prices to the consumer while reducing the surplus or vice versa. When the program was getting it done in 1966, the consumer objected and prices started down for the farmer, but continued on up for the consumer in a paradox with the farmer reaping the blame. This committee well knows the true and entire story was never told.

Farm programs should give first consideration to the consumer, who is the only reason for farming. The end-product, Mr. Chairman, of nutritious food in human bodies. The program should open the door to science to provide the best food of the highest nutritional quality, in an efficient way, at reasonable cost and it should protect the potential—for example, soil, water, research, and farmers—for producing such food in generations yet to come.

One of the features of H.R. 13717, the cropland and water restoration bill, is the "second market". We have proposed this to your committee before. It has been refined. It is based on further developing soil and water resources, not limiting them, according to the teachings of scientific agriculture (not politics and economics alone), which is nothing less in sum total than good farming.

In actual operation the "second market" would:

1. Buy tons of a suitable crop which by its growth and yield plowed under would

2. Improve the degree of soil restoration and water conservation accomplished and paid for by the farmer.

3. In any amount of tons the farmer wants to sell

4. At a fair price announced each year but above an approved standard such as a minimum wage, parity or share of his cropland,

5. Grown on any part or on all of his cropland, based on his decision which would be further based on the economies of the time and the market and,

6. Leaving the farmer the choicce of selling to the Government or of otherwise disposing of the crop without Government payment.

Let me give you an example: The "second market" would offer to buy sweet clover or its equivalent growing alone for 1 year plowed under at $25 per dry weight ton. If the farm had a pond approved by the Soil Conservation Service for irrigation and flood control or other practices of special value, the suitable crop would be worth say, $30 or more, per ton. The weight and rent per acre would be figured on the spot by his own county ASCS representative for the farmer to accept or reject the offer.

This program would offer a fair money reward for good farming. Not a stingy amount of relief money for idling land as in the soil bank. Not large sums of money for surplus control to those on rich land where there is no problem and only one-third as much per acre to those on poor land, needing fertility, water and the money to buy them. It would keep the Nation's soil immediately ready for an emergency call by the Government.

The "second market" would buy only proved results, regardless of the political power a group might have, or regardless of the richness of the soil. It does not pay for storing large amounts of surplus products, or large sums for giving it away later. This is a social problem.

The program pays at a minimum wage or parity level for the services it buys from the farmer. Any product he grows which yields less net income per acre is at once a surplus, so he shifts, then, farming efforts and the troublesome land to the "second market" provided by the Government for developing its soil and water resources to a higher level or to a more economic production plane of production.

Since yield per acre, market price, and local costs are all factors in net profit, a change in any one of them can cause acres to be shifted into or out of production under the "second market" program. This is far more flexible than any directive delivered from Washington, D.C., could ever be, because the individual farmer makes the decision on his farm.

The evident results are "good farming" at a high level of efficiency. Run by farmers, producing products above the poverty level at a reasonable price for the consumer without danger of accumulating a surplus and without the sting of "farm relief" and "subsidy" attached.

Another result will be a permanent system for agricultural production with little or no competition from the off-the-farm people who either own already rich land or can restore soil and water resources to make it so, and thereby gain income tax relief. If the land should become rich, beyond our food and fiber needs, industry can find use for the products it will grow at a low cost to make them into products people will need. Many such products are already known. The art of hydroponics has yet to be implemented. Research will find other uses and needs for products.

Other uses for any extra land and/or credits could well be environment controls to hold insects and diseases in check; restoration of wildlife habitat; ponds for farm and community water supplies where nitrate poisoning in wells becomes a health hazard; the preservation of virgin stands of grasses and timber; and beautification in general, just to mention a few. The extra good land we had when Columbus discovered America was never a liability.

If there is any sensible reason for denying agriculture the money to encourage farmers by this "second market" or by any other means to use the science in restoring and preserving our food producing soil and water resources so vital in guarding the health and growth of human bodies from the moment of conception to death, I fail to find it.

Administrative costs should be less. There would only be one crop to measure. Participation would be checked only on those farms selling to the "second market." There would be no surplus to measure and give away. There would be no "cost sharing" for fertilizer, lime, terraces, ponds, and other activities now requiring many more people than were needed a few years ago.

In return for the administrative costs there would be something bought of great value to all people, soil restoration and water conservation. Thus, the consumer would realize and appreciate and willingly pay for the work and service.

Mr. Chairman, there is little doubt that the American farmer has been caught up the creek of rising prices without a paddle. He has not asked for a life preserve, or even a can to bail out his boat. He has asked for another paddle so that he can chart his own course and row himself to safety. I feel that "The cropland and water restoration bill," can provide the farmer the necessary tools to make his own way.

I certainly thank you for this opportunity and appreciate being here.

The CHAIRMAN. Thank you, Congressman Hall.

Mr. Goodling?

Mr. GOODLING. Very briefly, Mr. Chairman.

As a farmer I respect the gentleman's views. I want to raise a few questions.

You say, Mr. Hall, "37 percent of the topsoil is gone beyond repair." I do not know where you got that figure, but I would have to question that very seriously in my own area. I am certain 37 percent of the topsoil in my area is not gone. I know on my own particular farm, and I have owned it for 45 years, I have more and better topsoil than I had 45 years ago.

You also speak of water and say it falls in abundance. I question that statement very seriously. I happened to have been in the chairman's great State of Texas a few weeks ago and I know that in certain areas there it does not fall in abundance. They can conserve every drop that ever falls and they still would not have enough to produce the crops that they have the potential to produce.

When you say it falls in abundance I am reminded of an occurrence in the neighboring State of Virginia a few weeks ago. My son happens to have a farm there. He had 27 or 30 inches fall in just a very few hours and I will not take time to tell the story that the chairman told about a certain rainfall the other day but it would fit in here very well.

There are areas in which you can save all the water that falls and you are still not going to have enough to produce the kind of crops that we are capable of producing with an adequate water supply.

I would like to have you comment on this statement that the rain does fall in abundance.

Mr. HALL. Well, I think it is obvious that you are not referring to my further statement, that—it is not in your copy—the statement that water falls on the land in abundance, agriculture needs it in timely and great amounts for efficient production.

I add the words "timely and".

Obviously, I am speaking about the 37 percent of the top soil being gone on a nationwide basis and, obviously, I am speaking about annual rainfall for the United States as a whole. I have been out west of the Pecos also and I sure would agree with you that if you would save all the water that fell out there it would not be enough unless you ground up and distilled a lot of horny toads.

Be that as it may, it is a problem of distribution and timeliness nationwide and I am not one who believes that we do not have the capacity in this great Nation eventually to distribute the abundance of water that does fall nationwide, taking that which is excess in Virginia, conserving it and perhaps even redistributing it. Admittedly it would take an awfully long pipeline to go from Virginia to the Pecos but we would not have to go that far. And I am not beyond in my dreams of soil and water conservation and restoration of our ability to redistribute and make our whole land abundant just as I believe in our capability for chemical hydroponics to produce food and fiber stuff adequate and nutritious enough to maintain the human bodies even in our burgeoning and expanding population. So, I appreciate your remarks and I know that you have restored your own soil on your own farm because I have been there and eaten the lush fruit therefrom.

But my statement applies to the national concept and nationally it is known that we have let wash down the Mississippi and Missouri and out into the Delta lands the silt and the loam to the extent that our top soil which was originally covered with prairie grasses and virgin timber out of which our pioneers hewed the civilization and the high standard of living that we have today to the point where it is 37 percent less.

It is in that context that I speak. I appreciate the gentleman giving me this opportunity to elaborate further.

Mr. GOODLING. I do not want to give the impression that I do not agree with good soil conservation practices because I do 100 percent but I also want to point out that the good farmers in my area and all through the east have been practicing this for a good many years. We are maintaining our top soil and I think improving it all the time.

Mr. RARICK. Will the gentleman yield?

The CHAIRMAN. Mr. Stubblefield?

Mr. STUBBLEFIELD. Thank you, Mr. Chairman. I have no questions. I would just like to welcome the good doctor here to the committee. I know he has intense interest in conservation. But, unfortunately, most of us do not have the ingenuity and the ingeniousness of George Goodling or Gene Poirot.

We all appreciate your fine testimony, Doctor.

The CHAIRMAN. Thank you, Mr. Stubblefield.

Mr. Mathias?

Mr. MATHIAS. I enjoyed your testimony, Doctor. I do assume that you do approve of the SCS programs that we now currently have for range improvement.

Mr. HALL. Very much. I am very proud that we have just become a 100 percent district in the soil conservation and watershed program as of a week ago last Monday and if I can be slightly immodest, I think a large part of it at my own urging and that of the Farm Advisory Council, which advises me and which many of the members have met in the 7th District of Missouri.

Mr. MATHIAS. That is all.

The CHAIRMAN. Thank you, Mr. Mathias.

Mr. de la Garza?

Mr. DE LA GARZA. I have no questions.

The CHAIRMAN. Mr. Rarick?

Mr. RARICK. Thank you, Mr. Chairman. I just wanted to comment that yesterday we of the Louisiana delegation met with our State Tourist Commission. Many are familiar with soil erosion and its effect on the Mississippi River but the Commission's problem was with reference to the Atchafalaya River. Our conservation experts and river navigation people are alarmed that in the Atchafalaya Valley between Alexandria and Morgan City into the gulf we are adding over 3,000 acres of acretion—washed down top soil—every year as a result of the floods following the heavy rains and snows from up north. This is not Louisiana soil. I do not know where it comes from but some farmers have lost top soil and continue to lose it.

The CHAIRMAN. Pretty good land, is it not?

Mr. RARICK. It's very good land, yes. But the problem we have, Mr. Chairman, is it clogs up our rivers and threatens our navigation system. I just wanted to comment so there would be some idea of the erosion involved. If we estimate 3,000 acres added every year by accretion, in 10 years, we have 30,000 new acres being added in Louisiana. And this is on the Atchafalaya River, a much smaller river than the Mississippi. So, if we add to this the Mississippi and the silt extending the delta into the Gulf of Mexico, it surely points out the great loss of top soil and the need for soil conservation.

Mr. HALL. Mr. Chairman, if I can comment about that, I have had an unusual opportunity as some of you know, to cover most of this country at relatively low altitudes in helicopters as a member of the Committee on Armed Services checking the various military exercises, and one of the things that has been a sideline with me has been observation of the very thing that Judge Rarick and Congressman Goodling are talking about, the differences in the good land management practices in the different areas of the country.

I think perhaps there is no question that as our population swept westward and as our land was—a God given resource of soil and these other essential elements, were perhaps overutilized in the belief that we would never need everything that we had, so have good practices swept from the East to the West. We are very conscious of them in the Midwest now and I think we are doing a better and better job but we certainly need to do more.

The CHAIRMAN. Thank you.

Everybody has questioned one witness. I am going to ask Mr. Findley to come back to the table. Keep your seat, Doctor.

Mr. Findley, if you will come back up to the table. Those who have some questions of either of the gentlemen, I want to recognize only those who are interested in asking questions.

Mr. GOODLING. I would like to ask Mr. Findley one question and I promise to stay within the 1-minute rule.

Mr. Findley, in talking about your land retirement program—and this is not new, I have heard the same thing before—you suggested it should be under the jurisdiction of the Secretary of Agriculture on a competitive bid basis. Let us assume that I want to take my land out of production. Do I go to the Secretary of Agriculture and say, Mr. Secretary, for *x* amount of dollars I will retire all my land?

What are the mechanics?

Mr. FINDLEY. Well, as I mentioned, something very similar to this was started some years ago. I guess it must have been in the early fifties. Secretary Benson directed competitive land retirement of whole farms. I recall vividly farmers in my home county going into the ASCS office and sitting down with the staff members there, detailing the resources of their land and stating the price at which they would be willing to rent the entire acreage for, I think it was a 5-year period.

Now, if the bid price were not within the guidelines the Secretary had decided upon at the outset, if he were not able to get enough contracts at his original offering, then he would have to review those bids at the higher level. He would have to deal with the first bids and go up the ladder starting with the lowest bid, in order to get the desired amount of land. And it is conceivable that he might have difficulty getting enough land at a price that would be reasonable. But I am sure that this would not be the case.

The CHAIRMAN. Thank you, Mr. Goodling.

Mr. Kleppe?

Mr. KLEPPE. Mr. Chairman, I just have one question I would like to ask Dr. Hall. I suspect I have some confusion in trying to understand your water restoration proposal. I can understand when you plow under a crop you are in fact, summer fallowing the land so it will hold moisture better. But that land is also going to grow a crop whether it is sweet clover which replaces nutrients in the soil or not and that takes some water.

Is there any inconsistency in this approach or what am I missing here?

Mr. HALL. No. I think perhaps I did not make it quite clear, I will say to my colleague, Mr. Kleppe, that there would be additional benefits to the suitable cover crop plowed under based on terracing, contouring, ponds for row crop hydrology, habitation, reforestation, recreation, wildlife participation, fish growing, et cetera, et cetera.

Mr. KLEPPE. Thank you.

Mr. HALL. These would all be figured in the cost which would be above parity to the farmer paid according to the "state of the art" and perhaps advised by the Extension Service of the Department of Agriculture for the suitable crop.

Mr. KLEPPE. I did not get that from your statement. That is why I appreciate the additional comments.

Mr. HALL. I appreciate the questions.

The CHAIRMAN. Thank you. Any other questions of either of the witnesses?

Mr. Sisk?

Mr. SISK. Mr. Chairman, just very, very quickly. I am intrigued with some of your proposals here, Dr. Hall, and I might say as a great supporter of reclamation programs—today my home county happens to be one of the richest in the country because we are bringing water from 400 miles away which falls in abundance but does not fall in abundance in our area—and I think I have some concept of what you are talking about here.

What I would like to ask quickly, as I understand your proposal, it would permit complete freedom for the farmer to go ahead and grow and develop his land and then that which might be in surplus actually would be in essence sold in the second market which means the Government would actually pay some particular amount of money and then it would be plowed under. It would be added back to the soil which would become a bank.

Out of curiosity, has there been any estimate of possible cost of this program? Now, we are all talking about people and cost should not be the first consideration; however, does the gentleman have any idea of what we might be talking about based on past experience on a thing of this kind?

Mr. HALL. Mr. Chairman, let me say that there definitely has been. We have researched it to the utmost of our capability and I would like to answer the question in two parts.

First of all, based on sampling and surveys taken throughout the Middle West and particularly at meetings of farmers, men of the soil, there is no question in our minds but what there would be voluntarily more than 60 million acres put into this program during the time that it was implemented on a voluntary basis. This could be whole farm or part farm. It would allow the farmer to voluntarily decide how he could put his whole farm in while restoring it until it was economically profitable to produce on the open market or he could take any part of it and preferably his worst section or his worst 5 acres if it was an even smaller farm.

In answer to the second part and the main thrust of your question, it is estimated that instead of $6 or $7 billion a year as we are now paying for total farm subsidies, including the buying up of surpluses and subsidizing the farmers or what reserves we now have, that this would cost between $3 and $4 billion, based on current prices and past experimentation.

Mr. SISK. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. Burlison?

Mr. BURLISON. Mr. Chairman, I would like to commend my good friend from Missouri for the very fine statement he has made. I think that certainly a program of this nature would improve the quality of marginal land. At the same time, I feel that the overall problem of unconscionably low-farmer income in this Nation would not be significantly affected by a program of this nature.

Thank you very much, Dr. Hall.

Mr. HALL. Thank you.

The CHAIRMAN. Thank you, Mr. Burlison.

Mr. Myers?

Mr. MYERS. Thank you, Mr. Chairman.

Doctor, as usual, a real fine job in the presentation this morning. I only have one question.

In title II you actually extend the 1962 Food and Agricultural Act for 2 more years, do you not, or maybe 1 more year, through 1971, and then you provide for a new program actually, but you do not include cotton or rice.

What are your thoughts on cotton and rice, to continue the programs as they are today?

Mr. HALL. No. We consider this program universally applicable and I am awfully glad that you have asked me that question. We think that our cotton and rice production can be improved by not idling acres or limiting supply or purchasing more surpluses but by improving the land and improving the length of the staple fiber in the cotton or the nutrition of the rice by exactly this program. We consider it all inclusive and as far as the first part of your question is concerned, we recognize that this would have to be adapted and current programs phased out as this program is voluntarily taken up. Hence, that figure of time for phaseout and phasein is just picked out of the hat and it would be, of course, subject to the committee's judgment.

Mr. MYERS. I realize that, but you provide for support after this, though, starting with the 1972 crop of 90 percent of the average price over a 3-year period. It would be a sliding figure each year.

Mr. HALL. Correct.

Mr. MYERS. A new price established instead of going back to parity.

Mr. HALL. As determined by the Secretary——

Mr. MYERS. You go back to section 105——

Mr. HALL (continuing). In finding out what parity he would have to pay in order to accomplish parity of the producer insofar as paying him for other features of cropland and water restoration.

Mr. MYERS. Later on in your section 105 you say "Provided there shall never be a price lower than 75 percent of parity." It goes back to the 3-year sliding figure that you are using? Is that what you are calling parity or calling the present parity today that we use?

Mr. HALL. No. I am talking about real parity determined from year to year by the Secretary.

Mr. MYERS. Sliding 3-year——

Mr. HALL. Sliding so that we have—to me, parity, of course, is income for the farmer or producer equal to the honest profit that he gets for his labor, his investment, comparable to all other people with like times of labor in production or services plus investment, et cetera.

Mr. MYERS. Then, you would actually plan to include all agricultural products.

Mr. HALL. That is right.

Mr. MYERS. Including cotton and rice even though they are not itemized here.

Mr. HALL. Our reserve and our field testings and samplings among those producers have indicated it will work. We have had considerable

reaction when presenting this before from certain types of wheat-growers, for example, that it would not be applicable to them. We have actually gone into the field and talked with these people and I believe in each instance I can say we have convinced them that this is applicable and if implemented generally by the Secretary, on a nationwide basis, would solve the question of land retirement, would solve the question of surpluses, and would restore for future generations the soil and the water and the good management practices so that we build back whatever we have lost, whatever the percentage might be, and retain and recycle the water for years to come.

Mr. MYERS. I did not fully understand your reply to the gentleman from California, Mr. Sisk, when you said it would be someplace between $3 and $4 billion estimate, in your judgment. Now, today we are paying directly to farmers, I think this year it is going to be $3.3 billion. Now, the entire agricultural budget is going to be something over $7 billion. What is your three and four, the entire budget or what goes directly to farmers?

Mr. HALL. I think somewhere between $3 and $4 billion would be what the entire agricultural budget—outside of the giveaway programs which should be charged to foreign aid and defense and——

Mr. MYERS. But they are not today——

Mr. HALL (continuing). And so forth, otherwise, could be done for somewhere much closer to $3 billion than to $4 billion.

Mr. MYERS. It would be pretty close to what we are spending today, then.

Mr. HALL. I think so.

Mr. MYERS. Thank you.

The CHAIRMAN. Any further questions of either of our witnesses? If there is no other, I would like to ask Mr. Findley a couple of questions.

Paul, I believe you said you felt if we wiped out all Government programs that prices would be higher than they are today. Was not that the essence of your statement?

Mr. FINDLEY. Not quite. I was arguing that I felt that market prices would be higher as a result of my bill. My bill contemplates a considerable amount of land retirement which would occur in the future.

The CHAIRMAN. You do not then agree with the philosophy that our present programs have broken our price.

Mr. FINDLEY. Yes. I think that the feed grains program and the wheat program have definitely had the effect of keeping market prices down. I do believe that, yes.

The CHAIRMAN. Well, now, let us analyze, if you will, just what the farmer in Illinois gets for wheat, not simply the market price but what he gets both in the market and from the Government.

Mr. FINDLEY. Yes.

The CHAIRMAN. Could you have—do you have some idea how that compares with what the farmer in Saskatchewan gets as total return for his wheat?

Mr. FINDLEY. No, sir. I would imagine that the Saskatchewan price is lower than the total receipts of the U.S. farmer who grows wheat. Receipts from the market plus from Government, that is correct. I think that is accurate.

The CHAIRMAN. I think that clearly is. Well, now, would you have some idea as to the same comparison for the cotton farmer in Texas and the cotton farmer across the river in Mexico as to who gets the most total return for his cotton?

Mr. FINDLEY. Well, I think in total return the Texas farmer does get the most but I think it is also fair to say that the market price of wheat is higher in Canada than it is in the United States if you consider only the amount received directly from marketing the wheat and disregard the Government payments.

The CHAIRMAN. I am talking about the total return.

Mr. FINDLEY. Yes, I understand.

The CHAIRMAN. I am talking about total returns on cotton as to whether the farmer on the north side gets more or less total return than the farmer on the south side of the Rio Grande.

Mr. FINDLEY. I frankly do not know what the price in Mexico is.

The CHAIRMAN. Well, I am not talking about just the price. Of course, the Mexican gets the world price and so does the Texas farmer but the Mexicans pay a tax on all they ship out. In addition to not getting anything more than the world price, they also have to pay an export tax which we do not have to pay. But the man on the north side gets a substantial addition to his income as a result of the program.

Mr. FINDLEY. That is true. I think it also ought to be recognized that if my bill is enacted, a person now planting x number of acres of cotton under my proposal would subsequenly have the opportunity to plant additional acres.

The CHAIRMAN. That is right.

Mr. FINDLEY. Either in cotton or something else.

The CHAIRMAN. That is right.

Mr. FINDLEY. And he would get income from all of his acreage, whereas today, as you say, the income he gets from diversion, and so on, is counted in a sense as crop income.

The CHAIRMAN. Of course, the unfortunate part about that is that if he owns 1,000 acres and plants the whole 1,000 acres in cotton and gets 18 cents for it, he loses on every bale of cotton he produces. Therefore, the less acres he owns the better off he is, the less he plants the better off he is, so he would be considerably worse off under your bill as he went along and planted all his acres. No man in the United States that I know of can grow cotton and produce it for the world price. They have got the right under the present law to produce cotton for the world price—yes, they have. They can grow cotton under the present law and ship that cotton abroad and sell that cotton.

Mr. FINDLEY. That is right. Unlimited.

The CHAIRMAN. That is right.

Mr. FINDLEY. That is right.

The CHAIRMAN. And I think there may be 60,000 or 70,000 acres planted on that basis.

Mr. FINDLEY. Well, I am surprised to hear that there is that much, really, because I could see why they would be better off financially to operate within the——

The CHAIRMAN. That is right. So he gains nothing, as I see it, by planting all of his land in cotton and selling it on the world market because he does not get enough to make a profit.

Mr. FINDLEY. I think cotton is in very serious trouble. I agree that the marketing problems for the cotton farmer are going to be very severe no matter what we do in Congress.

The CHAIRMAN. Oh, yes, that is true. I think the cotton man faces some problems that others do not face.

Thank you so much. If there is nothing further, we are much obliged to both of our colleagues for their testimony.

(The following letter and statement were also submitted to the committee:)

VEGETABLE GROWERS ASSOCIATION OF AMERICA,
Washington, D.C., October 13, 1969.

Subject: H.R. 12430.

HON. W. R. POAGE,
Chairman, Committee on Agriculture,
Longworth Office Building,
Washington, D.C.

DEAR CONGRESSMAN POAGE: Thank you for your letter of September 22nd, in which you advise that you will accept testimony in connection with the subject proposed legislation.

The growers of green vegetables for fresh and processed use support the provisions of H.R. 12430 and in general support the statement of The Secretary of Agriculture, as submitted to the Committee. However, we do take exception to the limitations on payments to growers being made unless similar limitations are applied to all other governmental programs, including those of the Maritime Commission, with respect to the payments made for building of ships, to the Space, Natural Resources, Commerce and Transportation programs, Health, Education and Welfare programs, bulk mail rebates made by the Post Office Department, as well as such other programs as are administered by the government.

Unless limitations are placed on these other programs we do not support any limitation being placed on agricultural programs. This statement is made by an organization representing vegetable growers for the past 61 years.

According to the latest release on farm incomes, namely Farm Income ERS FIS 183, the 1968 value of the crop of green vegetables for fresh and processed use, was estimated at $1,944,173,000, or 4.4 percent of the total farm income, or 10.3 percent of the income from all crops. Growers of green vegetables for fresh and processed use have never received any price support payments for their crops.

We do want to see the agricultural income for 1969 and future years maintained at not less than the incomes of the previous years for we are deeply involved in a cost price squeeze.

Thanking you for including this testimony in the record of the hearings being held on the subject bill, I am,

Respectfully yours,

A. E. MERCKER,
Executive Secretary.

STATEMENT OF HON. GUS YATRON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. Chairman, I would like to thank you for giving me the opportunity to submit a statement before this committee in behalf of H.R. 11705, a bill which I have cosponsored. I would also like to commend you, Mr. Chairman, for the fine job you have done in conducting these important hearings.

The Agricultural Adjustment Act of 1969 is necessary legislation because the present farm program with its dominant emphasis on government supported price levels has proven to be exorbitant in cost and unsuccessful in effect. This bill seeks to free farmers from the prevailing artificial price levels created by the federal government in order to let farm prices reach more favorable levels in a free market.

The bill would phase-out existing government supply management programs for wheat, feed grains and cotton. Effective with 1975 crops, all acreage allot-

ments, base acreages, marketing quotas, processing taxes and direct payments for wheat, feed grains and cotton would be discontinued. Price support loans beginning with the 1971 crop year for wheat, feed grains, cotton and soybeans, would be set at not more than 85% of the previous three-year average price.

Furthermore, a special transitional program would be offered to any farmer who has had average gross annual farm product sales of not more than $5,000 and off-farm income of not more than $2,000 per year for a husband and wife in the immediately preceding three years.

This program would make such farmers eligible to receive one or more of the following benefits: 1) Compensation for acreage allotments and base acreages surrendered to the Secretary of Agriculture for permanent cancellation, 2) Retraining grants of up to $1,000, 3) Adjustment assistance not to exceed $2,500 per year for two years, and 4) Other loans under existing credit programs to further facilitate the transition of eligible farms to more gainful employment.

Mr. Chairman, the present farm program works against the interests of farmers in the State of Pennsylvania and those of its sixth congressional district which I represent. It is detrimental to the livestock, dairy and poultry farmers because it acts to increase the cost of feed grains purchased by these farmers.

Furthermore, the present program has resulted in a decline in the amount of feed grains produced by Pennsylvania farmers. Feed grain tonnage produced in my state for the years 1964, 1965 and 1966 went from 2,049,000 to 2,129,000 to 1,411,000 respectively. For the same period, however, the feed grain tonnage required by Pennsylvania farmers remained relatively constant, i.e., 2,846,000, 3,142,000 and 2,994,000 tons. Consequently, the present forces, which militate against production and toward the purchase of these feed grains, serve to burden our farmers with the increased costs of such purchasing.

Pennsylvania farms have also been adversely affected by the present program's effect on wheat prices and in particular on the price paid for their soft red winter wheat, so desirable for use in bread and pretzels. The price per bushel to farmers not participating in the government program is reflected by the following figures: $1.34 in 1964, $1.35 in 1965, $1.64 in 1966, $1.31 in 1967 and $1.11 in 1968. Before passage of the Food and Agriculutre Act of 1965 our farmers earned a 50c premium for this wheat. Since that time, however, the wheat certificate system has deprived them of their formerly enjoyed premium. The new bill about which I am testifying today would eliminate wheat certificates in five years and allow market forces to determine the price of wheat.

It is this tendency, the one of permitting free market actions to determine agricultural costs and prices, that must be encouraged. H.R. 11705 does so and deserves favorable treatment by this Congress.

Thank you, Mr. Chairman.

Statement of Hon. James Harvey, a Representative in Congress From the State of Michigan

Mr. Chairman, I appreciate your courtesy and that of the House Committee on Agriculture to present this statement relative to Committee hearings on the general farm program and food stamp program. As one who has introduced legislation on this subject, H.R. 13126 late in July, I am grateful for this opportunity to comment on our future efforts to better assist our farmers.

I doubt if there is anyone in our country, with just a passing knowledge of farming and its demands in today's world, who would deny that at least some changes in the present agricultural programs must be made. This is particularly true for our small farmers.

Let me speak, however, of the farm area that I know best—Michigan's Eighth Congressional District. In our five county area—Huron, Saginaw, Sanilac, St. Clair and Tuscola—we are known as the navy bean capital of the world, producing 90% of the world's navy beans. We are strong in sugar beets, pickles and corn. It is also a healthy dairy area. There is diversity within our agricultural produce.

But, to give you an idea as to how our Eighth District farmers currently feel, let me mention the results of our annual Congressional Questionnaire. This is a mailing sent to over 120,000 individuals in July of this year.

The one question on farming was listed as follows: "Should the farm program be changed to gradually reduce dependence on price supports?"

Of all responding, 7,994, or 79.4%, favored changing the farm program and voted yes on the above question.

But, of particular significance was the fact that the question carried by a 4–1 margin among farmers participating.

As the questionnaire is broken down by occupation, 420 farmers favored the reduction of price supports, while only 147 voted no. I realize that hundreds of farmers in our District did not vote. Yet, I do believe that the final vote total is representative of the mood and thinking of the farmers.

For example, early in October I concluded my annual Congressional mobile trailer office tour of the District. This tour took me into some 35 communities, many of which are small farming communities. I had the opportunity to visit and hear firsthand of the price difficulties confronting our farmers.

In a nutshell, I was told by our farmers "never had they worked harder or longer for less return." We all know this. We all know that of all segments of our economy, the farmer has fared less than all in keeping up with the return of his investment of money, work and time.

But a farmer in Sanilac County put it best when he stated: "We work all summer for expenses and pay taxes all winter."

Take a moment to read the words—sincere and with great honesty—of a Tuscola County farmer who wrote to me recently. The farmer said:

"I am writing to you about the farmers. I have three sons that are farmers. It is just a gamble. We had so much rain in the spring that it drowned out a lot of crops and now it is so dry that the crops are not very good. We just have to take what the Lord sends us. The prices are way down, the beans were $8.00 all winter long when the farmers didn't have any more. Now the farmers start harvesting the beans so the price drops way down. The beans are $5.75 now.

"How can the farmers pay their debts. A combine cost $18,000 and a tractor is $10,000 to $12,000. A sugar beet harvester is $14,000 to $18,000. There is a lot more tools they need on the farm. The farmers have about $75,000 to $100,000 invested in their farms. Can't the government do anything for the farmers. They have to work 18 hours a day and no vacation the year round. The prices as so low they have to work besides farming to make ends meet . . ."

Perhaps the Agricultural Adjustment Act of 1969, in which I have joined in sponsorship with many other colleagues, doesn't supply all the answers. As Secretary of Agriculture Hardin has indicated, the Department does favor some changes in the present agricultural stabilization program and it does agree with the over-all objectives of the bill.

But, I think most would agree that there is a need for a change in the direction of Federal farm program legislation and help. We must not only give new direction, but we must provide new hope and help to our farmers.

We cannot ignore their plight. The farmer needs an equal opportunity, too, to succeed and to enjoy the benefits of his labor just like every other worker in this country.

Thank you, Mr. Chairman.

The CHAIRMAN. If there are no further questions, the committee is adjourned subject to the call of the Chair. Thank you.

(Whereupon, at 12:10 p.m. the committee adjourned subject to the call of the Chair.)

File with Farm Bill. History Digest 1/29/70 91-524

GENERAL FARM PROGRAM
AND
FOOD STAMP PROGRAM
(FOOD STAMPS)

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HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

NINETY-FIRST CONGRESS

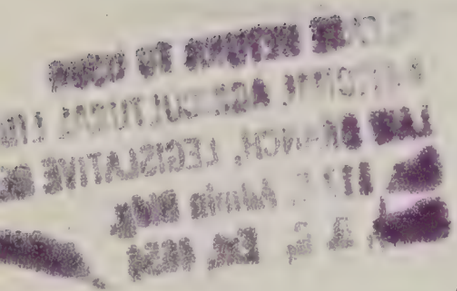
FIRST SESSION

OCTOBER 21, 27, 28, 29, 30, AND 31, 1969

Serial Q
Part 2

Printed for the use of the Committee on Agriculture

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1969



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FOOD STAMPS

TUESDAY, OCTOBER 21, 1969

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to notice, at 10:05 a.m., in room 1301, Longworth House Office Building, the Honorable W. R. Poage (chairman) presiding.

Present: Representatives Poage, Abernethy, Purcell, O'Neal, de la Garza, Vigorito, Montgomery, Alexander, Burlison, Lowenstein, Rarick, Melcher, Belcher, Teague, May, Wampler, Goodling, Miller, Mayne, Zwach, Kleppe, Myers, Sebelius, McKneally, Mizell, and Resident Commissioner Córdova.

Also present: Mrs. Christine S. Gallagher, chief clerk; Hyde H. Murray, associate counsel; John A. Knebel, assistant counsel; and L. T. Easley, staff consultant.

The CHAIRMAN. The committee will please be in order.

We are meeting this morning to further consider general agriculture and food stamp legislation, with particular reference this morning to food stamps.

We have with us our colleague, the Honorable Bob Michel, who will give us some information of authority on food stamps. We are also pleased to have Mr. Michel, both as an individual and as a member of the committee which holds the purse strings and one who can give us good, sound advice.

We are glad to have you, Bob.

Off the record.

(Off-the-record discussion.)

The CHAIRMAN. On the record.

STATEMENT OF HON. ROBERT H. MICHEL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. MICHEL. Mr. Chairman, members of the committee:

I am pleased to appear before this committee today to support needed modification in the food stamp program. The need for such action was ably and dramatically presented to the Congress in a special message by the President on May 6 of this year. As the President stated at that time, the existence of hunger and malnutrition in a land such as ours is embarrassing and intolerable. Just this past week the President reaffirmed his commitment to the legislation necessary to provide food assistance to all those who need it. He expressed the wish that Congress would move quickly on the proposals that have been made. I, too, think it is time to move ahead in this crucial area and respectfully urge this committee to act as expeditiously as possible.

While this legislation provides for a substantial increase in monetary authorization for the food stamp program, I should say that it is, indeed, infrequent when money alone is the total answer to a serious problem. And money is clearly not the total answer to the food problems of the poor. I believe it is imperative that this committee move on to act on the substantive modifications that are required.

I am in complete agreement with the approach which the administration is proposing, although I should say that heretofore I have had some very serious reservations with respect to the giving of free stamps to families with very low incomes. I guess I just didn't want us to lose sight of the cost of sustaining the poor with no accounting for food, which I was taught in the old school of economics as requiring roughly 25 percent for the average family's budget. Today that figure is something more near 17 percent for the average family. But we know for the poor it is considerably higher than that.

The poorest of the poor should be given highest priority, and while I like to see our local communities making some token contribution to these most destitute of cases, I don't see in the final analysis whether there is much difference if one contributes a paltry 50 cents for an entire month's grocery bill or nothing at all.

All families in need of food help should get enough help to enable them to eat properly. A program which perpetuates nutritional inadequacy is simply not worthy of our support. It is essential, therefore, that all poor families have enough stamps to purchase a nutritionally complete diet as the administration has proposed.

At present, families are being asked to spend more for food stamps than they can afford. In some cases, families are required to pay as much as 50 percent of their incomes for stamps. They are expected to accumulate amounts of cash far beyond their means in order to purchase their food stamp allotment. As a result of such unrealistic requirements, all too many families in real need don't apply for the program, and many of those who don't apply don't participate when faced with such excessive costs. The current legislation must, therefore, be changed as the administration has proposed so that no family pays more than 30 percent of its income for the stamps. The administration's proposal would mean that most families, in fact, would pay less than 30 percent. It seems to me this legislative change is essential.

The administration has also proposed that the new food stamp program be administered to permit families to buy less than the full amount of stamps available to them at a proportionately reduced cost. Many families have difficulty now scraping together enough cash to purchase their entire allotment of stamps. This is one of the major reasons why they fail to participate in the program. Even with reduced purchase requirements, some families would still have this difficulty. This variable purchase arrangement will permit such families to participate at a level they can afford, and effectively increase the number of families able to participate in the program.

The legislation before you would also allow the Department to set uniform national eligibility standards. Currently, these standards must be related to the standards used in the administration of federally assisted State welfare programs. This results in a hodge-podge of eligibility standards that vary widely from State to State. Nutri-

tional needs do not rise and fall with State welfare standards, and they do not recognize or respect State boundary lines. A hungry child is a hungry child. Regardless of where he lives, he should be fed.

Finally, this administration has wisely begun to design cash assistance and food assistance programs in conjunction with each other so that they will be totally complementary. Both are designed to provide substantial assistance to the poorest of the poor. Both are designed to be reduced on a gradual basis as income rises so that the incentive to work is preserved. With two such programs operating together we can, it seems to me, for the first time begin a comprehensive approach to the income problems of the poor.

For these reasons, Mr. Chairman, I urge this committee to act promptly to provide the necessary legislative base on which a successful fight against the evils of hunger and malnutrition can be waged. Certainly, nothing before this Congress can be of more importance.

Finally, Mr. Chairman, I would like to sound a word of caution with respect to keeping this program under control at a time when we are obviously moving toward rapid expansion of the program.

During the hearings before our Agriculture Subcommittee on Appropriations this year we were asked for significant increases for auditing and investigations of the food stamp program, both in the Office of the Inspector General and General Counsel's Office of the Department of Agriculture, and significant increases in the overall consumer and marketing services.

On pages 446 and 467, part III of our hearings is a summary of the findings for a 12-month period by the Office of the Inspector General for food stamp operation.

On the audit side, I think it will show that control of the stamps and cash collections are the big problem, for in a program that is administered through State agencies down through lower echelons reporting to those agencies, there is a real problem of administrative control.

Second, there is a definite problem with respect to eligibility—the extent to which it is checked, and to see that the entitlement of people to the stamps is properly supervised and watched.

I have just at random picked up a few increases in this year's request. In the Consumer and Marketing Service this year, we had a request for an increase of 186 positions just with respect to the food stamp program.

I looked back, too, to just a few years ago with respect to the number of persons in the food stamp program. In 1966 there were, 289, in 1967, it was 547; in 1968, 886. This year, 1969, we have 1,148 positions to fund and in 1970, it will be up to 1,334. So when we think in terms of expanding this program to the extent that we are talking about here, we want to make pretty doggone sure that we are keeping this thing under control, that we do not find it going awry by some of the hanky-panky that can take place.

You will find, as I indicated in the pages of the testimony that I have cited here, the specific instances and the number of instances around the country where these discrepancies have been disclosed.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Michel. We appreciate your statement.

I want to get clear in my own mind just what you are advocating in one or two of these items. And I want to make it clear that I am the author of the legislation now before this committee that would take off the limit, let you make the decision as to what should be spent. In other words, I am not trying at all to see that we do not have enough money, but rather let you appropriate whatever you find you should spend. But I was not really clear as to a little of your philosophy. I do not mean it argumentatively, simply to try to find out: Do you feel that the food stamp program should be a program that would provide for all of the dietary needs of all of the people in the United States, or should it be merely a supplement?

Mr. MICHEL. Well, I think we have to narrow it down to the poor, those who are not able to pay.

The CHAIRMAN. Those who are able to pay can take care of their dietary needs.

Mr. MICHEL. Right.

The CHAIRMAN. But do you feel that this should provide all of the dietary needs of all of the people of the United States to the extent that they can't pay for it themselves?

Mr. MICHEL. No, I just don't think that is practical. I made mention of our hopefully getting to that point where we can integrate our whole new welfare structure with this food program. It seems to me that very basic essentials of life are food and shelter. For the poorest of the poor, I would like to see us be able to take care of the thing strictly on a local and State basis. Obviously, that has not been done or is not being done to the satisfaction of a lot of people in the country and the Federal Government that feels, or we feel, a necessity to move into this area on a grand scale, as we are.

The CHAIRMAN. Now, you suggested that the essentials of life are diet and shelter. What about clothing?

Mr. MICHEL. Well, clothing, too, of course.

The CHAIRMAN. One of our members has a bill in here to provide clothing stamps as well as food stamps. Would you feel that it is desirable to increase the scope of this to include clothing?

Mr. MICHEL. Certainly not at this time, Mr. Chairman. I would have serious reservations about that. We do an awful lot with respect to voluntary agency work in our local communities and that includes a great deal of clothing. If we are going to have a basic floor, a welfare floor payment around the country, it seems to me that those funds ought to go then, essentially for rent, for lodging and for clothes. I do not think at this time, I would want to go beyond providing of food on a grand scale, as we are proposing here.

The CHAIRMAN. Would you oppose, then, the proposal of many of the advocates that we should extend the food stamp program to such an extent that we would enable the recipients of the food stamps to buy any of the commodities normally sold at the supermarket grocery store for food stamps?

Mr. MICHEL. I would have to oppose that.

The CHAIRMAN. You would oppose it?

Mr. MICHEL. I would. I just think it would get completely out of hand.

As a matter of fact, I find myself, after considerable deliberation, finally coming around to the point where I think it is all right for

no contribution on the part of the poorest of the poor toward their food bill. I know there has been great mention of the fact that there is very little difference between the contribution of 50 cents or nothing over the period of a month. But we cannot lose sight of the fact that "He eats, who works." In other words he who works, eats. I just do not want to see us going the route of Government providing all the necessities of life so that one does not have to provide anything for himself.

The CHAIRMAN. You suggested that you hoped the States and localities could handle this, but as I understood, you said that that was impossible, and I take it that you then favor taking this responsibility away from the States and localities and placing it in the hands of the Federal Government?

Mr. MICHEL. Well, I think we ought to have some Federal standards. And it goes directly to the problem of welfare. In my own State of Illinois, it is to the advantage of people to move just across the Mississippi River from Missouri and get a welfare payment of $100 a month more, simply by living in Illinois rather than in Missouri. As we look down the road and begin to integrate this overall welfare program with the food stamps program I would hope we may at some future date be able to phase out the food stamps and make nothing but a cash payment, I really can't see much difference, Mr. Chairman, whether or not——

The CHAIRMAN. Then I do understand—I am just trying to get your position here.

Mr. MICHEL. Sure.

The CHAIRMAN. I do understand that you favor the Federal Government paying the entire amount and, of course, calling the tune?

Mr. MICHEL. Well, let's confine ourselves to the food stamp program.

The CHAIRMAN. Yes, I am talking about the food stamp program.

Mr. MICHEL. I made reference in my statement to the fact that I frankly would prefer our local communities making at least a token payment in this food stamp program for their most destitute of cases. The ones we are talking about now who cannot even afford to pay 50 cents or $1 toward their food contribution, are public charges and I just think that as long as we can't get the local communities to fulfill their responsibility to foot the bill, we have to do it here at the Federal level.

The CHAIRMAN. You would not suggest that this committee place any requirement in the legislation for any kind of local support?

Mr. MICHEL. I cannot say that, really, Mr. Chairman. I would like to see it. I think what I am suggesting here and reflecting is what I perceive to be the will of the majority of the Members of Congress. Maybe I am wrong in that assumption. I would like to see it and I would sure press for my home community to do its token share in this regard, but I am not so sure that it is going to be done in the larger metropolitan centers of the country.

The CHAIRMAN. I am not so interested in what you would suggest for your local community or what you as an individual would contribute to charity. What would you suggest to this committee, which has to write the bill, about putting a provision in here that would require any kind of local participation in the cost? We put such a provision in the law that we reported out a year ago and you know what happened.

Mr. MICHEL. Right.

The CHAIRMAN. What would you suggest to us?

Mr. MICHEL. Well, I think we could very well make a try to get a reading and if we find that that is not the will of the majority to have at least some token local contribution, why, then, I think we just have to face up to the facts of life and do it ourselves.

The CHAIRMAN. Thank you very much, Mr. Michel.

Mr. Teague?

Mr. TEAGUE. Just one question, Mr. Michel. Mr. Poage asked you whether you would favor the allowance of food stamps to buy other things in grocery stores besides food. I believe you answed no.

Mr. MICHEL. Right.

Mr. TEAGUE. I am inclined to agree with you, but it has been suggested that there might be one type of item that should be included. That would be soaps and detergents. I am not advocating this necessarily. Do you think it would be opening the door too much to do that? We could include almost anything.

Mr. MICHEL. Right. I think once you get that little door just slightly ajar, you are inviting trouble. It is probably much better if we just keep it confined to what we are currently doing, food, and with the limitations, really, on the food as distinguished from imported and domestically produced food items.

Mr. TEAGUE. Thank you

The CHAIRMAN. Mr. Purcell?

Mr. PURCELL. I have no questions, Mr. Chairman.

The CHAIRMAN. Mr. Goodling?

Mr. GOODLING. No questions.

The CHAIRMAN. Mr. Vigorito?

Mr. VIGORITO. No questions.

The CHAIRMAN. Mr. Mayne?

Mr. MAYNE. Mr Chairman, I have no questions, but I certainly want to commend the gentleman from Illinois for his very perceptive testimony.

The CHAIRMAN. Mr. Montgomery?

Mr. MONTGOMERY. Thank you, Mr. Chairman.

I also would like to commend the gentleman for testifying today.

Bob, I also have a bill, H.R. 13277. I have a summary of the bill which I would, at your opportunity, like you to read.

Along with the questioning, my bill provides that there will be State participation up to 10 percent of the cost of the program after 4 years, at an annual rate increase of 2½ percent. What's your feeling on State participation?

I might say that as Mr. Poage mentioned, Congressman Dole had a 20-percent State participation that passed this committee and it was taken out, either in conference or on the floor, I do not recall. But it did come out of this committee.

Mr. MICHEL. Well, as the gentleman pretty well knows, I have always been an advocate of as much local contribution and control as we can possibly get and an advocate of that. I am just saying that I think we have more or less taken a turn in the road here where without a Federal standard, you have such disparity between the States that that local contribution in some States just is not there. In other States, the problems vary so much between States that I think that is why

you have found it is not generally accepted when put to a vote of the full House or the Senate.

But frankly, the gentleman and I, I think, would be in agreement. We would like to see that take place. But after you beat your head against the wall so many times on these items, you finally give in and say, well, I have made a good fight and I am going down swinging. But the temper of the Congress seems to be at variance with that proposition.

Mr. MONTGOMERY. One other comment. I notice in your bill, you call for $610 million for the fiscal year ending June 30, 1970. I am about convinced that what the chairman is doing, is proper. He has left it open-ended, it would be left up to the Appropriations Committee, of which you serve on the subcommittee, to set the appropriation.

My point is I also have offered an amendment to cut back from the $610 million to $410 million which I believe is the total amount the Agriculture Department could spend efficiently this fiscal year. So it seems to me that we could cut back on this $610 million and I am sincere in trying to save the Government $200 million, yet provide the needs in the Food Stamp Act.

Mr. MICHEL. Well, I think this figure actually was arrived at in terms of a full fiscal year's operation. I will admit that currently, the way we are operating is just deplorable. Here we are over a third of the way through the new fiscal year and still operating under continuing resolutions, which is ridiculous. I will say this, that at a time when apparently the temper of the Congress is one for full funding, whether it be for water pollution or education, we do find ourselves in the Appropriations Committee in a real bind when we do not thoroughly consider in committee and on the floor an authorizing figure at a particular level. Too often, we will agree quickly to a higher figure, with a gentleman's understanding and agreement that, oh, we know the figure is too high, but the Appropriations Committee will not ever give us the full amount, so it will be something lower than that. I hate to see us get into that kind of a box. And I will say this, that I think on our committee, we do go into this thing thoroughly enough to make certain of the gentleman's concern here that we do not appropriate more than can be spent judiciously and prudently. Conceivably, that $610 million figure now can be a padded figure because of the fact that we are a third of the way through the fiscal year.

Mr. MONTGOMERY. I certainly thank the gentleman for his comments along that line. I have a feeling that the $610 million is going to be passed.

Mr. MICHEL. The gentleman will note, incidentally, we are going into conference tomorrow to iron out the difference between $750 million voted over there as against $340 million in our House bill.

Mr. MONTGOMERY. Well, whatever the figure is, I am sure it is not going to be $410 million, it is going to be higher than that. But I have a feeling that they cannot spend that much money and I hope the Department of Agriculture, because they get a larger amount, will be diligent in its expenditure. This does not mean they have to spend the whole amount of money, whatever we appropriate, is that correct?

Mr. MICHEL. Absolutely not. This is why I gave this word of caution in my opening with respect to the number of discrepancies and that we heed what the investigations have disclosed with respect to fraud

and eligibility, et cetera. We have to keep control of the program because if it gets out of hand, we are going to have the wrath of the people just come down on us.

Mr. MONTGOMERY. I thank the gentleman.

The CHAIRMAN. Thank you, Mr. Montgomery.

Mr. Zwach?

Mr. ZWACH. Thank you, Mr. Chairman.

May I commend you, Congressman Michel, for your support of this legislation.

I am concerned about the figures you show on a tremendous increase in employment for this agency, from 289 to a request for 1,334?

Mr. MICHEL. 1,334 in fiscal 1970.

Mr. ZWACH. Every time we appropriate more money, then there is this additional request for more people.

Mr. MICHEL. Yes.

Mr. ZWACH. Is this mainly in Washington or is this throughout the country?

Mr. MICHEL. This is throughout the country. There is a good portion of those here in Washington, but we also try to watch that very carefully, that they are not building an exorbitant bureaucracy here in Washington, but it happens. In this particular case, as the food stamp program becomes more widespread throughout the country, you have to have many more people in the field, in auditing and in an investigating capacity. That is where many of these people are.

Mr. ZWACH. The State people certify people for the food stamp?

Mr. MICHEL. Yes. And here there is such a disparity between the States on eligibility requirements, that I just feel we have to come in and set some national standards and keep within those bounds.

Mr. ZWACH. But your subcommittee will control this request for employment and hold it in line? I feel every dollar that goes to this bureaucracy does not go for food.

Mr. MICHEL. True, and I do not want to see us in this position just because there have been these significant increases and expansion of the program up to this point, if we are funding it at a level of $300 million now and it goes to $600 million next year, it is automatically a signal to the Agriculture Department to double their employment. There ought to be an indication here that we expect more for the dollar and it is not just additional people, but we do have to keep a close surveillance in auditing and investigating.

Mr. ZWACH. Thank you for that statement.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Melcher?

Mr. MELCHER. Mr. Michel, I am a little confused by your testimony. I think you made a reference to those who want to eat should work.

Mr. MICHEL. Well, the old axiom that those who work do eat. We obviously have some cases where people can't or they are disabled or incapacitated to the extent that they cannot. I recognize this fact.

Mr. MELCHER. I want to compliment you and the other authors of your bill, but along this line, would you approve of a portion here in a different bill, that notwithstanding any other provisions of law, households shall be charged such portion of the face value of the coupon to them as determined to be equivalent of their normal expenditure for food, provided however, that employment service or

public work equivalent in value to such charges shall be acceptable in lieu thereof when performed by adult members of the household for local governments? Would this type of work in lieu of cash payments meet with your approval?

Mr. MICHEL. Well, I think that it is nice to talk about it, but I am just not so sure that it can be worked out in a practical way. I think, frankly, what we see ourselves moving toward is a minimum cash payment. I guess it makes no difference whether or not we are distributing stamps that in the end are paid for or subsidized by the Federal Government, or whether they are actual cash payments. The only point is, you get control to the extent that we know it has to go for food. The general feeling has been that there should not be anyone in this country going hungry or lacking a nutritious diet.

Now, we all know, too, that there are those of us who can be most affluent and educated and not have altogether a balanced diet.

Mr. MELCHER. I appreciate the fact that when the food stamps are issued, they will be going for food. But specifically, if it were handled on a local level that is implied here, would this interest you?

Mr. MICHEL. It would if there be a practical means of working it out.

Mr. MELCHER. And leaving it up to the discretion of those local authorities that are charged with the food stamps?

Mr. MICHEL. Well, it is always a nice thing to talk about and I have been an advocate of it, but there surely would be a wide disparity between communities as to the value or worth of the work performed. I am not sure that it could be practically worked out to the satisfaction of the majority of the people of the country.

Mr. MELCHER. In other words, while it would be under local control, it is your feeling that they might stipulate——

Mr. MICHEL. I think here we would have to have some Federal standards set so the thing is not abused.

Mr. MELCHER. There might be some abuse on the local level.

Mr. MICHEL. I think there could be; a chance of it, certainly.

Mr. MELCHER. One other thing, Mr. Michel. Since all the bills before us, the intent of them would be to increase the amount of expenditures, which I think is very worthy, have you any feeling or have you considered the point of a sales tax in those States that have a sales tax on food and whether or not the committee should attempt to exempt the Federal contribution from the taxing agency of the States?

Mr. MICHEL. Well, I have really never given that any thought. I know here again, there is a great deal of difference between the various States. We have a move right in our home State now to take sales tax off food. This varies between the States.

I do not know whether here again, we want to have the Federal Government telling the States specifically what they can and can't do with respect to raising of money and revenues. That is part of the problem why we are here today and doing this thing on a national level. The States and local communities are saying they cannot afford to pay it anymore. Unfortunately, even in our most industrialized and populous States, mine included, we find this to be true today.

Mr. MELCHER. My question is directed to the Federal portion of the food stamps, because in a State, for instance, that had the 4-percent sales tax on food, the food stamps would go, the Federal portion

of it, would be 4-percent less than the face value, which would make quite a difference.

Mr. MICHEL. I think it is deserving of consideration by the committee. As I said, I have not looked into that aspect of it close enough to make a real valued judgment off the top of my head right at this point. But for those of you who are dealing with this thing and really have to end up writing a bill after all the testimony is taken, I think it would be a matter for your consideration, surely.

Mr. MELCHER. Thank you.

The CHAIRMAN. Mr. Kleppe?

Mr. KLEPPE. Thank you, Mr. Chairman.

Bob, I want to compliment you on your testimony, because it indicates that you know something about this subject.

Mr. MICHEL. Thank you.

Mr. KLEPPE. You are on the Appropriations Subcommittee that deals with this and it sure shows in your approach to it.

Can you add anything to what you have already said about your feelings and beliefs on complete free food stamps for a segment of our poor people, a segment of our population? The figure that you used of 50 cents a month on food stamps, I think, was my figure from the previous hearings. I am having an awful hard time digesting the fact that we should have total free food stamps for anybody. Can you add anything to what you have said to help me with my digestion?

Mr. MICHEL. As I have said, I have been a long, long time coming around to this view, because as I have said, I have been reared in the old fashioned way, that you at least did your darndest to make as much of a contribution as you can, even though it is a very small amount, like tithing in church. You ought to give 10 percent, but if it is only two mites that is given you have done your part. I would still like to have that requirement, but I have come around to the feeling that if we are going to proceed on such a grand scale as we are here, I do not know that there is really that much difference. But here again, I would want to confine it to food and not open up the floodgates to all items, like some proposals.

Mr. KLEPPE. I recognize that there is a need, without any question of a doubt. The only question in my mind is I would like to see these people retain whatever portion of pride they can retain by the fact that they are contributing something to feed their own bodies. Whether that is 50 cents or whatever it might be, if they just used it to get the food stamps to feed their bodies, I think it might contribute something to the individual.

Mr. MICHEL. If I might suggest to the gentleman, the controlling factor for me was in the direct distribution program, we give the food free for the asking.

Mr. KLEPPE. That does not give me a great deal of comfort, either.

Mr. MICHEL. That is true, but we have done that and we are doing it and we have made a determination that you either have one program or the other. As a matter of fact, in the hearings this year, I have developed some line of questioning as to whether or not we ought to have a mix, feeling that in those real destitute cases, where there was no ability to pay some contribution, then the direct distribution might come into the program. The problem is there is not the wide variety of items one can have under direct distribution as in the food stamp program.

Mr. KLEPPE. I think you have expressed yourself very well.

Thank you, Mr. Chairman.

Mrs. MAY. Would you yield?

Mr. KLEPPE. I would be glad to if the chairman would permit me to yield.

Mr. MAY. I have already made that arrangement.

Mr. KLEPPE. I will be glad to yield.

Mrs. MAY. This is a question. I have been listening with great interest to the dialog between you and Congressman Michel.

Is it not true that the principle that you gentlemen are discussing is embodied in President Nixon's proposal for the family assistance program and we in this committee must watch very carefully that any food stamp bill we pass does not work against that program, but fits in with it? Because then you get the principle of making it possible for very low-income families to have enough income to contribute, even though it is only a small amount, and maintain what you referred to, Mr. Kleppe, as a contribution for their own self respect and dignity. Am I not correct on that?

Mr. KLEPPE. I want to thank the gentlewoman for this observation. I think it is very fitting here and very good at this point.

Mrs. MAY. That was a question, Mr. Kleppe.

Mr. KLEPPE. Yes. I do agree to what you have just stated. I think it is very well put.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Kleppe.

Mr. Córdova?

Mr. CÓRDOVA. No questions, Mr. Chairman, thank you.

The CHAIRMAN. Mr. Mizell?

Mr. MIZELL. Thank you, Mr. Chairman.

Bob, you have certainly enlightened me on some aspects of the food stamp program. But there are a couple of things that leave a question in my mind.

When you speak of those who participate in the programs paying a certain percent of their income for food stamps, are you also in favor of letting them participate in the program in whatever measure they can, that it does not have to be set at a certain figure of their total income?

Mr. MICHEL. Well, I think there has to be some more flexibility than what there has been in the past. Experience shows us problems arise when all the stamps have to be purchased on one day at the beginning of the month in the maximum amount. Conditions vary with a particular family from month to month. Maybe there are medical bills or some extraordinary expense that have to be paid out of whatever income it is, whether it is part welfare and a little bit of work or what have you. It seems to me there has to be some more flexibility here for the family to adjust to that, rather than locking them in as we have done in the past. I just think we need this kind of flexibility and we ought to give it a try.

Mr. MIZELL. Thank you.

One other question here. When you think of setting standards for the program, are you thinking of the income that a person would be permitted to have in order to participate in the program?

Mr. MICHEL. Yes, I think we have to give some thought to that. Otherwise, we have such a wide disparity and we are not really meeting the problem on a national scale.

Mr. MIZELL. Then referring to the standards, are you also thinking of the administration of the program, the standards that each family would be allowed to pay into the program? These are the types of standards that you are referring to being set federally?

Mr. MICHEL. Well, I think if we want this Federal-State relationship, it has to be complementary, but I think some basic minimum standards have to be set when you have a program of this magnitude.

Mr. MIZELL. This is so you would have uniformity between all your States?

Mr. MICHEL. It is not going to be altogether uniform, but at least a better degree of uniformity than we have had before.

Mr. MIZELL. All right.

Now, Mr. Montgomery mentioned permitting the States to make a contribution and, therefore, administer on the local level the program. You gave us some figures of the enlargement of the bureaucracy of administration at this point. From all indications, it is going to be greatly enlarged, the program is going to be greatly enlarged.

Mr. MICHEL. Of course, this is going to, in turn, force the States themselves to put more into administration at their level, too. We have to be conscious of that fact.

Mr. MIZELL. But I wanted to ask a question there. Is it not true, though, that the more controls you give at the Federal level, it seems that the bureaucracy for administering is greatly enlarged in comparison to what it is when the control and the administration of the program is on the local level?

Mr. MICHEL. I will agree with you.

Mr. MIZELL. So if it would be possible and feasible for this committee to draft legislation that would permit the States to administer and have the greatest influence over administering, it would be more desirable from the point of view of number of employees?

Mr. MICHEL. I agree with that.

Mr. MIZELL. Thank you.

The CHAIRMAN. Thank you, Mr. Mizell.

Mr. Sebelius?

Mr. SEBELIUS. No questions.

The CHAIRMAN. Mr. Myers?

Mr. MYERS. No questions, Mr. Chairman; just one comment. I missed the gentleman's presentation, but I have talked with him and each one of us shares his concern about helping people that have no way to help themselves. I share his concern about just how rapidly we expand this program without losing the efficiency and without losing the intent of the program.

I think this is something you have expressed in your views here, just how rapidly it can develop. Do you think in your judgment, the $600 million would not be expanding it too rapidly to lose the intent and the impact of the program?

Mr. MICHEL. Well, I am going to be willing to go by what the best people we have down in the Department tell us they can do and spend wisely and judiciously. I like to have confidence in some of the people we do have administering some of these programs downtown. I think

in the dialog in our Subcommittee on Appropriations, we have been pretty candid with one another. If they find they just can't spend it wisely, the people responsible for it in the Department are going to be honest enough to tell us so. I certainly do not want to see us in a position of just throwing money at a program with no thought whatsoever of how it is going to be administered. The taxpayers are not going to stand for that.

As I indicated in my earlier testimony, you just do not meet this problem alone with bundles of money. It takes some close administration and a little more flexibility written into the law to be more efficient. That is what I would like to see, to come up with the kind of thing that will work right and meet every one of these needs around the country so we cannot find in any pocket around the country an area where people are being deprived of basic food and sustenance for life.

Mr. MYERS. In other words, you are suggesting that we should rifle in zero in on the specific problem and not just shotgun it?

Mr. MICHEL. Right.

The CHAIRMAN. Thank you, Mr. Myers.

That concludes those who were here and heard the original testimony. We have spent 55 minutes on the first witness. I remind you we have several other witnesses.

We are greatly obliged to you, Mr. Michel. It is obvious that the committee has been interested in this. Without further ado, we will go to the next witness.

We will hear next from Mr. Brooks Hays, a former member of this House, known to many of us.

It is always good to have you, Brooks.

Mr. Hays is now representing the Southern Committee on Political Ethics.

STATEMENT OF HON. BROOKS HAYS, CHAIRMAN, SOUTHERN COMMITTEE ON POLITICAL ETHICS (SCOPE)

Mr. HAYS. Mr. Chairman, I asked for the time on behalf of this southern group to thank the committee for the great work you have done in the field of food and to say that as you proceed to bring this legislation down to date, we would like to help interpret it in a way that would give you broad national support, not just sectional, but representing a region that has been somewhat dramatized in recent statements before the Congress by Dr. Raymond Wheeler and others. We would like to say this word of praise for those who, in the Congress, with the leadership of this committee, primarily, are bringing some imagination into this grave problem. I have a statement that I would like to introduce as part of the record, because perhaps to some extent, it will support the measure that I am confident you will produce, and at the same time to make a little supplementary statement, if I might.

The CHAIRMAN. Without objection, it will be made a part of the record.

Mr. HAYS. Naturally, my emotions are somewhat stirred as I come back to the Congress and see old friends and see some friends I have been privileged to meet since I left the Congress. This is one of my

favorite committees. I have a feeling I would have asked for membership on the Committee on Agriculture if an Arkansas colleague, Mr. Gathings, had not already preempted it. I served for 7 years at the Department of Agriculture in various positions in the thirties, and since I worked with the Department, I felt that I might offer some appropriate statements on the subject.

Let me first endorse what Mr. Michel had to say, a very wonderful statement, I thought. I would like to endorse it practically to the full extent.

There can be no glossing over of the urgency of this problem. The Congress today is not dealing with any domestic problem that is more on the minds of millions of people.

Moving to the second point I wanted to make, which was emphasized by him, you have reached the place, in my judgment, Mr. Chairman, where national responsibility must be emphasized. If you do what the legislation is designed to do, I see no escape from spelling out in greater detail the national assumption of responsibility, not to bypass the local functionaries, because if you agree with the gentleman who preceded me that the eligibility standards should have a greater degree of uniformity—then you can use local functionaries in administering the act. But it is terribly important that you do this, because as I see it, there can be no defense for a situation that leaves some areas favored and others entirely left out. The eligibility standards should be spelled out and it should be with national uniformity. But this does not, as I have indicated, necessarily leave out a degree of local responsibility.

The other point that I would like to underscore, with which I am entirely in agreement, is that if a family does not have the money for the purchase of food stamps, then the Government should supply it. I think we have come to that point.

I suppose it was inescapable that he would make reference to the old axiom that if a man does not work, he should not eat. As a matter of fact, that has Biblical authority, as we all know. Yet it was a limited thing Paul was talking about when he said that. Paul, as I recall, was the author of it. You entirely lose its applicability when you move into the area where the need is greatest, which is the nutritional standards for a child.

There are two approaches to this problem. One is the moral approach, with which I am dealing now, and the other is the economic approach. The child of an improvident parent is just as hungry when food is not available as the child of a person who tries hard to support his family. So it is the plight of children which is particularly appalling, I think, in the area with which I am most familiar, which is the rural South. It is the plight of children that should be very much on the minds of this committee.

Now, on the economic side, it is true and it does not need laboring at this point with this committee, that the social costs of neglect in this field, our failure to do a statesmanlike job and a compassionate job, is so great that the cost of doing it as we are suggesting becomes minimal. So it seems to me that the committee has a tremendous opportunity here to render magnificent service and I am confident that you will not pass up that chance.

I would also underscore the point that food is so basic that this problem should not be complicated by references to other basic needs of

shelter and clothing. Who knows what we will get to in time in the way of providing other facilities?

I would further say that it seems to me the merit of the President's proposals in his proposed welfare changes is so evident that this should be taken into account.

So to conclude this rather rambling and informal statement, let me say that the bills that I have had an opportunity to examine—Mrs. May's bill, the Foley bill, and the Senate-passed bill—seem to me to deal validly with this proposition, that children should not be denied food under this program merely because of the inability of the parent to purchase stamps.

These are some of the observations I have wanted to make, but primarily, as I have indicated, that this Nation is going to back up the Congress in providing a modern food bill.

(The prepared statement of Mr. Hays follows:)

STATEMENT OF HON. BROOKS HAYS, CHAIRMAN, SOUTHERN COMMITTEE ON POLITICAL ETHICS

Mr. Chairman, I appreciate the opportunity to present a brief statement to the committee on behalf of the Southern Committee on Political Ethics (SCOPE). Our organization is composed of a small group of southerners who have been long concerned with the social and political problems of our regions. We do not claim any strong power base. We joined together in SCOPE as a means of expressing our concern for the problems of the South and for exploring alternative solutions for those problems.

Attached to this statement is a list of our founding members. You will note that it includes leading publishers and editors, former members of Congress, labor and civil rights leaders, and businessmen.

The plight of the poor and the disadvantaged in our region is of major concern to us. The hunger and malnutrition which we know exist are particularly odious and completely unacceptable to countless southerners who, like ourselves, are proud of the finer traditions of our region. We know that people are hungry also in the slums of northern cities, the Indian reservations of the West, the Eskimo villages of Alaska and elsewhere. As compassionate human beings we grieve for this condition wherever it exists; but as southerners who feel a responsibility for the conditions which exist in our own States we are embarrassed and chagrined that we have permitted hunger to exist in our own midst. Somewhere, sometime, in some way, we should have done better.

We are encouraged that the national conscience has been aroused and that at last the disgraceful specter of hunger may vanish from our land. The American dream is that each man have an opportunity, through his own labors, to earn a decent living for himself and his family. But we know that in far too many cases this opportunity does not exist at all and that for millions of the disadvantaged, opportunity is severely limited. The result is that in the richest nation in history, which can spend billions of dollars on armaments or exploration of the moon, men, women, and children go to bed hungry every night. The plight of children is particularly appealing. To know that this condition exists, troubles the conscience of all of us.

And we are troubled. The Nation is troubled. During the past few months, we have seen, in newspapers, magazines, and on televisions, the pitiful faces of the poor and hungry. We have read with alarm the accounts of the personal findings of Members of Congress who have found widespread hunger and malnutrition in their own States.

We know that every Member of Congress could find similar cases among his own constituency. More stories could be written, more pictures taken, more delegations could be sent to Washington, more bills could be written.

But aren't we past the need for that. We already know the facts. What we need now is action, and action should start in this committee.

I would like to thank you, Mr. Chairman, for calling these hearings and continuing the legislative process toward an improvement in Federal food programs, particularly the Food Stamp Act. This committee, over the years, has concerned itself with providing needy citizens with Federal food assistance.

Now it seems that the Congress should take a bold step forward to build on the foundation that you have already laid and to greatly expand the reach of food assistance to all who need it. And this step should be taken as quickly as possible. The need has been shown to be urgent.

We find much that is good in each of the food stamp bills which are before the committee. The concept of the food stamp as one weapon against hunger has long since been proven and accepted. But is is also obvious that the food stamp program as it is now being operated is too limited and too restrictive.

In considering ways to expand the program, we urge the committee to accept as its standard the proposition that no person in America should be hungry because he cannot afford to buy food. If a family is so poor that it cannot afford to buy food stamps, then by all means those stamps should be available at no cost. We recognize that the committee will want to establish safeguards, but we urge that these not be so restrictive that the objective of the legislation is defeated. It is far better to err on the side of the poor and disadvantaged.

This principle of free food stamps is recognized in several of the bills pending before this committee. H.R. 12222, Mrs. May's bill as well as Mr. Foley's bill, H.R. 13423, and the Senate passed bill, S. 2547, all address themselves to the need to provide free food stamps to those who cannot afford to pay for them.

We hope the committee will also insure that the benefits of this legislation will be available to all Americans, wherever they live. The idea that some local officials, because of their own feelings, could frustrate this program in a way that would deny food to hungry people belongs to an era far past in our national life.

If elected officials in any area will not permit the distribution of food stamps in the manner prescribed by Congress, then by all means the stamp program should be administered by the Secretary of Agriculture through a committee of citizens who are pledged to carry out both the letter and the spirit of the law.

Some additional important principles should also be embodied in any legislation reported by this committee in order to expand the reach of the food stamp program. Again, some of these principles are recognized in some of the bills pending before you.

The Federal Government should establish a standard for a nutritionally adequate diet and all efforts to help citizens in need of food assistance should meet that standard. At a minimum, the purchase value of food stamps should equal the cost of what the U.S. Department of Agriculture determines to be the cost of a minimally adequate diet.

In addition to a federally established standard for a nutritionally adequate diet, a Federal income standard for participation in the food stamp program should be written into the law. At the moment, State agencies set eligibility standards. As a result, there is a wide variation in criteria for eligibility around the country. In a federally supported program, Mr. Chairman, no one should be discriminated against or shortchanged on the basis of his place of residence.

Also, Mr. Chairman, the average American family in 1967 spent 17 percent of its disposable income for food. This figure should also be the goal of programs designed to help those in need of food assistance.

We appreciate the opportunity to present these views to the committee.

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The CHAIRMAN. Thank you, Mr. Hays. The Chairman is not going to go through the routine of calling on each member for questions, because we have other witnesses and not much time. We will recognize in order as many as possible among those who want to ask questions.

Mr. Abernethy?

Mr. ABERNETHY. Mr. Chairman, I would simply ask the privilege of expressing my appreciation for the presence of Mr. Hays, a long time friend and former colleague of ours. We came here together many years ago. I wish to welcome him to this committee room.

Mr. HAYS. Thank you.

Mrs. MAY. Mr. Chairman.

The CHAIRMAN. Mrs. May.

Mrs. MAY. Mr. Hays, I, too, would like to tell you how grateful we are for this statement, representing SCOPE.

You commented in your remarks that you felt that the bills that had been introduced by myself, Mr. Zwach, Mr. McKneally of this committee and Mr. Foley and others who are not on the committee, and the Senate-passed bill, were on the right track. Have you had a chance, Mr. Hays, to analize the food stamp bill recently passed by the Senate?

Mr. HAYS. No, I have not, and I am afraid I should not have included it. I did read your statement in the Congressional Record, and I am somewhat familiar with the general idea. But I had better not undertake to make any comparison.

Mrs. MAY. I thought I might take this opportunity to say for the record that I have not received a full cost analysis on that Senate-passed bill. That is being prepared for several of us right now. But there are two things I think you should be warned about. You have indicated in your statement that you see the importance of passing a food stamp bill that will fit in with the family assistance plan.

Mr. HAYS. Yes.

Mrs. MAY. Because this will take care of a great many of the inequities for food stamp and other types of help throughout the country by eliminating the tremendous difference between States on welfare standards as well as food standards.

Mr. HAYS. Yes.

Mrs. MAY. That we are careful to be sure that any food stamp legislation which Congress passes works closely with that whole new approach, to give more effective help to disadvantaged people. I should also point out that according to my preliminary information the Senate bill apparently requests appropriations of $1.25 billion for 1970, $2 billion for 1971, and $2.5 billion for 1972.

Now, what the Senate bill—the report on it—does not indicate is that a cost analysis will show that the bill, as it was passed, actually requires expenditures of up to $5.4 billion. This is going to be a big question as it comes before this committee.

We were just talking to a member of the House Appropriations Committee, Mr. Michel. I think we will have to have a very careful

evaluation of those figures, because we might be killing the goose that laid the golden egg if we try to go too far too fast that way to put this on the back of the American public. Perhaps we should be thinking in terms rather, of writing the kind of bill that I believe you are talking about and that I am talking about.

Mr. HAYS. I could not agree more. I think undoubtedly, the committees will have to take into mind the cost. You cannot afford to be indifferent to the cost considerations.

At the same time, I am sure that the greatest significance would attach to these eligibility standard changes and the uniformity requirements that get into the mechanisms that are involved.

It is a very difficult problem, I am sure, for you when you consider our budget situation and there is a great deal of wisdom, it seems to me, in the point you make.

Mrs. MAY. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. O'Neal?

Mr. O'NEAL. Thank you, Mr. Chairman. I promise to take only a moment, but I would like to ask unanimous consent to speak out of order for just a moment so I can plug Mr. Hays' book.

The CHAIRMAN. Without objection.

Mr. O'NEAL. I have bought the book and read it from cover to cover and enjoyed it very much. I would like to say how glad I am to have Mr. Hays with us this morning.

Mr. HAYS. You are kinder than my own father. Someone said to him, "Mr. Hays, have you read Brooks' last book?" He said, "I hope so."

The CHAIRMAN. Mr. Wampler?

Mr. WAMPLER. Mr. Chairman, I would like to add my word of welcome to Mr. Hays. I was privileged to serve in the 83d Congress with him and we were neighbors over in the Cannon House Office Building.

I appreciate your statement this morning and I know of no man who was more universally loved and respected who ever served in the Congress than the gentleman addressing us this morning. I know he has filled many positions of trust and responsibility, one of which was serving for a time as director of TVA.

I am sure you appreciate the problems that this committee has. There are some who charge us with being callous and indifferent because we have a fiscal responsibility to fulfill. I do not believe there is any member of this committee who wants to deny food to people who are hungry and people who are in need. But it seems to me that we are dealing with a problem that is perhaps as old as civilization itself, trying to provide for those who cannot provide for themselves or can't provide so well for themselves.

It seems to me also that sometimes, in giving a person something, it is the least thing you can do for them. So we do have these overriding considerations that we have to take into account. But I want to assure you that I will support a reasonable food stamp program, recognizing the realistic fiscal situation confronting the country. I think we are all in agreement on what we want for the country, but I think the question is how best to achieve this through legislation.

I want to thank you for your remarks here this morning and for your interest in this question. I am not at all surprised at your being here, because you have been a friend to many good causes in the past.

Mr. HAYS. Thank you very much. I enjoyed my 2 years in east Tennessee and felt like I was your neighbor there. I am now living in North Carolina.

Mr. Chairman, I am one of the 60 percent of the American people who live in a different place from their place of residence 20 years ago. This I think fortifies the point that has been made that we live in a shrinking national community and some of the problems can no longer be treated in any other way.

Mr. WAMPLER. I am sure your influence for good will be felt in North Carolina as it has in other places.

The CHAIRMAN. Mr. Alexander.

Mr. ALEXANDER. Mr. Chairman.

Mr. Hays, certainly, you need no introduction to the committee. For that reason, I did not presume to introduce you. I would like to say that as a member of the Arkansas delegation, we are very proud to have you here testifying as you have on a subject that is very timely and meaningful to those of use who represent portions of the rural South.

I would like to comment, Mr. Chairman and members of the committee, that Mr. Hays has rendered great service to the State of Arkansas and to the Nation as well and from the demeanor and feeling of expression that he exhibited this morning with reference to the subject on which he testified, I would like to add that he is still rendering valuable service to the State of Arkansas and the Nation as well.

Thank you very much, Mr. Hays.

The CHAIRMAN. Mr. Lowenstein?

Mr. LOWENSTEIN. Mr. Hays looks predictably uncomfortable at this chorus of praise, but I want to add just a few more words to say that people all over the country, in cities as well as in rural and suburban areas, in the North as well as the South, know that this country is a much better place for his spirit having been with us, and we hope it will be with us for a long time to come.

I'm especially glad that he's now living in North Carolina, where so many of my own happiest years were spent, and which gave to the Congress such great Hays-like spirits as C. B. Deane, Kerr Scott, and Frank Graham. Brooks Hays will be appreciated and loved in North Carolina, and his presence there will be a spur to the conscience and a balm to the spirit of a State that is capable of making enormous contributions to a troubled region and Nation.

Mr. HAYS. I am uncomfortable, Mr. Chairman. But I am like the country girl whose sweetheart told her how beautiful and wonderful and lovely she was. She said, "I know its a big lie, but please don't stop."

The CHAIRMAN. Any other questions?

(No response.)

The CHAIRMAN. If not, we are very much obliged to you, Brooks. We like to have you with us.

Mr. HAYS. Thank you.

The CHAIRMAN. Our next witness is Miss Maria Papallardo. She is accompanied by Debbie Bliss, Ellie Cruz, Nick Waugh, Lorene Bennett, and Mrs. Catalina Frezier.

STATEMENT OF MISS MARIA PAPALLARDO, AMERICAN FRIENDS SERVICE COMMITTEE, PHILADELPHIA, PA., ON BEHALF OF CRASH (CALL TO RESEARCH AND ACT TO STOP HUNGER), SPONSORED BY AMERICAN FRIENDS SERVICE COMMITTEE

Miss PAPALLARDO. First of all, I would like to say we are missing two of our members who could not make it here today, Mr. Nicholas Waugh and Miss Ellie Cruz.

My name is Maria Papallardo. I am on the staff of the Community Relations Division of the American Friends Service Committee. This past spring and summer, I was involved in the overall development and operation of a special project—the Call to Research and Act to Stop Hunger (CRASH). I am testifying on behalf of the American Friends Service Committee. I speak for that committee and for many like-minded friends. However, no single body can speak officially for the Religious Society of Friends (Quakers).

The CRASH program was a special effort to survey the actual operation of Federal food programs at the local level. Over 200 people, the majority of them high school and college students, surveyed 35 counties in 15 States. Through interviews with officials and participants, and through direct observation, the CRASH program primarily investigated the food stamp, donated commodities, and school lunch program.

We would like to report to you some of the results of that survey. We would also like to submit the complete CRASH report, which is now being compiled, at a later date for the record. Right now, we would like to tell what we found, in general, was the local food situation. We would also like to touch briefly on the commodity program, since that still exists.

We are aware of the many proposals and pieces of legislation which relate to food programs. Rather than comment on any individual piece of legislation or proposal, we prefer to speak of our own experience and make recommendations on that basis. The people with me are a few of those who actually conducted the survey. They would each like to say a few words when I have finished.

First, CRASH found that all those in need of food stamps are not getting them. The following statistics, taken from official reports, tell their own story:

In Delaware County, Pa., 12,000 families live below the poverty level; 1,900 cases participate in the food stamp program.

In Warren County, N.C., 12,000 live below the poverty level; 3,000 receive food stamps.

In Multnomah County, Oreg., which is Portland, 19,000 families are below poverty level; 4,000 families get stamps.

In Allegheny County, Md., 5,210 families live below the poverty level; 609 families participate in the stamp program.

The same situation is true in the commodity program:

In Manatee County, Fla., 10,000 families live below the poverty level; 1,400 receive commodities.

In Riverside County, Calif., 13,000 families are below poverty; 8,463 families receive commodities.

Why aren't people who need them participating in food programs? CRASH found that people did not know food programs existed;

that local officials had no outreach programs at all; that people lacked transportation; that people could neither read nor speak English; that regulations were so rigidly enforced that their main intent seemed to be the exclusion of people; or that the attitudes of officials made stamps or commodities not worth the price of the insults and degradation necessary to secure them.

Some examples of what is going on at the local level which CRASH found to be typical of situations in most counties we worked include:

Rigid enforcement of regulations which in effect exclude families which need stamps. For example, regulations require that a family have cooking facilities—a phrase nowhere defined—and that only the head of the household apply for the program.

In the case of migratory and farm workers, these regulations exclude families who desperately need food. If the head of the household has gone to look for work in another county or State, the family cannot get stamps. If the migrant workers are living in camps, they often have no cooking facilities, especially in the eyes of local food program officials.

We also feel that it is not unreasonable to expect that some families are too poor to have proper cooking facilities in their own home. Even when families have access to a friend's or relative's kitchen, we have found that they were still denied stamps.

USE OF PROJECTED OR ANTICIPATED INCOME TO DETERMINE ELIGIBILITY

In North Carolina, we found that officials asked employers what they expected to pay families during harvest time. Based on that projection, which would represent their peak earnings and sometimes their sole earnings, families were automatically cutoff stamps for a certain period of time, usually beginning July 1.

Great time lag between application and certification, with no provisions for emergency food during that period.

In Los Angeles County, certification can take anywhere from 6 to 8 weeks. In New Mexico, that could stretch to form 1 to 3 months.

In too many counties, the hours and even the days during which the certification offices and the offices or banks selling stamps were open were not only inconvenient, but served to make it impossible for some people to participate in the food stamp program.

CRASH found too many welfare offices open only part of a day, sometimes only in the morning, sometimes closing at 2:30. Some welfare offices are open only 1 or 2 days a week. Banks sell stamps only during their regular hours, at best. Some banks still determine which days stamps may be purchased, usually stopping this service on Fridays.

Besides the fact that this is an inconvience to almost all the poor, it is particularly a disservice to the working poor.

That is only a brief sketch of what CRASH found. So that my coworkers will have time to testify, I will now confine myself to the major recommendations of CRASH with regard to the food stamp program.

I. The food stamp program, and all food programs, is basically a piecemeal approach to eliminating hunger. All food programs should be replaced by a guaranteed adequate income for all Americans. We

have heard suggestions which set the basic level for income support set at $4,000 per year per adult, and $1,500 per year per child.

II. Recognizing that any form of income maintenance, much less one adequate to meet the needs of people, is not going to be functioning fully for the next 3 or 4 years, we recommend that:

1. The stamp and commodity programs be allowed to operate at the same time in the same community. Neither program alone allows for an adequate diet.

2. The stamp program especially be expanded not only within communities already on the program, but also to counties with no stamps, and particularly to those counties with no food programs at all.

3. There be some system of getting food stamps to people who have no cash income. A system of free food stamps, particularly to people who have no income during some months of the year should be worked out.

4. Legislation be passed enabling families to purchase soap and necessary paper products with stamps. The current limitations are particularly hard on families with children.

5. Stamps be sold more often and people allowed more discretion in deciding how often to buy them. In practice, the monthly system is still widely used. Why do we expect only the poor to put out their entire food budget for a month all at once? This leaves no opportunity to meet regular bills, or emergencies.

In addition, a more flexible schedule of allowing people to buy stamps when they feel they either need or can afford them would relieve people who simply cannot come up with the money in a lump sum every single purchase time.

6. People should not be required to buy a certain amount of stamps, regardless of how often they buy. This is a particular problem for the elderly. As the schedule is arranged now, no factor other than income and family size is considered. Children need more food than adults, and elderly people need less but more specialized food than the rest of the population.

Some have suggested a percentage system, such that if a person is supposed to buy a certain amount and get a 15-percent bonus in stamps, they can pay what they want and still get the bonus of 15 percent of the amount paid. CRASH believes this would alleviate the "all or nothing" operation of the program.

7. Whatever department, agency, division or special program administers any food programs needs to have sufficient funds and staff to operate a viable system of monitoring. We are confident that if the national administration and the Congress were aware of the situations and conditions which we found to exist in counties and towns throughout this country, they would remedy those situations. As it is now, you and the administration may have statistics but little first- or even second-hand knowledge of how these programs actually operate, or fail to operate.

A monitoring system, accompanied by the power to make needed changes should be instituted immediately and for as long as the present system of attacking hunger continues to exist.

8. Finally, whoever is in charge of any food programs must have as their primary concern getting food to people who need it. As the pro-

grams currently operate, this seems to be the last and least emphasized aim of the program.

Now, I would like to introduce the people with me, so that you can hear what the food programs are like in their local communities. In some cases, the counties have food stamps, in others a shift is planned, and in others, the people feel they simply cannot afford the food stamp program as it is now operated.

This is: Miss Lorene Bennett from Crown Point, N. Mex.; Mrs. Catalina Frezier from Ventura County, Calif.; and Miss Deborah Bliss, who worked in North Carolina.

Miss Bennett will lead off.

STATEMENT OF MISS LORENE BENNETT, FORT DEFIANCE, ARIZ., ON BEHALF OF CRASH SURVEY AT CROWN POINT, N. MEX.

Miss BENNETT. I am Lorene Bennett from Fort Defiance, Ariz., having done some work in the Crown Point, N. Mex., area, particularly with the Navajo people in three counties in New Mexico, McKinley County, Sandoval County, and Sanhuan County. The majority of Navajo Indians who live in this area are monolingual, illiterate, and live below the poverty level. In many cases, they are unemployed. The Navajos in this area are receiving assistance from three welfare departments—the tribal welfare, the State welfare, and the Bureau of Indian Affairs welfare.

It seems to me this morning, we are talking about getting people to become self-sufficient. It seems to me that you cannot do this if you are assuming that all people are alike throughout the United States. However, I find this untrue, because in my area, the people of the Navajo Reservation have become too dependent on various agencies, in the respect that the agencies are not working to get people to try to do anything better, for the simple reason that I think it is just paternalistic racism on the Navajo Reservation. The people who are working for the welfare in many cases are holding down the Navajo. At the same time, they are screaming that help should not be given to the Navajo. At the same time, they are sitting on these Navajos who can and would like, in many cases, to get self-help.

The Navajos live scattered throughout New Mexico. The roads are in bad condition. In many cases, the roads are dirt roads and in many cases, when it rains or snows, it is impossible to get through.

The food stamp program has only been used in the Sandoval County where 250 Navajo families use it. Otherwise, in McKinley and San Juan County, commodities are still being used. We conducted a study and we found that food stamps are being discouraged. When we asked county welfare programs if they had given information regarding food stamps, they said they were not under the food stamp program, therefore, found it irrelevant to give information regarding food stamps. So many people asked in these areas did not know what food stamps were and were totally unaware that such a program existed.

For those people who do know, they are being discouraged daily by the welfare department. They are either told that they can try to get their own funds or that they are being too dependent and that the agencies are being too lenient in helping or even providing such programs.

The majority of the people in Sandoval County who are receiving food stamps switched willingly to food stamps from commodities for the simple reason that in most cases, people are complaining that commodities do not meet their needs. For one thing, certain commodities are not used correctly by the people. That is, the commodities that they use is the main food they eat daily and not a supplement for the Navajo people.

In some cases, it was reported that commodities are used to hold bridges together, such as powdered milk which in most cases, people do not use, and in some cases, they are used to feed animals.

The food stamp program is going to be a big problem if these different counties switch over for the simple reason that traders in certain areas control communities. They are the U.S. Post Office, they are a transportation center, they are an employment center in most cases, and they are general merchants. In one area, a trader uses his private credit to give food stamps. When food stamps are distributed, the trader is harassing the Navajo people to pay the bill, or perhaps he encourages loans for food stamps, whereby 20- to 50-percent interest rate is added on to the loan he gives for the people to buy food stamps. In some cases, the food stamps have been used to pay off credit by the trader.

When brought to the attention of the Sandoval County Welfare Department, they were, according to them, shocked to hear of such incidents, because as far as they knew, there were no problems, which proved to many of us that they were not doing their work, working directly with the people. Up until now, nothing has been done about that situation.

The Senator and the Governor from that State, New Mexico, was notified. We have not had a chance to meet with him yet. However, the Governor has discouraged anything to be done about it. As a matter of fact, a mile from the trading center is a tribally owned land where the people were willing to make the center to have their food stamps distributed. However, because of the trader's political weight as well as the Senator's political weight, we found that the HELP school was discouraged and asked to pull out the invitation. Up to date, nothing has been done about that situation.

The welfare departments are aware of these problems. They are aware of the fact that the traders manipulate welfare checks, that they manipulate food stamps for their own gain. However, they have not done anything about it. I do not think they are that concerned, just so they get the food stamps in the hands of the people. What they do with them is none of their concern from what I gather.

The attitude of the people who work for these welfare agencies are not at all helping. It seems to me like they are constantly worried about the taxpayers' money and, therefore, discourage any kind of assistance for the Navajo. The Navajo takes this for granted. He does not protest because for years, we have been treated in this manner.

Just recently, the welfare rights organizations have been set up in four agencies and people are beginning to get together to ask what are our rights? We are beginning to question some of the programs such as the food stamps. As I say, there are people who do not know about the food stamps and they are shocked to hear of such an existing program.

In many cases, the Navajo, as I say, is discouraged. There is one incident of a Navajo walking to a welfare office and inquiring about assistance. When the person there saw the Navajo, that she had a beautiful Navajo necklace, why don't you pawn that, he told her? So here is someone asking the Navajo to give up what's the symbol, what's the last dignity or the last pride of a person. These are some of the incidents that happen daily.

Another thing is that there is lack of communication on the part of what programs are available, commodity programs as well as food stamp programs. For one thing, the majority of the welfare workers are Anglos and do not speak Navajo or do not know how to go about relating to the Navajo, therefore, the Navajo is shy to come and speak to the worker.

In many communities, the agencies and different welfare workers, we brought out the fact that there should be more Navajos hired as caseworkers, doing away with the 4-year college requirements or whatever they have, because the majority of the people who do get along, do know some of the problems that exist, do not have 4 years of college. Those that do are drawn away from working with the welfare departments to something else that might provide better pay.

So you see, there is a lack of communication on the reservations. The majority of the people who are working with the welfare departments do have an obnoxious attitude, as in one case, a caseworker was very obnoxious when we went up to a trading post to hand out welfare rights leaflets. He commented that we did not like Anglo superiority. So these are some of the caseworkers that do work with the Navajo.

The Navajos usually do not have ready cash, so they would run into a problem with food stamps. As I say, they would have to get loans from the trading posts. In many cases, they will go under the harassment of the trader. Food stamps are known, at least in Sandoval County, where Navajos are receiving food stamps, to provide better foods. The Navajo does have the choice to go to a trading post or to the nearest town to buy vegetables and meats, which they rarely have.

I think when you talk about getting the people, as I think someone mentioned this morning, that someone should contribute, communities should contribute to get something, I think you are dealing with a completely different situation, because I think here you would have to first do away with these kind of attitudes the majority of the workers have there and do away with the attitude the traders have of manipulating the situation to their own political or economic gain.

It would seem to me that some investigation should take place in regard to food stamps on the Navajo Reservation as well and in regard to the attitude of the welfare workers with regard to food stamps given to the people. Since the people do not have ready cash on hand, it would be necessary that the food stamps programs should be flexible so that people, whenever they have money, can buy food stamps. It is not always at a certain time that they have money and that certain time being the time when food stamps are distributed.

Also, the majority of people are not working, as I say. They do lack money. As I pointed out earlier, a lot of time, they are on credit and they are in need of money constantly. Because of this, they do not have any money and would have to go to the trader, which binds him to this credit situation. Therefore, I would recommend that the stamps be

lower or that some of the people who do not have any income whatsoever get free stamps. I think in many cases, many of these people do have children to provide clothing for and in many cases, they will not have this money to buy food stamps. They would prefer to buy more clothing for their children who go to school during the winter months.

In many cases, many of these people are not eating a balanced diet and many of these children are not eating a balanced diet, except for the time they are in school.

In the commodity program, I would like to point out the fact that in many cases, many of the Navajos do not get what they need, as for instance, in New Mexico, Navajos receive lima beans, which in many cases, they do not eat, for the simple reason that the pinto beans that are usually given out are given out to the Spanish Americans in the different counties because they do use pinto beans in a lot of their diet. The Navajos get the leftovers, which is lima beans. In many cases, they do not eat lima beans and do not know how to fix them in many cases, because there is lack of food demonstration in different areas. For instance, in one area, a woman told me that she did not know how to use many of the foods and they cut up that meat and ate it just that way. In many cases, many of them do not read; therefore, can't read directions on the label, and there is no one to go around to show them how to use these foods creatively.

The commodities, when given out, are taken home by people. Usually, they weigh a lot and in many cases, many of these people hitchhike. They do not have transportation and they live, say, from 20 miles to to 50 miles from the distribution center, so they put them in bags and boxes and stand by the roadside and are lucky if they get a ride. Otherwise, they would have to borrow money from the trader again to buy gas for someone who might have a vehicle. Therefore, he is bound to the trader in that respect, for a high-interest rate from the trader.

When asked that the welfare department look into such a situation as providing transportation for people who do not have transportation, the answer from a San Juan County employee was that the Navajos were becoming too dependent. However, he failed to even get the Navajos to provide a situation where the Navajos can gain confidence and independence.

People have to wait long periods of time for certification, which involves unnecessary red tape in most cases and in most cases, because of their long wait, which I think is intentional, many people are discouraged and never bother going back and are hardly having a balanced meal. In fact, many of the people who do receive commodities do have a balanced meal, so you would understand what many of the people who do not receive commodities would have.

After a long wait for certification, if a family does not pick up his commodity 3 consecutive months, he is automatically cut off. In most cases, like during the summer months, families because they are so desperate in their need of money and because they want to work, go off to migratory labor, off the reservation or outside the State and there they make very little. Because they are there working and trying to make what money they can, they are automatically cut off. Upon

return, they have to wait for, say, a period of 3 months to a year for recertification.

Evaluations sometimes on certification are based upon the assumed income. As for instance, a grazing permit. Perhaps a family has a grazing permit. They are allowed so many sheep on certain lands. Because of this permit, many of the welfare workers say that they have an assumed income of, say, 20 heads of sheep times $20 and assume that income per year. If this person, if they think this person can make enough money off that sheep, they do not certify him because he is getting some kind of income. But actually, the Navajos do not sell their sheep that much. In fact, maybe one sheep is saved for food per year.

Or else, as I said earlier, a Navajo was asked to give up her jewelry for pawn so she could eat. In other cases, because a certain family went off on migratory labor and bought a vehicle to come back in, the welfare department will refuse to give them assistance because they have a vehicle that is valued at so much.

These are some of the things they use for evaluating. Because the Navajos go through this and take it for granted that this is the way it is supposed to be, they do not protest. The various welfare departments who have been made aware of this, however, have failed to act upon it. These are some of the incidents I found this summer. I would go into more detail on it. However, I have a report here if anybody would like or is interested in getting a copy of one. I would be more than happy to give you a copy.

I would like to comment on another thing. I was also involved in another study conducted by the Southwestern Indian Development in Arizona, who went out to the Navajo Reservation and did a study on the trading post system. A lot of what I brought out is brought out in that report and if you would like a copy, copies will be made available for you.

The CHAIRMAN. Thank you very much. I do not want to hurry anybody, but we have other witnesses who have to be heard.

Miss PAPPALARDO. Mrs. Frezier.

STATEMENT OF MRS. CATALINA FREZIER, VENTURA, CALIF.

Mrs. FREZIER. Mr. Chairman, honorable members of the committee, my name is Catalina Frezier and I live at 113 North Gibraltar Street in Ventura, which is in the 13th Congressional District in the State of California.

I am grateful for the opportunity to be able to testify before you on the situation of hunger in the State of California.

In the last 5 months I have taken a special interest in the conditions in which the seasonal and migratory farmworkers live, both in the urban and rural areas in California.

I am presently employed by the Central California Agricultural Associates area office in Ventura, Calif. Central California Agricultural Associates conducts a migratory farmworker educational program that is funded by the Office of Economic Opportunity. Because of my involvement with this organization and because this organization is constantly working to provide services and information that will benefit the seasonal and migrant farmworkers, I come in close contact with hundreds of unemployed and poor individuals that come

to us for assistance. However, my knowledge of conditions in the lower income communities in California has not all been acquired over the space of the last 5 months. I am well aware of these conditions because I have lived in several cities of the State of California and in the Southwestern United States. I am a Mexican American and I was born and raised in El Paso, Tex., I have lived among the poor. My neighbors and friends are poor and some of my family members are farmworkers and they are also poor.

In the month of June of this year, several of my friends and I offered our services to the American Friends Service Committee in conducting a research program on the several USDA assistance programs in our county. We interviewed hundreds of persons living in the low-income barrios. We got our information on the hot lunch program in our schools, the surplus commodities offered to the poor on and off the welfare rolls. We also interviewed retired poor persons, two of which are my mother and my father. We also interviewed the heads of the agencies serving the poor in our communities. We found that some of these people that work in these communities are monolingual, English only.

All this activity took place in a 6-week program. This area in which we worked has approximately 65,000 Mexican-Americans in a population of approximately 350,000—this is in the county. According to the antipoverty agencies in the area we surveyed, 80 percent of the poor people that fell into the category under the OEO guidelines are Mexican-Americans. I do not want to get to the root of why we are such a large percentage of the poor. Let it be monolingual, race prejudice or what, the fact is that we are poor and hunger exists within the Mexican-American community.

The information that we gathered is varied and important in that it contains the true feelings of the people that were interviewed. Ninety percent of those interviewed receive welfare payments in USDA surplus commodities. They complain that the powdered milk and other concentrated foodstuffs were hard to prepare and not very appetizing. Furthermore, the long-term use of this same stuff became boring and monotonous for consumption, particularly to the Mexican-American, whose diet is vastly different in nature. In Ventura County, there are no pinto beans, no masa distributed. Their labels are all in English.

Transportation—let us not even discuss transportation because the centers are not—you could count them in Ventura County. In Oxnard City, for instance, there is this center. It is staffed by volunteer service to the Catholic Welfare. The lady, who calls herself a social scientist, does this on a volunteer basis and their office hours are 3 to 5 o'clock, 5 days a week. I have seen these people in line waiting to receive the surplus commodities since 9 o'clock in the morning, and there is a large line. I have seen it while it has been raining and these people have to stand there in line outside, right next to Frosty-freez, while people are sitting there for their lunch in the afternoon, ice cream and what have you. Yet they are waiting in line for their commodities.

Dignity? Let us not discuss dignity. For whatever their circumstances, the fact is they are hungry, otherwise they would not be there. They would not take all this much.

In addition to everyone's belief that welfare checks are not large enough to meet their needs in general, in Ventura County, the Department of Social Welfare does not offer food stamps to welfare recipients or the poor. Nor has the Ventura County Department of Social Welfare offered this opportunity to people. When I interviewed these agencies, they felt that commodities were good enough, so they were not going to offer any other alternative. They did not have any right to choose. The agency had already decided for them.

In Ventura County, the poor can't afford to buy stamps, even if they were offered. Yet they need fresh meat. I do not mean exactly steak. Our soul food does require meat, not only pinto beans. Yet we do not have this fresh meat. The people that receive commodities, they have to settle for Spam, and Spam, it is a canned, nice meat once in a while. I wouldn't mind having it for lunch two or three times a month. But every day, three times a day, that is too much. We would settle for kidneys or guts or what have you, but fresh meat.

My neighbor, Mrs. Alicia Salazar, who does not speak English, the mother of 15 children, is on welfare. Her son Alfred has just returned after having served in the service in Vietnam. But her welfare check is not sufficient to provide for grocery money for her family. She also receives surplus commodities, but she cannot stretch them out longer than a week and a half. And she is a very nice housewife. I mean she is creative when it comes to cooking. But she cannot stretch it this far.

Just before she is due for her next welfare check, her children go hungry. I have seen them go to school hungry. I have stopped and asked them, "Alex, did you have breakfast? Come and have some with the child I have at home. You can have my portion."

Ventura County is now the fastest growing county in the United States and also one of the richest in agriculture, the biggest ranches are in Ventura County, the ranches in citrus, avocado, strawberries. It is a nice county. It is rich in agriculture, all products. Yet conditions are such that it is also one of the most expensive places in which to raise a family. Rents of $100 for a two-bedroom shack are not uncommon. There are practically no vacant homes to be rented. A low-rent house is only a phrase, not a reality. Yet most of the workers in Ventura County are seasonal migrant farmworkers. Their basic pay is $1.65 an hour—imagine that, stooping down to work in the fields in the hot sun to receive $1.65. How far can $1.65 go when prices are so high in the market? Yet if you are working and making this much money, $1.65 an hour, you do not receive commodities.

I know a group of people that live in poverty in Ventura County, old-age pensioners and the poorest of the pensioners again are Mexican-Americans. They are retired persons, that fall into this category, had been farmworkers up until they could not work. They have to be pretty old when they quit working. This category, this is how they get their money. They came under the old age retirement act just recently, in the early 1950's and their lifetime earnings were not taken into account in the computation of benefits payments for their social security, so their income is very limited.

I do not want to bore you with my long story. I could go on and on and on. It is interesting. I feel that this is my people and even if it

were not my people, the fact that they are hungry is the reason that I care.

Gentlemen, I have offered this strong testimony in the belief that you can appreciate human suffering—suffering, because it is not that our people do not have dignity. They do have dignity, but they are hungry. When you come to a new country, or you have been in this country and have not been able to get anything, you kind of become passive. You take it and say, "The good Lord means for us to be like this. That is our chalice, he wants us to fast and fast and be humble." But a lot of these people are not believing in him any longer because he is too humble. Yet I come to you and I would like to offer you this information in good faith and with a great deal of hope. I feel that this presentation has not been taken lightly. I think I have gotten your attention.

We, the residents of the poor communities in the State of California put a great deal of trust in you to come forward with programs and solutions that are not only adequate but right for our communities. Therefore, I want to express my appreciation for the opportunity to come before you on this day.

Thank you.

The CHAIRMAN. Thank you very much.

Mr. TEAGUE. Mr. Chairman, inasmuch as Mrs. Frezier is in my district, on behalf of the committee, I want to thank you, Mrs. Frezier, for being here and giving us the benefit of your investigations.

I would like to state for the record—we do not have time to ask questions—that while it is true that farm wages are not what we would like to see them, they are as high, at least, in Ventura County as anywhere in the United States. In addition to the basic rate which you mention, most workers work on a piece rate and earn as high as $2 to $4 an hour.

In conclusion, I certainly would not expect anybody to live on lima beans, but I wish you would tell Miss Bennett that they are quite nutritious and a good many of them are grown in Ventura County. They are quite simple to prepare.

Mrs. FREZIER. Thank you.

STATEMENT OF MISS DEBORAH BLISS, GREEN COUNTY, N.C.

Miss BLISS. My name is Deborah Bliss. I carried out this study in Greene County, N.C., which is in the eastern part of North Carolina. It is an entirely rural area, dominated by the tobacco growing, I should say completely devoted to the tobacco growing industry.

I certainly can't add anything to the need for food stamps which Miss Bennett and Mrs. Frezier have done much better than I could. But I would like to say a few specific things about the reduction in price of food stamps and about free stamps.

In Greene County, there are 12,000 people below the poverty line out of the total population of 16,000. Of those 12,000 people, 2,000 receive food stamps. We wonder just where are all these 10,000 people who are poor and receive no food assistance whatsoever. Greene County has been in the food stamp, switched from the commodity program in May 1968. Though all the people that we interviewed like food stamps better than commodities, when they were on commodities, they had some-

thing to eat. Buying food stamps, they cannot participate in the program and have no food assistance.

So what happens to these 10,000 people. Well, for one thing, in North Carolina, the eligibility standards are below the poverty line. You can have a family of 10 that had an income of $3,400 a year, it is not eligible for food stamps. Yet if you have a family of four and a yearly income of $2,400, you are not eligible for food stamps. There are a lot of those poor people who are not getting food stamps because they are not eligible under the North Carolina standards. North Carolina does not have the lowest standards in the South by any means.

So this is a strong argument in favor of a minimal national standard of eligibility, adjusted, perhaps, for living costs in different parts of the country, but still some kind of a national standard.

Even aside from this, people who are eligible under the standards set up by the State are not receiving food stamps for many reasons. Part of it is that they just can't afford them, even under the prices that are set up, because—well, of the families we interviewed, about 80 or 90 families, most of those were paying more than 35 percent of their income for food. Some of them were paying 50 percent, some of them were paying more than 75 percent of their income. This is what they were supposed to be paying. Many of them just could not do it. But many of them could buy these things if they were properly certified. This gets down to the vast complexity of this thing, the certification as it is set up, because you do not just go by your straight income, taking the amount of money you receive, then deducting certain things—the income tax, social security payments, you deduct the regular medical expenses, you deduct payments for the care of your children while you work, you deduct payments for transportation to and from work, if you drive to work, that is 8 cents a mile. Then multiply that and add it up. Then after you get through deducting all these things, you add the cost of your house, you add all your rent, your gas, your light, and if these come to more than 30 percent of your income, that is what you take, then you get special provision. The thing is that officials in Greene County do not understand all these or can't remember all of them.

We interviewed the State food stamp administrator in Raleigh and he pointed out that the reason for all these deductions is that the scale of payments as it is set up is just too high, so you have to allow these provisions to get it down so people can get in at a price that they might be able to afford. But the thing is if you bring the scale down, then you would not have to get into all this business. The thing is that the caseworkers sometimes do not understand, sometimes do not have the time to go through all this stuff. Every one of these deductible items has to be verified by a bill, a statement, receipt, or something like this. They see people waiting outside the door and they do not have enough money to hire caseworkers to do all this. Sometimes these deductions are made, sometimes not. Sometimes it is because the caseworker is busy or does not understand it or sometimes he does not like the person. So you get into all this arbitrary stuff and all this ambiguous stuff. The thing is especially the people who need it, they do not understand a thing about what is going on.

You talk about a pride thing—well, the biggest robber of pride is the fact that nothing is explained to you. You go in and you are not

even allowed to say you make such and such a week. You have to bring this form to your landlord, who is a tenant farmer, you are a tenant day laborer in this kind of situation. You bring this form to your landlord, and he tells you what you are going to make and if you say something different from the landlord, he is believed and you are not. The caseworker says: "All right, we will mail you your authorization for your food stamps." You bring these things in and get something back, and you have no idea about how one thing got turned into the other. Not only is it not explained, you can hardly blame the welfare workers for not explaining this in detail to everybody, because it is such a complicated thing.

But you talk about pride—you know, paying 50 cents a month is not going to give people the pride that they need, because the sort of pride is something else. It is not receiving the stamps for free, but it is knowing what is going into it.

This may be kind of sidetracking, but the point is that, you see, a lower cost of the stamps would take into account the fact of these things I have talked about, take into account all these things and allow people to buy them, which they cannot buy; it would enable people who are supposed to be participating to participate and to eat.

The CHAIRMAN. Thank you very much.

Miss PAPPALARDO. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much. We appreciate these statements.

Now we have Dr. Don Hadwiger. We will be glad to hear from you, sir.

STATEMENT OF DON F. HADWIGER, PROFESSOR OF GOVERNMENT, IOWA STATE UNIVERSITY

Mr. HADWIGER. Mr. Chairman, ladies and gentlemen, my name is Don Hadwiger, professor of government at Iowa State University and presently instructor-coordinator for the Washington research project of the southern center for studies in public policy.

My main field of study has been agriculture policy, an interest which was furthered by an internship with this committee in 1959.

During the past year and a half I have studied family food assistance programs in Iowa, interviewing administrators and recipients, and analyzing statistics. In addition, I directed a survey of commodity recipients in Story County, Iowa. Story County is in the commercial corn belt, and is the home of Iowa State University and the Iowa Highway Commission. It is a prosperous community but with many low-income families. The number of persons receiving commodities in March 1967, before the county changed to stamps, was 734.

Our county survey was prompted by a remark by one of our county supervisors. He noted that participation had fallen sharply when the county switched from commodities to stamps, but he hoped that the neediest citizens had stayed in the program.

We found that just half of the commodity recipients went on to try food stamps, and of these, half subsequently dropped out. One-fourth of all commodity recipients stayed in the stamp program, one-fourth became ineligible, and the other half dropped out for reasons other than eligibility.

We tried to find out to what extent the neediest families had stayed in the program. We asked several questions to determine need, and decided to use this question: "Have there been times in the past when your family did not get as much food as you would have liked for them to have?" About half of the families answered yes to this question. Most of these had reference to periods since World War II, and their food shortages were sometimes persistent and serious.

Of these neediest families in the Story County survey, just over half either did not join, or soon dropped out of the food stamp program. Thus, these families were currently receiving no food assistance as of last winter when we took the survey.

While most of the commodity participants decided not to take food stamps, the food stamp program did attract some new participants. The Story County welfare director, Mr. Wesley Hoffman, told me that about two-thirds of the present stamp participants are college students. This contrasted with no college students in our sample of commodity recipients.

Participation in the food stamp program is comparatively low. For Iowa as a whole, only 11 percent of eligible Iowans participated in those counties with food stamps, as of February 1969. This compares with 25-percent participation by eligible persons in the few counties that still had commodity programs. This percentage is based on adjusted U.S. Census figures. Looking at participation by public assistance recipients as of October 1968, commodity counties ranked higher than stamp counties with only one exception, and the variations ranged from 10 commodity counties having over 75 percent of public assistance participation, to 12 stamp counties with less than 20-percent public assistance participation.

Why is stamp participation so low? In our county survey, the reason given by almost half of those who did not go on to take the stamps was that they could not afford them. Now it is probably true that most low-income families do spend as much or more on food as they would have to pay for stamps. You will find that some aggressive food stamp directors have used this argument to persuade people to join. But in doing so, these directors have found that they may have to certify three or more times as many families as they are able to keep in the program. Many families simply cannot afford food stamps. The food stamp plan may be workable for families with stable incomes, with capacity to budget funds, and with savings to cover unexpected bills. Very few poor Iowa families fit this picture.

A second reason for nonparticipation is low benefits. An elderly couple whose bonus would have been only $12 had to pay $5 for transportation to the county seat, and they also felt they lost money during the confusion of counting stamps at the grocery store. Another of our respondents, in explaining why she did not participate, said:

> My friends said it was a fraud, in that they just gave you a little bit more than you paid in, and you couldn't buy some of the necessities such as toilet paper.

A third reason for nonparticipation is embarrassment, or loss of status. Perhaps this reason should be listed first in Iowa. The food stamp program is, of course, a nutritional program to help all low-income families. Occasionally, a local director manages to sell the

program to the community as a nutritional program, and in those counties participation is likely to be high. But typically, the image of the food stamp program is that of a welfare program. A person must apply at the local welfare office, which has a certain reputation, and a certain clientele, and which investigates him. Food stamps are supposed to be more dignified than commodities, but most recipients we talked with do not see it that way. They find it painful to separate their groceries into two piles at the counter, in the presence of clerks and customers who might happen to include their children's friends or teacher, or their employer, or a member of their church. So in small Iowa communities stamp users may buy their groceries at odd hours to avoid being seen, or they may drive outside the community to buy their groceries. Most Iowa recipients I have talked with have great respect for the opinion and the pressures of their community, and they share community values. They are not likely to jeopardize their self-respect and their status, so they have backed away from the stamp program in areas where it developed an unacceptable image.

Commodity recipients apparently found it less embarrassing to pick up supplies at the courthouse in the company of other commodity participants, and they justified their participation in the commodity program on the ground that commodities were surpluses that might otherwise have been wasted.

There are other barriers to stamp participation, all of which I shall not mention. There was no effective appeal from uncooperative employers or arbitrary local administrators. Low limits on resources excluded older people with a small cushion of savings.

To sum up, we found that the food stamp program missed half or more of the neediest families who formerly received commodities. Undoubtedly it has been of assistance to some families but in the view of a majority of the needy families we interviewed, the stamp program is a step backward from the commodity programs that most Iowa counties once administered.

As for remedies, it is my impression that there may be substantial agreement now among both local administrators and recipients in Iowa, as to what is wrong with the food stamp program, and as to how it can be improved. May I pass along the following suggestions:

1. Soften the purchase requirement so that the neediest families at all income levels can afford to participate. This should bring a sharp increase in participation, particularly by needy families not on public assistance.

2. Provide for certification and stamp issuance from agencies or locations additional to that of the welfare office. To the extent that several agencies or groups are involved, and participation is by all sectors of the eligible income categories, the image problem tends to disappear. And county welfare directors have told me that their agencies would benefit from a wide participation in the food stamp program.

3. Permit stamp recipients to purchase soap and hygienic products. Recipients want this change more than anything else. They continually refer to it with a kind of sense of injustice. This should ease the problem at the grocery counter.

4. Increase benefits, at least to assure that needy families get an adequate diet.

5. To reach all families who now have inadequate food, it seems necessary to institute both commodity and stamp programs in some areas. The county welfare director of Polk County (Des Moines), Mr. Maurice Ahearn, told me that both programs are needed in his county. And in some rural areas the USDA, I suggest, might institute an efficient multicounty distribution program. Those counties that now have commodity programs, I think, should definitely not be encouraged to terminate these programs until major changes have been made in the food stamp program.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you very much.

That completes our list of witnesses today.

The committee will stand in adjournment until Monday morning.

(Whereupon, at 12:10 p.m., the committee adjourned to reconvene on Monday, October 27, 1969.)

FOOD STAMPS

MONDAY, OCTOBER 27, 1969

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to recess, at 10:05 a.m., in room 1301, Longworth House Office Building, Hon. W. R. Poage (chairman) presiding.

Present: Representatives Poage, Purcell, O'Neal, Foley, Vigorito, Montgomery, Burlison, Rarick, Jones of Tennessee, Melcher, Belcher, May, Wampler, Zwach, Myers, Sebelius, Mizell, and Resident Commissioner Córdova.

Also present: Christine S. Gallagher, chief clerk; Hyde H. Murray, associate counsel; John A. Knebel, assistant counsel; and L. T. Easley, staff consultant.

The CHAIRMAN. The committee will please come to order.

We are before you this morning to further consider the general farm and food stamp legislation and the testimony this morning is being directed to food stamps.

We have statements filed by Congressman Biester and Congressman Mikva, both of which without objection, will be included in the record.

Mr. SEBELIUS. Congressman Biester is here, Mr. Chairman.

The CHAIRMAN. I thought he wanted to—I thought you wanted to make a statement in the record. Did you want to appear in person?

Mr. BIESTER. Very briefly; yes.

The CHAIRMAN. All right. We will be glad to hear from you. And I believe you are the first one that will want to appear. Congressmen Schwengel and Ruppe are not present.

Mr. Biester, we will be glad to hear from you.

Now, before Mr. Biester starts, the Chair wants to make a comment about the examination of the witnesses. We have a number of witnesses and I notice that one witness has filed a 73-page statement. Obviously, we could not hear that in 2 hours. Is Mr. Kramer present? He is not here.

It was my thought that we would ask all of the witnesses to wait until we had finished them all and then question them en bloc, but I think from the standpoint of Congressmen that we will hear Mr. Biester and if there are any other Congressmen that come in, we will hear them and then question them and then we will hear the other witnesses and question them.

Mr. Biester, we are delighted to have you with us. We appreciate your interest in this matter and appreciate the fact that you have come before our committee. We will be glad to have your suggestions.

STATEMENT OF HON. EDWARD G. BIESTER, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. BIESTER. Mr. Chairman, thank you very much. I will not presume upon the patience of the committee to read my statement——

The CHAIRMAN. That is all right.

Mr. BIESTER (continuing). Although it is brief. It is in the record and——

The CHAIRMAN. It will be included in the record.

Mr. BIESTER. I wanted to appear this morning rather than simply submit a written statement to impress upon the committee the sense of urgency I feel about the legislation of which I am one of the authors, and I think that perhaps the most clear way in which I can express those personal feelings of my own would be to discuss a personal experience my family had, perhaps 8 or 9 years ago.

I come from a rural and suburban area of Pennsylvania. I live in a town which has a population of about 200 people. I formerly lived in a crossroads village with perhaps maybe 40 or 50 people in it. One of those people—we never knew quite what her age was but I always suspected it was between 80 and 90, and she was a maiden lady who had lived on her family farm all of her life.

As she grew old in years, she consistently refused to enter an institution because I think she shared the apprehensions of those who also knew her that to do so would mean a fast termination of her life.

She began to suffer toward the end minor cerebral accidents which made it sometimes difficult for her to think clearly. My wife helped her out in ordering food for the chickens and other things on her place.

The very few members of her family that she had became concerned about her because she was not able to cook. The reason she refused to cook eventually was that she was afraid of burning down her house and setting herself on fire. In fact, she had one small accident of that kind. And eventually, it was because she started to go downhill physically as a result of her inabiilty to cook that she finally was forced to go into an institution and, Mr. Chairman, she survived less than 3 weeks in that institution.

The kind of program which our bill would authorize would meet, I think, the needs of people like that good lady. How many others there are across the country like her, both in cities and in small towns and villages such as I have described, I do not know. I suspect that they are more legion than we know because they are probably more silent than some of our more voluable protesters in society.

There is no question in my mind but that people in that circumstance should be able—should be able to use the food stamp program to receive in their homes under circumstances which continue their independence in society, their noninstitutionalization in society, in some way, and it was my concern with respect to that and my learning of these programs as they occur across the country, and I have included in my statement a list of the various programs across the country which now occur, to foster and augment that program in such a way as to meet the needs of these very lonely, sometimes very isolated, and extremely deserving elderly people in our country, and I will not presume further upon the time of the committee. I respect its expertise in an area which I am frankly not an expert in and do not presume to be.

I thank you very much.

The CHAIRMAN. We thank you very much. Since there is no other Member of Congress to be heard I wonder if anyone wants to ask Mr. Biester some questions.

Mr. Biester, if there are no questions——

Mr. ZWACH. Mr. Chairman, I would just like to commend the gentleman, Congerssman Biester, for his statement and for his opening up this area in which he expresses a concern. This is an additional area to the entire food stamp program. I am happy to have him broach that program to us this morning.

Mr. BIESTER. Thank you, Mr. Zwach.

The CHAIRMAN. Thank you very much, Mr. Biester. We appreciate your attendance.

Mr. BIESTER. Thank you.

(Mr. Biester's full statement follows:)

STATEMENT OF HON. EDWARD G. BIESTER, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. Chairman, along with 84 Members of Congress, I have introduced legislation which would amend the Food Stamp Act of 1964 to authorize elderly persons to exchange food stamps under certain circumstances for meals prepared and served by nonprofit organizations.

This legislation attempts to reach the needy elderly who are prevented from using the benefits of the food stamp program because they are without kitchen facilities or cannot prepare meals due to illness or physical disability. Under this legislation, nonprofit, charitable organizations would be authorized to accept food stamps in exchange for cooked meals prepared either for home delivery or for consumption in community dining halls.

Under the present law, persons who otherwise meet age, residency, and income requirements are not eligible for food stamps if they do not have cooking facilities in their home. Persons who are physically incapacitated or who suffer from serious illnesses that make it impossible for them to shop or prepare meals should not be denied the use of food stamps. These citizens, who are often among the most isolated and needy in the community, should receive the benefits which the Food Stamp Act was enacted to provide.

This legislation, which is identical to language contained in the recently passed Senate food stamp bill, was originally introduced by Senator Hugh Scott of Pennsylvania. It would authorize the Secretary of Agriculture, under regulations carefully prescribed and administered by him, to designate specific church and nonprofit organizations of a bona fide charitable nature, to accept food stamps in exchange for prepared meals. Although the redemption of these stamps would assist eligible groups in the purchase of food, the stamps themselves would be issued only to individuals who would be the direct beneficiaries of this legislation. By engaging the cooperation of nonprofit charitable organizations, this proposal would be in keeping with the current trend of relying more heavily on private initiative for solutions to pressing national problems.

At least 75 charitable organizations in 27 States throughout America now are helping to alleviate hunger with programs which offer prepared meals to shut-ins and other elderly persons who are unable to cook for themselves and who, without this assistance, might otherwise face the dismal prospect of being forced into an institution (see attached list). Many of the current meals-on-wheels programs are operating on a limited basis and are in need of expansion. This bill is designed to encourage and make possible the expansion and establishment of such programs for the many communities and cities throughout the Nation where similar situations and needs exist.

This extension in the use of food stamps would benefit those elderly physically handicapped and chronically ill persons who otherwise could not afford to obtain home delivered meals from religious and other nonprofit voluntary sources. Just last week the Washington Post had a story pointing out that the St. James Lutheran Church, located at 16th Street and Eastern Avenue, NW., is proposing a program whereby it would supply a hot noon meal and a cold supper 5 days a week for some 30 residents of the Eastern area. When a zoning problem is

resolved, St. James hopes to supply the meals to some 3,000 shut-ins, operating from churches all over the city.

In these times of unprecedented economic achievement, the basic goal of having enough to eat still remains, for too many Americans, a promise rather than a reality.

I urge the adoption of this legislation. Thank you.

MEALS ON WHEELS PROGRAMS

(Community dining rooms not included)

California:
- Carmel Foundation, Carmel
- Self-help for the Elderly, San Francisco (San Francisco Council of Churches)
- Central Costa County Meals on Wheels, Concord (Concord Coordinated Services)
- Meals on Wheels, Santa Clara (Commercial concern)
- Berkeley's Homebound Seniors, Berkeley (Dept. of Social Planning)
- The Chinese Senior Citizen Center, San Francisco
- Western Addition Senior Citizens Service Center, San Francisco
- United Jewish Community Centers, San Francisco
- Downtown Senior Center, San Francisco
- Catholic Committee for the Aging of San Francisco

Connecticut:
- Meals on Wheels, Inc. of Greenwich
- Meals on Wheels, Family Service Society, Hartford

District of Columbia:
- Jewish Social Service Agency, Washington, D.C.
- St. Stephen and the Incarnation Church, Washington, D.C.

Delaware: Meals on Wheels, Wilmington (Geriatric Service of Delaware)

Florida: The Neighborly Center, Inc., St. Petersburg

Idaho: Western Idaho Community Action Programs, Inc., Emmett

Illinois:
- Home Delivered Meals, Chicago (Holy Cross Hospital)
- Evanston Meals at Home, Evanston
- Meals on Wheels, Peoria (Visiting Nurse Association)
- Visiting Nurse Association of Macon County, Decatur
- Services to the Aging, Evanston (the United Methodist Church)

Indiana:
- Meals on Wheels, South Bend
- Home Delivered Meals, Evansville

Iowa:
- Mobile Meals, Dewitt Community Hospital Auxiliary, Dewitt
- Home Delivered Meals, Ames (Visiting Nurse Service)
- Boone County Homemaker Health Aide Service and Meals on Wheels, Boone
- Meals on Wheels, Burlington Hospital, Burlington
- Appanoose County H.H.A. Service, Centreville
- Meals Service, Danvenport (Senior Citizen Pilot Project)
- Daily Hot Meal Delivery to the Elderly, Dubuque (Health and Nutrition Committee)
- Meals ond Wheels of Keokuk (Meals Steering Committee)
- Meals on Wheels, Marshalltown (Meals and Wheels Association of Marshalltown)
- Meals on Wheels, Nevada (County)
- Clarke County Community Action Program, Osceola (Outreach Workers CAP)
- Senior Citizens Meals on Wheels, Washington (Senior Citizen Council)

Kentucky: Boone Fork Community Kitchen, Fleming

Louisiana: Meals on Wheels, Shreveport

Maryland:
- Meals on Wheels, Baltimore Metropolitan, Baltimore (Lutheran Social Service and Meals Committee)
- Lutheran Social Services Meals on Wheels, Hagerstown

Massachusetts: Levi Gould Housing for the Elderly, Melrose

Michigan: Mobile Meals, Inc., Lansing (College Women's Volunteer Service)

Montana: Rocky Mountains Daily Dinner Clubs, Helena (Rocky Mountains Development Council)
New York:
Henry Street Settlement, New York City
Meals on Wheels, Corning (Council of Churches)
Meals on Wheels Stanley M. Isaacs Meals, New York City (S. I. Housing Center)
Hudson Guild-Fulton Senior Citizens Center, New York City
Meals on Wheels, Utica
Meals on Wheels, Rochester (Visiting Nurse Service)
Meals on Wheels, Syracuse (Council on Aging)
Food and Nutrition Services, Buffalo
North Carolina: Meals on Wheels, Winston-Salem (Model Community Project)
New Jersey:
Meals on Wheels of Jersey City, Inc. Jersey City
Housing Authority of the City of Jersey City, Jersey City
Paterson New Jersey YWCA, Paterson
Ohio:
Meals on Wheels, Mount Vernon (Psi Iota Xi Sorority)
Meals on Wheels, Cleveland (East End Neighborhood House, Woodhill)
Mobile Meals, Dayton (Public Health Nursing Service)
Meals on Wheels of Mansfield, Mansfield (Memorial Homes, Inc.)
Mobile Meals of Toledo (Mobile Meals, Inc.)
Pennsylvania:
Luzerne County Bureau for the Aging, Wilkes-Barre
Senior Activity Center of Greater Johnstown, Inc.
Meals on Wheels, Pittsburgh (Lutheran Service Society of Western Pennsylvania)
Meals on Wheels, York (Lutheran Social Services)
South Carolina: Meals on Wheels for Senior Citizens, Greenville
South Dakota: Meals on Wheels, Sioux Falls (Lutheran Social Services)
Tennessee:
Portable Meals program, Chattanooga (Senior Neighbors of Chatt., Inc.)
Gordon's Hot Meals on Wheels, Nashville (Gordon United Methodist Church)
Texas: Meals on Wheels VNA, Dallas (Visiting Nurse Association)
Senior Citizens Activities, Inc., Temple
Utah: Meals on Wheels, Salt Lake City
Virginia: Meals on Wheels, Richmond (National Council of Jewish Women, Richmond)
Wisconsin:
Mobile Meals, Milwaukee (Visiting Nurse Association)
Meals on Wheels, Neenah (Neenah-Menasha Emergency Society Committee)
Meals on Wheels, Oshkosh (Family Service)
Meals on Wheels, West Allis (W.A. Memorial Hospital)
Meals on Wheels Lincoln Lutheran Home, Racine (Lincoln Lutheran Home)

The CHAIRMAN. Now, has Mr. Kramer come in?

Mr. KRAMER. Yes, sir.

The CHAIRMAN. Mr. Kramer, I notice you have a statement of 73 pages. It is obvious that we cannot spend—did you contemplate reading this statement?

Mr. KRAMER. No, I did not.

The CHAIRMAN. We want to give you a reasonable amount of time but obviously, we cannot go into that much detail but we will be glad to hear from you.

STATEMENT OF JOHN R. KRAMER, EXECUTIVE DIRECTOR, NATIONAL COUNCIL ON HUNGER AND MALNUTRITION IN THE UNITED STATES

Mr. KRAMER. I will gladly yield way to any Congressman that comes in of the other three that were scheduled.

The CHAIRMAN. We will be glad to hear from you.

Mr. KRAMER. Let me say initially that the entire 73 pages are a comparison and rather detailed comparison of all the provisions in the major food stamp bills currently before you, including the present act.

I have appended to this statement a 10-page comparison which goes through approximately 26 separate changes that have been suggested in the food stamp bill.

The CHAIRMAN. Well, without objection, the statement and the attachments will be filed with our record and you may proceed to make such statement as you care to.

Mr. KRAMER. Although I will not read the entire statement, I would like to direct the committee's attention to the first 10 or so pages of the statement, particularly because that seems to have been this committee's greatest concern during the previous course of hearings on food stamps. So, let me begin on page 1.

On May 6 of this year, the President of the United States, compelled by political realism to take a stand some of his advisers had resisted for 2 months, declared that "the moment is at hand to put an end to hunger in America itself for all time * * *. It is a moment to act with vigor."

The elasticity of that moment is fantastic, 174 days have elapsed—nearly half a year—and you are still enjoying yourselves making wisecracks about deadbeats who waste their limited resources on liquor and marihuana. Even Nero did not fiddle that long. Meanwhile, the food stamp program, which the President made the focal point of his challenge to act in May, decided to bury in August, and resurrected again in September, remains severely undernourished. It atrophies in the hands of the Department of Agriculture bureaucrats who need a stiff cattle prod from both the White House and Congress if they are not to continue to toss in the discard bin at least 15 percent of the funds they are expressly given to distribute in the form of bonus coupons. I refer there to the fact that after considerable struggle in Congress last year to obtain an increased appropriation, ultimately which amounted to $265 million, for bonus coupons, the Department of Agriculture purposely spent, and I say purposely spent, because we had a lawsuit, only $228 million in those new coupons. They came to you asking you to raise their appropriations and then turned around and did not spend 15 percent of them. Every other governmental body concerned with the vitality of the food stamp program and the health of the people it is supposed to serve—from the President to the Senate—has acted with at least some degree of diligence and compassion. Only you have dawdled and exploited the occasion to vend ad nauseaum your disrespect for the humanity of the poor.

I refer, Mr. Chairman, to the statements in these hearings as they have occurred really since the hearings started indirectly on food stamps last April on the Foley bill, Human Nutrition Act of 1969.

I appear before you today on behalf of the National Council on Hunger and Malnutrition in the United States to seek an end to dalliance and a start to drafting and prompt passage of a meaningful food stamp reform bill. I do not propose to attempt to convince you with anecdotes or statistics that there are a substantial number of

malnourished people in this country and that they are to be found among the 36 million persons who cannot afford to purchase the Agriculture Department's low-cost food plan—$127.50 a month for a family of four—with 25 percent of their income. I suspect that very few of you will ever really believe that there is a serious poverty-related nutrition problem in this country requiring urgent Federal action, regardless of the documentation of studies and surveys and the evidence of the eyes of those journalists who have looked at the living conditions of their fellow men with discerning sensitivity. Statesmen like Senator Hollings of South Carolina, who admit that they have purposefully turned their backs upon the plight of others, are rare.

But most of you are acutely aware that there are a substantial number of farmers and farm corporations—some constituents, some contributors—whose incomes would dwindle so as to place them in peril of genteel poverty unless you move with all deliberate haste to enact a new farm bill that gives them sufficient leadtime to bank on the receipt of $3.46 billion in Federal subsidies. Speed, of course, is of the essence when the farmer's ox may be gored.

Indeed, the public pronouncements of your chairman reveal that he believes in that crisis so deeply that he is willing to sweeten a program of guaranteed annual income for well-to-do farmers with a dollar of food stamps for the poor to make sure that the House is willing to swallow the entire potion. Hence, the provision of H.R. 12430, the chairman's Food and Agriculture Act of 1969, which, as an afterthought to a reprise of the present farm program, would make the food stamp program permanently ceilingless, while coercing able-bodied adults into make-work reimbursed only by stamps. In the coalition farm bill, these food stamp amendments are placed symbolically at the bottom of the heap as title XI.

The gist of my testimony today is that this kind of cyclamate, which you seem to think will make the public and the rest of Congress accept whatever farm program you are able to concoct, is dangerous: to the health of this Nation's poor; to the already stunted stature of this committee in the eyes of the House and of the world; and, ultimately perhaps, to the longevity of your precious farm welfare system. No one will benefit from the changes in food stamp operations you deem to be sufficient. Not you, who will have to defend them in front of a House the majority of whose Members appear to be increasingly convinced at final passage—really the closest vote on the particular bill has gone from 40 votes in 1964 to 55 votes last year. The majority of the Members seem to be convinced that food stamps are a necessity and not a luxury for their constituents. Not the farmers. They will not benefit either by having their access to a slice of the pie jeopardized by the skimpy crumbs you propose to toss to the rural, suburban, and urban poor.

When I say rural poor, I think you are aware that several weeks ago Secretary Hardin indicated that under the Nixon welfare program at least 400,000 farmers would be entitled to some guaranteed income from the Government in addition to their working earnings. Certainly, not the poor. They would not benefit, those whose nutritional well-being you would hold hostage until the payment of ransom in the form of farm bill. Today, some 20 million of "them," and that is

the way you refer to them, are excluded from our Federal feeding programs and only 13 percent—3.3 million in July of 1969, the latest statistics the Department has, are able to purchase food stamps, which even then fail to provide "them" with a subsistence level diet. The only proposals before this committee that would materially change this situation and are thus worthy of your consideration are the administration bill, H.R. 12222, a 10-page statute whose 31-day gestation period demonstrates the administration's high degree of technical competence in handling the legislative process, the McGovern-Javits Senate substitute, S. 2547, which eventually won the support of 78 Senators on final passage, and the Foley-Green bill, H.R. 13423, which at last count, had 23 cosponsors.

These proposals, especially the first, are by no means definitive, but they do deal with the crucial barriers that prevent food stamps from reaching those who need them in sufficient quantities to make a difference in food purchasing power. The list of those barriers is awesome. I list here specifically nine barriers that are really at the heart of what prevents people from getting to this program. It is why only 21.6 percent of the poor in the counties where the program exists are able to get food stamps.

The first and foremost is the unreasonably high and inflexibly exacted purchase price or user cost. Second is inadequate total stamp allotment value, and in the course of the testimony which, as I said I will not read in full, each of these are detailed in terms of the program and the solutions to each of these contained in the various bills, the Nixon-May bill, McGovern-Javits bill, and the Foley-Green bill are compared.

Divergent but invariably low eligibility standards.

Complex, time consuming, and wasting certification requirements.

Exclusion of the elderly. And Mr. Biester has already referred to that.

Limited product coverage.

Inconvenient stamp issuance.

Local or State refusal to operate program either at all or effectively to reach all of the eligible poor.

Restricted program funding.

Et cetera, et cetera, and so forth. There are lots more and that is why this took 73 pages to go through.

You cannot and should not proceed to ignore the existence of those barriers by agreeing through the mechanism of the Poage bill simply to turn the program's financial future over to your friends on the Appropriations Committee, while adding a further, even more difficult to negotiate obstacle on the already semi-impassable pathway to the limited pot of gold at the end of the food stamp rainbow.

You should begin at the beginning by accepting what most of you have refused to admit—food stamps is and will remain, until it is phased into direct cash assistance, which, of course, is the administration's program 10 years down the line, a welfare program, albeit a minimal one. Do not continue to fight the obvious. When the first food stamp program—and that has been over the last 3 years the heart of the rhetorical discourse over the food stamp program. Is it a welfare program or a farm program? I think today and certainly before today it is time to realize it is not and never will be a farm program. I will

give you some good reasons why not, not rhetorical reasons. When the first food stamp program began in 1939 with the issuance of orange stamps for cash that were exchangeable for soap and starch as well as foodstuffs and blue stamps for nothing that could be used only for surplus foods, the program's undeniable objectives were to increase farm incomes by pump priming the demand for farm goods among low-income families and to channel food surpluses through normal trade routes to the improvement of the diets of the undernourished. That was stated in the program. But 1939 was 30 years ago. Even the present act states on its face that it is designed to raise levels—it does not say how far—of nutrition among the poor. In 1969 the ostensible purposes of the program concentrate somewhat more on the well-being of needy consumers and less on the financial happiness of the farmer, perhaps because both you and the executive have come to realize that the food stamp program in fiscal 1969 poured only $228.8 million Federal dollars into a retail farm food market estimated at $85 billion from each dollar of which the farmer secures an average of only 39 cents. Thus, the Federal portion of food stamps currently expands the grocery store owners' intake only by one-third of 1 percent and the farmers' income by the same. You can work that out as to—one-third of 1 percent of $27.4 billion is not very substantial. This is not a meaningful farm income program.

The National Planning Association has calculated that even if all of the poor families in the country were brought up to the food expenditure levels of families whose incomes range from $7,000 to $10,000, what we commonly call the middle-class range, $7,000 to $10,000, and even that is getting kind of low these days for middle class, farm output would have to be boosted only 2.1 percent, which would have no significant impact on present farm programs.

The Agriculture Department, which is belated in everything, does not seem to have gotten the word about the food stamp program's economic reality. It still issues pamphlets informing the eager farm public that farmers benefit from the program by citing a test area in which farmers' returns from food bought by low-income families soared 26 cents to $2.01 after food stamps became available. Really, it is the retail grocers who have the real bonanza. They are the only ones who have expressed to you any real economic interest, self-interest, in having this program expanded. But the message seems to have eluded you, and I am referring now throughout this to press releases that have come from this committee since July discussing the basis for this committee's decision to go into the food stamp program.

The chairman would lock food stamp changes into revision of the farm program ostensibly—and this is really a quote from these press releases—because the problems of production and distribution of food are closely related. This superficial logic overlooks the obvious fact that what the farm program is all about is shoring up cotton farmers—I have heard of cotton-pickin' people, but never cotton eatin'—corn and feed grain growers. To tie that into food distribution would seem to relate the poor to cattle and pigs which may be what you feel, tobacco plantations, and the nutritional value of the weed is novel, wool producers, and the concern is there with the outside of the sheep, not innards, and wheat growers; even the poor cannot live on bread alone.

The truth is that the close relationship between the food stamp program and the farm programs and I guess I am saying now what has been the undercut in all of these hearings, is dictated not by logic but by politics and your fear of the so-called urban bloc in the House. I am not so sure the urban bloc exists but you think it does.

You seem to be convinced that unless the poor are given food stamps, the inedible crop farmers may be denied their price supports, nonrecourse loans, payments, and the like. Certainly, no one could accuse you of being bleeding hearts concerned with the welfare of the needy. From your point of view, food stamps is still a program to benefit the farmer—by permitting renewed passage of the farm welfare system.

Despite your Machiavellianism, there is only one meaningful reason to provide poor people with food stamps—to assure everyone in America the means to acquire a nutritionally adequate diet. That is the program's raison d'etre, and it must also be the measure of its success or failure. Cavil to your heart's content about the evils of socialism, the program is a welfare program to feed those who cannot afford to feed themselves. And it is a cheap program at that from the taxpayer's point of view. The $228.8 million spent for bonus coupons in fiscal 1969 is equivalent to $1.09 per average taxpayer. Each John Q. Taxpayer has to shell out at least $28 more to support the nonproductive subsidy farmer.

Let me say something that does not appear on the face of this statement; and that is, I am not here today testifying against my having to pay or indeed you are as taxpayers having to pay $28 to help the farmer. What I am saying is that a $1.09 is not sufficient for the poor and that the two are not and never should be linked together. What really seems to bother most of you, and now I am trying to get to the jugular of these hearings, from reading the hearings, if your chairman's daily bulletins to the press are an accurate indication, is not that you are being beseeched to authorize Federal feeding of the needy; after all, you say you like to feed the elderly, you like to feed the young, but what troubles us is what comes in the middle. What agitates you is the fear that you may be simultaneously permitting Federal aid to go to the "deserving" by whom I am supposing you mean the young and elderly, and the shiftless deadbeats who do not want to work any more.

Your attitude on this matter and the proposal your chairman and perhaps the majority of you—although I hope not—are espousing to sift the shiftless from the faultless through some undefined super workfare is morally obtuse and impractical and represents both an overestimate of this committee's jurisdiction and ability and a failure to understand the declaration affidavit method for ascertaining eligibility. The chairman has complained that he has not had much help in obtaining specific recommendations, as to setting eligibility standards for receiving food stamps, from previous witnesses. Since you are laughing, what we would like to do is offer our humorous help by requesting you to abandon your resolute intent to eliminate the 1½ or 2 percent of deadbeats, and those are your figures, your terminology, no one else's, before allowing the rest of the needy to receive stamps. Our pleas could be based on the immorality of your efforts to turn your backs on people who must have food in order to survive as healthy

human beings, but who do not have the means to obtain it in sufficient quantity, regardless of the reason for their limited means. But if you disdain spokesmen for the churches you are not likely to listen to us. And I am not sure you are going to listen to us anyway. Your refusal to view the poor as human beings like yourselves, your attribution to them of all the sinful desires you harbor within yourselves, your fundamental lack of charity to those you deem inferior—all bespeak a double moral standard. Do you require those who are able to defend themselves to secure their own armaments or else risk being not covered by the offensive shield of our military might? Of course not—because you are determined that you will protect every American from being destroyed by external enemies, although you apparently could care less if the lives of certain few are blighted and prematurely terminated by malnutrition-induced diseases. Would you dare to suggest to a soybean or cotton farmer that you will pay him only in education stamps for his crops because otherwise he might dribble the payments away on a TV or a fancy car? No—because somehow you are able to place yourself in his shoes and you would not think of saying about yourself as you say about the poor: "Why give him money? He'd only waste it."

This, I think—just that particular example is crucial because time and again, you have said you want to give the poor food stamps. No cash, and you want to make sure they do not get their hands on things you do not want them to have. But somehow at the mysterious income level, $3,500, you suddenly are able to trust people and you give them cash. You do not tie the cash down. Subsidy payment is not directed only to worthwhile things. It is directed to whatever the farmer wants to use it for.

Would you conceive of limiting farm subsidy payments by requiring all farmers who receive them to prove that they are still working some acreage or doing something socially useful rather than spending their $20,000 plus in the Caribbean or Paris? And I am not suggesting most of them are. I suggest you do not care who is doing what with what. No, no, a thousand times no, because you respect their innate worth as human beings as well as their votes and campaign funds.

Imagine trying to apply the same moral standard to yourselves that you do to "them." Senator Aiken, with Mrs. Sullivan, the longest-term supporter of food stamps in this Congress, really on the Senate side the introducer of the Nixon bill and by no means a flaming radical, has done the job for you. In the course of the recent Senate debate on food stamp reform, in fact, on September 22, referring to your screening out of the good-for-nothings concept, he stated:

> Mr. President, can you imagine that? The implication was that nothing could be done for the other 98 percent until some way had been found to control the two per cent who cheated. I said when I read that article that I certainly hope they do not apply that rule to the Congress because if they find two percent of the members of Congress cheated in any way, they would have to deny the remainder of the members of Congress their seats until some way was found to deal with the two per cent. I thought that was a rather weak argument for not acting on a food stamp bill.

When, oh when, will you learn that the poor want the same good life that the rest of us desire and are prepared to take whatever steps appear feasible to them to better their condition? The fault, dear Congressmen, is not in themselves that they are underlings, but in the

status quo that offers them no worthwhile opportunities because of their skin color or their lack of education or their nutrition-related physical disabilities or some other characteristic for which they cannot be adjudged guilty.

The lazy Negro—or white—although I assume from the composition of this committee you probably have a Negro in mind, who sits in the sun wearing his master's castoff clothing and eating table scraps from the kitchen and who refuses to work once he is fed you all seem to have in the forefront of your minds is at least 40 years old, if not 50. Why should he work? Would he get paid in cash? Of course not. His bill at the local store might be adjusted downward or some other debt paid off, but he could hardly expect change in his pocket, and if he did, what else would be worth buying with such a pittance other than liquor to help him forget the pain of life. Could he advance if he worked? Where to? What employer with a decent job, construction work, for example, would, without a civil rights law like a gun at his back, offer a black a job before a white man or contemplate hiring in a white collar capacity a man who went to school with eight other grades in one room and never got through high school because his family needed the little help he could give? Why should he work? What could he get out of it—the dignity and self-respect the system had already stolen from him? Hardly. On any Benthamite cost-benefit calculus, work would be worthless.

You do not propose to change this. The job you will offer him under H.R. 12430 will be equally unrewarding: no cash (only stamps), no advances (only glorified WPAism), no dignity or self-respect (not when you have to work or else starve and work moreover for the very officials who have always been your severest oppressors. I do not know how many of you are aware, and I go into this in detail, but the chairman's proposal is to create as he said jobs as there are in the Communist system. I would like to read you something from the chairman's proposal on this. He said he would, "Put them to work even if I had to make jobs as they do in Russia. Get them to sweep the streets with brooms or push leaves back and forth, just do something." And this in return not for cash but for food stamps. So, you would give no cash, no advancement, no dignity or self-respect.

You and the industrious middle-class system you represent have effectively and ruthlessly stifled the drive and life in the hypothetical man you now condemn as shiftless and a dead beat. His 20-year-old brothers and sons have so far escaped. They will not, if you insist upon locking them into a sterile system of payless make work as the price for eating, instead of creating meaningful job opportunities with a future and good pay backed up by adequate training and a supply of food stamps to enable these men to buy the food they must have to stay in the physical and physiological condition necessary to perform well at work.

I would like to turn here very briefly to the workfare proposal and to analyze it in detail. The vague formless workfare——

Mr. ZWACH. Mr. Kramer, what page?

Mr. KRAMER. I am still on page 10. I am going to skim through the next four or five pages rather quickly and then you may ask me no questions or as many as you wish or have time for.

The vague formless workfare you have in mind as a precondition to receipt of stamps is not only outrageous from the standpoint of decency, it is totally untenable from an administrative point of view. I think perhaps you should realize the impracticality. It sounds nice to say all able-bodied adults ought to work but there are some serious questions here both as to your jurisdiction and the thought you put into this kind of idea. If you attempt to coerce all able-bodied food stamp applicants of both sexes to go to State or local employment offices and work in any job they are proffered for 8 hours a day, 5 days a week regardless of the nature of the job and without any compensation other than stamps, which is what the chairman has indicated he would like to do, you will disrupt and gut the food stamp program. Perhaps that is what you want to do.

In the universe of the poor, according to estimates prepared by an interagency manpower planning task force composed of representatives of five agencies, there are an estimated 11 million chronically poor people for whom employment could be an escape route from poverty if it were available. On page 11 there are detailed the way these people break down and the disabilities they have from work.

Yet, you on the Agriculture Committee, without any significant experience in the field of manpower training or adult education or rural nondiscrimination or child care and even less jurisdiction—I should add if you want to write a manpower training bill perhaps the Education and Labor Committee should be entitled to propose a new food stamp program—you would have the temerity to require these 11 million to work or forego access to food stamps. What kind of monster do you propose to unleash?

Are you aware that the unemployment rate is at 4 percent and rising? And this, of course, was the first time Congress expressed the point of view that you seem to be expressing in these hearings, that they ought to work and get off welfare and in 1967 you passed the work incentive program. The House Ways and Means Committee passed the work-incentive program and it ultimately began in September 1968 to get people off the welfare rolls and they have tried, they have tried their best, but have to date enrolled and trained 70,335 welfare recipients but they were able to find jobs for only 9,988 of them, less than 14 percent, and even then they removed only 1,300 of those from public aid. The jobs were that low paying. Do you seriously know what you are about in this area if you are talking about 11 million as opposed to 70,000, and even then out of 70,000 14 percent a year later have jobs?

President Nixon has tacked on to his welfare program revisions a moderate form of workfare that would require some 1.1 million adults—those are his figures. I do not know how many of you are familiar with them. One point one million under his bill, after a reasonable period of time to register at their employment offices for work and accept a bona fide offer of suitable employment, in the absence of good cause for refusing it, or else risk losing their portion and their portion only of family assistance benefits. The Nixon registration—job offer provisions are delineated with a measure of care (albeit not enough); they would apply to a select group of people; 1.1 million, not 11 million; would commence disbursement of benefits for a reasonable period of time to all financially eligible individuals before compelling registration in your case nobody could get food stamps unless they had

a job; would protect individuals from arbitrary cutoffs based on failure to register or refusal to work by necessitating reasonable notice and opportunity for hearing before the cutoffs could occur; there are no such protections in your suggestion; would guarantee that the rest of the family not lose its benefits because of the failure/refusal of one member; no such suggestions in your program; would assure that the jobs in order to be deemed "suitable" must be meaningful work with a private employer and compensated at the minimum or prevailing wage, whichever is higher; and your proposal is make work; Communist sweeping of the streets paid in stamps and working only for government officials; would provide training opportunities and a host of supportive services such as counseling, relocation aid, adult education, et cetera, to prepare individuals for regular employment with an opportunity for advancement; and the Nixon proposals would also furnish child care for those who needed it in order to work. This is complex, 86 pages in length. Your workfare is six lines long.

No national organization involved in the welfare field is convinced that these measures are sufficiently protective of the rights of welfare recipients, and the House Ways and Means Committee, which has considerable experience in analyzing such work requirements, and imposing them, will be scrutinizing them minutely over the course of the next few months. Yet, this committee is bold and brazen enough to suggest a work requirement that dwarfs Nixon's in scope and makes Nixon's look like a blessing bestowed upon the poor.

The administration projects that its food stamp proposal with its $4,000 eligibility ceiling could extend to as many as 11 million people in households across the country, if every county and political subdivision were to install a stamp program and when its program is fully implemented.

Under the administration's proposal—it would probably be more under the McGovern-Javits bill and under the Foley-Green bill.

Your workfare means and refers to the able bodied. How many millions of individuals who are otherwise eligible for stamps on a means test would that encompass? And I go through a lot of examples that you simply have not thought through. For instance, is a nonworking able-bodied person a farmer whose farming operations halt during the winter months or who works less than 40 hours a week because he does not have enough to do? You do not know the answers and you have not put them in statutory form because you have not thought it through. All you want to do is demonstrate your instinct to crack down on the poor regardless of whose head you knuckle.

If you excluded all the people in the above categories that I have not read out, then you merely duplicate Nixon workfare in extent without much gain for the Puritan ethnic but substantial waste of statutory effort. There would, of course, be substantial benefits for State and local government officials who would like a passel of maids or office slaves to order around if only they could pay for them out of the pocket of the Federal Government which provides 100 percent of the costs of bonus stamps. That is the proposal, the Federal Government paying the costs of the bonus stamps. A new form of self-help for the local governments. If you do not excise some or all of these people, then your workfare could dump up to 10 or 15 million more people on State employment offices that are scarcely equipped to service the few

poor persons they handle now. The specter of lines around the block and down the lane and across the field waiting every month in the broiling sun and chilly cold and quietly starving in order to get an OK slip for receipt of food stamps from incredibly overworked employment service personnel is no figment of the imagination. You would merely transfer people from their homes to pseudobreadlines. You would not secure them jobs, since the manpower people would have to spend all their time processing millions of forms and the jobs do not exist and the people are not properly prepared for them in terms of training, education and child care.

I talk about these breadlines. You are going to hear on Wednesday from a group of people very much like yourself, although perhaps even more so. They are upper class, the rich citizens of Birmingham who have done a study of the food stamp program in Birmingham, and they will describe to you in Birmingham, which does not serve very many poor people, how bad the lines get there at the food stamp offices when a less percent of the food poor are being served and here you are talking about putting 10 or 15 million people into the employment offices before they can buy their food stamps. They have really two lines to cross in this case.

Of course, your failure seriously to plumb the depths of your modest proposal goes beyond the nature of the population to which it would apply to the nature of the work you would demand them to accept or face malnutrition and ill health. The chairman has said he would, "Put them to work even if I had to make jobs, as they do in Russia. Get them to sweep the streets with brooms or push leaves back and forth, just do something."

Is the chairman for real? Does he fairly represent you? Do you want to transfer the Communist system to the United States as the price for distributing food stamps? Of course, I am sure you must hate stamps with a passion if that is your ultimatum to this Nation.

The Poage amendment talks about public work performed under the supervision and direction of local government officials. Are you about to unleash an army of ditchdiggers and filler-uppers in every town or are you proposing what the Nixon administration has so far turned its back on, but Congressman O'Hara and others have supported, which is a mammoth public service employment program designed to improve our schools, hospitals, prisons, recreation centers, and other public institutions? If so, we are delighted so long as the jobs pay the minimum wage, guarantee career advancement opportunity and provide a host of supplementary needs. But do not expect education and labor to jump for joy when you start writing their bills for them.

To summarize, then, we would suggest that you abandon entirely the idea of excluding the able bodied and imposing your form of workfare on a food stamp bill, a bill that would either duplicate Nixon's and, therefore, is unnecessary or would cause incredible stress and pain for everybody in the food stamp program and would overwhelm every branch of government you propose to have administer it.

We suggest, and I am not going to read now any more, very careful detail, figures, statistics, which you probably do not want to read, and the tone is not quite like the first 15 pages because we are talking about serious proposals from page 16 to page 73. We suggest what you

could substitute in its place, comparing the provisions as I said of the Nixon-May bill, the McGovern-Javits Senate substitute and the Foley-Green bill. And at the end of each provision we quickly summarize and in a caption called Recommendation, the one we think makes sense.

Now, one quick word on the certification process, self-declaration, which you seem to think means anybody comes along and says, I am poor; give me food stamps. That is not what it means. As we point out here, even Texas is using it now in their public welfare system and they find it working very well. But we have included a sample from the State of Maine—this is the very end of the statement—an attachment, a four-page declaration form for the aged, blind, and disabled public assistance, so it is not just a statement "give me." It is a statement that sets forth a person's resources and his family and everything that is necessary to determine—to decide just how many food stamps he is eligible for. And this would do away with the incredible wastage that now goes on in the food stamp program in certification.

The welfare people are doing away with it in the welfare area and there is no good reason why the food stamp program should be worse administered than the welfare program.

Of course, I know you are concerned with and certainly the Department is concerned with—in fact, I point out later in the exclusion of interest in anything else—the problem of fraud and loss and theft of the food stamps. This is a real problem and the Foley-Green bill in this particular instance offers a solution to this and indeed, the auditing, 10 percent sampling of certification, seems to have worked very well in most States. I gather New York is one major question mark in the welfare area. Certainly, in Texas the head of the Texas public welfare system seems to think that auditing a self-certification mechanism in which you take 10 percent of the forms just like you do in income tax—in income tax you have middleclass, even poor people, declaring their income and you do not put them through an eligibility test with auditors, a 100 percent of them. You audit 10 percent. That is what we are asking for here on eligibility for food stamps.

The Foley-Green bill and the Senate bill would provide migrants into the program. Now, they are really unable to do so because as they move, their certification lapses and in fact, most of the time they move before they can get certified.

The program on the elderly—I think Mr. Foley, who is sitting up there has a right to be proud. In fact, the Foley-Green bill modified the Scott provisions in the Senate and then the Senate adopted what was in effect, the language of the Foley-Green bill, which Mr. Biester has introduced along with 78 other Congressmen, and I hope you will all agree the elderly are worthy of being fed. In fact, if this bill went through, the irony is that the elderly would probably be better off. Food stamps give you single leverage. The average is you put down $3, get back $2, so you get a 40-percent leverage on your money on the average. But the elderly would put down their $3 and get $2 and would go to "meals on wheels" groups, buy food at wholesale rather than retail and therefore expand the money a little bit further. So, the elderly would really be profiting doubly by letting them into the food stamp program.

That open door idea refers to redefining the idea of households, which at the moment limit you if you do not have cooking facilities and do not prepare food for yourself, and a lot of the elderly people live in apartments without even a hot plate and are not able to prepare food for themselves.

The heart of the program—you seem to think the heart of the program is eligibility problems. We think the heart of the problem is how much you have to put down and how much do you get. In this area the biggest fight has been in the free food stamps. Significantly, the three major bills you have in front of you are all united at least on the fact that there ought to be free food stamps. I think there is a very clear relationship between how many food stamps, free, you need to give and the price you are going to charge everybody else after you reach the free food stamp dividing line, and the Foley-Green bill and the Senate bill push the price way down so that perhaps it becomes less necessary to have a lot of free food stamps. In fact, of course, if the Nixon welfare provisions go into effect a year or two from now, there would be no free food stamps because the free food provision at no point goes up to $1,600. The most it is in the McGoven bill is about $770 a year. And below that you get free food stamps.

We would suggest, and the details are in here, that 25 percent be the maximum set. This is what the Senate set, this is what Foley-Green suggests, rather than 30 percent as the President proposes be set as the maximum income.

I do not know how many of you are aware of the fact that in the area of rent the House last week agreed in the housing bill to put the rent maximum input down from 25 to 20 percent and I do not think the cost of food should be one and a half what it is for housing, and as you know, last week Secretary Hardin, not testifying here, I think before the Joint Economic Committee, revealed that this year's figure for percentage of income on food on the average is 16.5 percent, not 17, down to 16.5, and I see no reason why the poor have to put approximately two times that amount into food.

We have given some tables in here. These are pages in the 30 and 40 area. This is all relatively complex.

One problem that there is in devising these tables, how much you get and how much you put down, is that there are problems of disincentives. If you are a lawn-mower you can say to somebody who asks you to mow his lawn in October, that your accountant said not to because you will lose your food stamps. If you get another dollar, you go off the food eligibility figure. This is not a laughing matter. The Foley-Green bill does the best job of trying to cut down on disincentives and they exist to some limited extent in the welfare program but the point is to make it as limited as possible.

Turn to "Produce and store coverage." There are at least two problems not brought to this committee's attention before, one major one. Although many of you will not believe this because a lot of you are from meat producing States, there are areas in this country in which there is no good cheap American meat. South Carolina's coastal towns are an example. There are American sirloins but the only hamburger is Argentinian and to have a poor person forced to buy sirloin instead of hamburger is self-defeating.

The Foley-Green bill suggests if the Secretary under very careful regulations—and, of course, with the meat industry looking over his shoulder, he would be very careful—could allow the purchase of imported food products only where domestic equivalents were not readily available at a comparable price. That might help the people in South Carolina who now cannot buy hamburger with all the free food stamps in the world.

In addition the Foley-Green bill would extend to products involving personal hygiene and home sanitation. Now on the Senate floor there was a lot of rhetoric that people are going to be buying mops and brooms and Drift and Tide and every other thing that manufacturers can sell. Well, I think you could certainly in legislative history make very clear the kinds of items you intend to exclude and you could do it by focusing on the health standard. There is no need for a detergent under any health standard and we, on page 50, give a list of the possibilities you might want to think about if you were going to go into the personal hygiene, home sanitation products coverage.

In addition, we very strongly urge you to expand the territorial coverage of this bill to include Puerto Rico, the Virgin Islands, Guam, and the Trust Territories of the Pacific. There are approximately 500,000 people in those areas now receiving commodities and they, too, deserve food stamps. They are now excluded by the definition of the word "State."

And finally, we would ask you to force the Department of the Army—not just the Army, DOD entirely, to do something they have been loath to do for 4 years, which is allow food stamps to be used by poor military families in their commissaries. It may shock you to think that is even necessary and it shocks me, but military pay is no guarantee that you are poor and under almost any of the eligibility standards including President Nixon's and the Nixon-May bill, there is a suggestion that perhaps 200,000 military servicemen's families could be eligible for food stamps because Uncle Sam does not pay them enough to avoid the food stamps and the only way we are going to make use of those food stamps in a meaningful manner is to let them use them in commissaries.

Now, one provision that has not been brought to your attention I do not think on the hearings before as I have read them is the question of how this program is funded. If your are serious about wanting to link farm programs to food programs, and I think you obviously are from the political point of view, then what is wrong with linking their financing? If they are inextricably interlinked, then let us interlink them.

The Foley-Green bill would do this by making the food stamp program a Commodity Credit Corporation program and the reason for this is quite simple. The reason the Department did not spend $265 million last year is they kept looking over their shoulder at next year's authorization level. I have this contained here in an affidavit that the Assistant Secretary signed in a court suit we had to try to force him to spend those last $37 million. He would not and we lost, because the court said that Congress is taking care of this matter, and that is why we are here today.

The Foley-Green bill proposes to expand CCC financing by $5 billion, which would not necessarily be the cost of the food stamp program. The irony about the food stamp program just as the farm program is no one can really tell you how much they are going to cost. Nobody knows and the Department least of all. The Department does not even know how many people participate for how many months during a given year. They could not tell you if 2 million participate for 1 month and 5,000 for 10.

They do not know those kinds of things, have no statistics, no information retrievable and they certainly cannot reasonably predict, they have all felt—they know that as well as you probably do—how much is going to be spent in any given year. They know how much they can hold down but they do not know what the exact sum is going to come out to be.

In the affidavit written about June 25 or 26 they estimated they were going to spend about $235 million to $240 million and about a month and a half later it turned out to be $228 million. It is a significant difference over the course of 6 weeks and it shows you how little control or understanding they really have of what the program will cost.

The only way to make this program work is not open ended authorizations because that still faces you with spending only exactly what you are given but the same way you handle the farm program. A year later financing.

Now this does not mean suddenly you are spending $10 billion on food stamps. Quite obviously, the Secretary and Bureau of the Budget are not going to allow that to happen. I think it would be very instructive—well, perhaps it would not be—if you asked the Bureau of the Budget to come up here and tell us exactly how much they plan to spend on food stamps this year even if they get your 610 authorization. Perhaps the Bureau of the Budget is more conservative than you are where money is concerned. Just by adding $5 billion to CCC does not mean they are suddenly going to turn around and spend $5 billion on food stamps but it does mean they are going to try to make the food stamp program reach as many people as possible.

The Nixon administration, although this is not in the Nixon-May bill, has also suggested and in fact, asked Senator Dole on the floor to make this amendment—it was included in the final bill—to permit variable purchase by consumers which means that you can go in and put a down payment on your food stamps and not pay the whole price.

An example I might give you so you know what we are talking about, is under the current tables in the north a mother of six with a monthly income of $250 would have to put down $40 in cold cash every 2 weeks to finance her stamp collection and, of course, if she was only there buying once a month she would have to put down $80. You imagine your own wife going into a supermarket once a month with $80 in cold cash. It just does not happen that way.

What happens, particularly with poor people where the cash flow is much more restricted it may add up to $80 a month but not $80 once a month or $40 twice a month. And the only way to beat that obstacle is to let them come in four, five, six times a month and put down whatever they have got and that makes a lot of sense, and the Nixon administration has come to approve that.

I gather that was at the personal instigation of Mr. Nixon in August. Secretaries Hardin and Finch came out in favor of that on September 15.

As for sites for coupon issuance, the Senate, Senator Talmadge's proposal suggests that post offices be used. We would suggest this would be the case here, and significantly cut down local cost.

Finally, turning to the administration of the program, the President has recommended what we think is almost an incredible proposal, that the Governor have to overrule local welfare people and come to the President and say, look, help me install a food program in every one of these counties because they do not want to do it themselves, because if he did not, after a certain date, nobody in that State would receive food stamps. This is the cutoff concept which most of you object to in lots of ways, the cutoff concept run wild. The personal example of California—there was a legislative bill which said every county in the State had to have a food program. They wanted it. Governor Reagan vetoed it by saying we should preserve local options.

You can imagine how many people are going to have food stamps in California a year from now if the President's provision passed. So, we suggest that you require as of January first, 1971, every county in the country have a food stamp program or less the Federal Government will run it for them because otherwise what you will have is California without any stamps at all.

In addition there are other circumstances under which the Federal Government should take over the program and that is when it is performing poorly. We go into that. The Senate bill has such a provision, so does the Foley-Green bill, and finally, the thing that most concerns local administrators is how much is this going to cost me, the two big costs being certification and coupon issues. If you allow the post offices to issue the coupons, the costs go down, so by putting this in the post offices and with the simplified certification, you help local governments as much if not more than you help the poor people.

That is the burden of my testimony. It is perhaps too complete.

As I said at the very end of the testimony there are three attachments. One is this comparison of all bills, 26 items. Another is the sample declaration form for Maine. And the final is the June 1969, figures of low cost, moderate cost and liberal food plans. You might take a look at those, take them home to your wife and see how much she spends for a week when you fit yourself into the characteristics indicated on the left hand side of the table. That is the very last attachment to our statement.

(Mr. Kramer's full statement with attachments is in the files of the committee.)

The CHAIRMAN. Thank you, Mr. Kramer. We suggest you stand aside for some of the—Mr. Mikva has been here some time, and I wonder if you might not stand aside before questioning and let Congressman Mikva testify.

We will be glad to hear from you, Mr. Mikva. We appreciate your attendance here.

STATEMENT OF HON. ABNER J. MIKVA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. MIKVA. Thank you, Mr. Chairman. That is a hard act to follow or even interrupt.

I come to you with no polemics or no fireworks, and I won't take much of your time.

With your leave, I would like to submit my statement and make it a part of the record and just summarize very briefly.

The CHAIRMAN. Without objection, the statement will be a part of the record. That is your written statement. Your oral statement will not be unless you want—you do not insert both your oral statement and the written statement.

Mr. MIKVA. The written statement will suffice.

The CHAIRMAN. Thank you.

Mr. MIKVA. Let me say just very briefly, Mr. Chairman and gentlemen of the committee, that it isn't very often that my urban constituency on the south side of Chicago is so directly affected by legislation that this committee is considering. I think it is always affected by it, but more on a trickle-down basis than this particular bill, where it is so vitally and directly concerned by your deliberations.

I won't cover all of the concerns I have. I am here on behalf of what I think is really a very narrow provision that transcends all of the philosophical and political disagreements that there might be about the food stamp program; that is, if there is going to be a program, it ought not to discriminate against people because of their age.

The present program, because of the physical disability that many people have for cooking, does just that. Therefore, I am here in support of the bill, which I cosponsored with Congressman Biester from Pennsylvania, which would provide amendments for the food stamp program to allow our elderly citizens to take advantage of that program, measure for measure, with others and to not be restricted simply because they cannot cook their own meals.

It is a modest proposal in terms of cost. It is one that can be easily policed and administered. The way the bill is written the food stamp provisions would be made available to not-for-profit organizations which, in fact, provide meals for the elderly, and I earnestly commend the provisions of that bill which did pass the other body to this committee. I hope whatever else comes out that we do not continue to say that some citizens can get food stamps and even some old citizens can get food stamps, but if they are old citizens who are invalids or disabled and can't cook their own meals, then we turn up our noses in disdain and say they don't have to eat.

I thank you, and I will be glad to answer any questions.

The CHAIRMAN. Thank you. We appreciate your sharing with us your view.

Any members who want to question Mr. Mikva?

Mr. MIZELL. Mr. Chairman, I have just one question, if I might.

For the "meals on wheels" that are served to the shut-ins at this time, is this charitable?

Mr. MIKVA. Yes. Well, it is charitable. It is not for profit, Mr. Mizell, in the sense that——

Mr. MIZELL. But the shut-ins don't have to pay for those meals?

Mr. MIKVA. In some instances, they do. It varies from locality to locality and not all of them are the "meals on wheels." In many instances church groups and others will provide an at cost program where shut-ins and others pay the very minimum cost and sometimes it is a floating scale even in terms of what they really can afford to pay, but some of them do pay something as I understand.

I know in my town some of the religious groups that sponsor these programs do charge on an at cost basis. They are all not for profit. I know of no one who is making any profit out of these "meals on wheels" or shut-in programs.

Mr. MIZELL. Thank you.

The CHAIRMAN. Mr. Myers.

Mr. MYERS. Thank you for a very good statement.

As I understand it, then, under your amendment the shut-ins would be provided for under a cooperative arrangement; is that correct?

Mr. MIKVA. That is correct.

Mr. MYERS. Where they bring their stamps in in lieu of cash and pool their stamps and someone else prepares it?

Mr. MIKVA. Someone else prepares the meal and as was pointed out previously, this would give a double advantage to them, but I don't know anyone who needs that advantage in the sense that they would get the advantage of the food stamps and they would also get the group-buying power.

Mr. MYERS. I don't know if it is any advantage. I think it is a necessity probably if they are not adequately able to take care of themselves.

Mr. MIKVA. That is correct, and there is still an extra cost in the fact that someone has to prepare the meal for them, so that dollar for dollar they are not going to be able to eat even with this any more cheaply than the person who prepares his own food with food stamps.

Mr. MYERS. In spite of what has been said today, I don't think this committee is out to keep anybody from eating but you have no objection. I take it, on page 2, to require people to work who are able to work so we can give more to——

Mr. MIKVA. No, and I will let you save the rest of your questions for the witness I interrupted.

Mr. MYERS. You suggest on page 2, the middle paragraph, that there might be some charges, maybe some validity to that argument and I take it, then, you have no disagreement with the committee's position on that.

Mr. MIKVA. I have no disagreement that people who are able to work ought to be given every encouragement, incentive and inducement to work and if that is a little equivocal I intended it that way.

Mr. MYERS. Thank you.

Mr. MIKVA. Thank you.

The CHAIRMAN. Any further questions?

If not, we appreciate your attendance.

Mr. MIKVA. Thank you, Mr. Chairman.

(The prepared statement follows:)

STATEMENT OF HON. ABNER J. MIKVA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. Chairman, I am pleased to have this opportunity to appear before you and your distinguished colleagues of the Committee on Agriculture to lend my support to the proposed amendments to the Food Stamp Act of 1964. The citizens of

the Chicago area whom I represent are not usually so directly affected by the legislation under the jurisdiction of this committee. But these amendments are aimed at ameliorating a problem which must concern all Americans, urban and rural dwellers alike: the tragedy of hunger and malnutrition in our midst.

There has been a great deal of discussion lately, in the Congress and in the Nation, about our national priorities and the way in which these priorities are reflected in congressional action. There can be honest and sincere disagreement over the demands of our national security and welfare, and the manner in which our limited tax resources should best be used. However, it seems clear to me that we can all agree on at least one goal: That no American should suffer from hunger in a nation which enjoys the greatest prosperity of any people in history. This seems so simple and so obvious that it is sometimes difficult to realize that this problem really exists, that it isn't merely an artifact of our fear that there must be something wrong with our prosperity somewhere. No, Mr. Chairman, I can walk through several square miles of the most congested neighborhoods in my district, and assure you that the problem of hunger is a real one, that it is a daily tragedy that we can and must eliminate now.

The amendments to the Food Stamp Act which you are now considering will not do the whole job. However, the food stamp programs are providing many Americans with the daily sustenance that they would otherwise lack. In the complications of the legislative process, we can occasionally lose sight of the first principles upon which a proposal is based. In this case, the principle is a simple and humane one—namely, that human beings shall not go hungry so long as their neighbors have the resources to help them. This is a principle which no civilized society can forsake, and it is one which we must continually attempt to transform into a reality.

The food stamp programs have been the subject of considerable criticism. It has been argued that the stamps are being spent on luxuries rather than on necessities. It has also been argued that the people who now receive food stamps could work and support themselves if they wanted to. There may well be substance to some of these charges: It would be foolish to totally condemn or to totally exonerate a program as new as this one; but even to the extent that these criticisms are valid, they cannot apply to the amendments which you now have before you.

These amendments will assist in making available to the elderly in practice the benefits of this program which are now too often available only in principle. In principle, the benefits of the food stamp program are available to all Americans who lack the resources to feed themselves. In practice, many of our elderly citizens are physically unable to prepare their own food, even if it is available to them. The purpose of the program is not to give people food so much as it is to enable them to eat.

Our elderly are the persons to whom we owe our greatest debt as a society. What this country is and what it can be is a reflection of their many years of labor and industry. Can we now in good conscience deny them even the right to survive in the midst of the affluence they have created? Clearly we cannot.

Mr. Chairman, the problem of hunger cannot be a partisan issue. When people are hungry, they have little time or energy to worry about the intricacies of political ideology. The amendments before you today are being sponsored by members of both parties, and an identical bill, already passed by the Senate, was originally introduced by the current minority leader, Senator Hugh Scott. I appear in support of these amendments not as a Democrat, but as one citizen concerned that many of my elderly neighbors may not have a proper meal this evening.

The CHAIRMAN. Has Mr. John Wilson come in?

Mr. WILSON. Yes.

The CHAIRMAN. Mr. Wilson was supposed to file a statement last Friday afternoon. I don't believe he filed it.

Where is Mr. Wilson?

What sort of statement do you have, Mr. Wilson? You did not comply with the rules. You did not file your statement as you were advised you should.

Mr. WILSON. What did you say? I didn't hear you.

The CHAIRMAN. Christine (clerk), you sent out notices, I understand, advising prospective witnesses to file their statements by last Friday afternoon.

Mrs. GALLAGHER. All witnesses are notified to have their statements by 4:30 of the day previous to their testimony, which would have been last Friday.

The CHAIRMAN. Yes. You received notice; didn't you, Mr. Wilson.

Mr. WILSON. No, sir, Mr. Chairman; I did not receive any notice.

The CHAIRMAN. What notice did you get to be here today?

Mr. WILSON. Mr. Chairman, my secretary gave me a message that I was supposed to testify this morning. She did not give me a notice.

The CHAIRMAN. Well, the secretary got the notice.

Mr. WILSON. She got a phone message, Mr. Chairman. What happens, Mr. Chairman, is——

The CHAIRMAN. You got a phone message. From whom?

Mr. WILSON. When?

The CHAIRMAN. From whom?

Mr. WILSON. I don't know, Mr. Chairman.

The CHAIRMAN. You don't mean the phone just rang without anybody phoning you?

Mr. WILSON. The phone rang, Mr. Chairman. I did not answer the phone, so I don't have the slightest idea who made the call.

Mrs. GALLAGHER. Who is he with?

Mr. WILSON. I represent the National Sharecroppers Fund.

Mrs. GALLAGHER. Oh, yes, they have had several messages and they were told of the rules of the committee. We do not have their statement.

Mr. WILSON. No, you do not have our statement.

Mrs. GALLAGHER. They have had several phone messages back and forth between Mrs. Hannah and myself but, I had not received their statement at the time the committee went in session. I have been looking for the statement and the spokesman for the group.

The CHAIRMAN. That is the point, as to why we didn't get a copy of your statement. You can understand what we are faced with here, with as many witnesses as we have, some of them filing statements 73 pages long. It is not that we want to preclude you from being heard. We are going to hear you. But we are trying to find out why you didn't comply with the regulations.

Mr. WILSON. Well, Mr. Chairman, I didn't know the regulations.

The CHAIRMAN. All right. We will hear you. We will be glad to hear you. Come forward and let us hear you.

I do want to suggest to other prospective witnesses that the committees would appreciate the courtesy of either filing a statement or giving us some idea as to why you are not going to or why you haven't prepared one.

STATEMENT OF JOHN WILSON, WASHINGTON REPRESENTATIVE, NATIONAL SHARECROPPERS FUND

Mr. WILSON. Mr. Chairman, I don't wish to read this statement. What I would like to do is just file the statement with your office and have it placed in the record.

The CHAIRMAN. Without objection your statement can be printed in the record as it appears here. Your oral statement will not appear under those circumstances.

Mr. WILSON. Right.

The CHAIRMAN. We will be glad to hear from you.

Mr. WILSON. What happens is, Mr. Chairman, I think that the committee and the country are well aware of the fact that we need food stamps. I think they understand that there are poor people in this country. I think what happens is that decisions on that level will have to be made by you. What happens is that I don't think that the Government will make the proper decision. It never has in the case of the poor. And to some extent some people believe that it never will.

And we also feel that what has to take place in this country is that we have to stop talking about who is qualified to receive food stamps because we know who is qualified to receive food stamps. We know who is hungry in this country and if you and your colleagues sit in the House of Representatives, you should be well aware of what is going on in this country. So therefore, you should be well aware of the fact that people are hungry in this country and you should be aware of the fact that no one can do anything about that but you.

So what happens is that I don't think that the Congress at this point feels that poor people and hungry people in this country are something that they should be sorry about. But, however, I do feel that this problem is going to come back to haunt us and to haunt you basically in the coming years.

Thank you.

The CHAIRMAN. Thank you, Mr. Wilson.

(The prepared statement follows:)

STATEMENT OF JOHN WILSON, WASHINGTON REPRESENTATIVE, THE NATIONAL SHARECROPPERS FUND

My name is John Wilson, and I am the Washington Representative for the National Sharecroppers Fund. We appreciate this opportunity to testify in favor of the amendments to the 1964 Food Stamp Act, as enacted by the Senate on September 24, 1969. In the past few years, there has been a flood of material from both public and private sources regarding hunger and malnutrition in the United States. Since this committee has access to most of this material, it would be redundant for me to go over it with you. Besides, at this point, I do not think that there is any question as to the need for the food stamp program. There is, however, the question as to what constitutes an adequate and effective program. It is to this question that I wish to address my testimony today.

First of all, where the lives of millions of hungry Americans are concerned, this country, as Senator McGovern has said, "should not be satisfied to meet the problem halfway." Congress, therefore, should provide adequate financing for any food stamp program that is enacted. It is for this reason that the National Sharecroppers Fund gives its full support to the provisions in the amendments enacted by the Senate authorizing the appropriation of $1.25 billion the first year, $2 billion the second year, and $2.5 billion the third year.

Second, no qualified person should be prevented from receiving food stamps because he cannot afford them. There is overwhelming evidence that many poor people have not been able to participate in the food stamp program simply because they have not had enough money. This was well illustrated when certain counties in Mississippi changed over to the food stamp program from the commodity distribution program. For example, in Forrest County in March 1966, the last month of commodity distribution, 5,958 participated. In March 1967, 2,991 persons were helped under the food stamp program. In Madison County, the number dropped from 11,244 receiving commodities in September 1965 to 5,714 receiving food stamps in March 1967. Therefore, we fully support those amendments enacted by the Senate easing the financial burden of the poor in

obtaining the stamps. These would include the following provisions: Any family of four earning less than $60 per month income can receive free stamps; no family will be required to spend more than 25 percent of its income on stamps; a family can buy less than their full allotment of stamps, and so forth.

Third, the administration of the program on the local level must be such that any qualified persons can obtain food stamps with ease, with dignity, and without delay and harassment on the part of local officials. For it is on the local level that these programs too often break down. Perhaps, the following case histories related to us by a member of our southern field staff will help to illustrate what I mean:

> Mrs. A. H. had to visit the surplus food office five times before she was accepted. She lives about 15 miles from the office. She has no car. Each time she had to arrange for rides with friends.
>
> The first time she went to the office, she was told that they were taking inventory and couldn't take her application that day. She returned a few days later and was asked about her family. She has a foster son, 22, who is mentally retarded. She was told that unless she could prove that he was retarded, he would have to get a job. So she returned a third time with papers from the Army, certifying that he was rejected on grounds of his mental disability. But then they asked her if she owned any land. She said that she owns 8 acres of land and that she rented out 4 acres last year. She was told to bring a statement from the man who rented the land from her, certifying the amount he paid her. When she returned the fourth time with this information (she received $16 in rent for the land) she was told to bring information about her late husband's railroad retirement plan. She contacted the railroad and provided this information on her fifth visit. She was finally certified to receive food.
>
> On the 17th of May, the first day assigned to Mrs. A. H. to pick up her food, she got a ride into town at 6 a.m. with a friend who was going to work. The appointment to pick up her food was at 2:50 p.m., so she spent the day in town looking for someone to drive her that afternoon to the food office and then give her a ride home.

All of this delay and harassment was cruel and unnecessary, but it is typical of what many poor people must go through to get the food they so desperately need. Another case history in which the family did not receive food will further illustrate what I mean:

> Mr. W. M. has gone to the surplus food office three times so far, and has not yet been accepted. The first time he went, he was told that he wans't eligible because his grandson, who lives with him, should be working to support he and Mrs. W. M. His grandson is 16 years old and a junior in high school.
>
> After a week or so, Mr. W. M. decided to go back. He was told that day that they were taking inventory; that they were not taking applications.
>
> On May 1, he went back a third time. Before he was able to enter the building, one of the women who works in the office came to the door, wouldn't let him in, and told him that she "didn't have time to talk" with him. She wrote the date, May 20, on a slip of paper, handed it through the door, and told him to come back then to apply.
>
> W. M., his wife, and grandson are hungry. Mrs. W. M. decided that her husband shouldn't wait until May 20, only to be turned away again. She called the surplus food office a few days later. She tried to explain their need, their limited income, and that they needed food. The employee hung up on Mrs. W. M. in the middle of a sentence.

In view of the treatment poor people receive on the local level, it is essential that those amendments providing for the determination of eligibility through the filing of an affidavit of income, permitting recipients to buy food stamps at post offices, the mailing of stamps to recipients, et cetera, be enacted.

The National Sharecroppers Fund also recommends the training and use of poor people as nutritional aides. In this position, they not only could give nutritional instruction to food-stamp recipients, but they could also spread information about the program to the poor, who often must rely on word of mouth to learn of the program; they could help qualified persons in getting the program; and, what is perhaps more important, they could watch the program to make certain that it is being administered in the interest of the poor.

We consider all of the above provisions essential to an adequate and effective food-stamp program. We would also like this committee to consider the possibility of using the food-assistance programs not only in combating hunger and malnutrition but also in combating rural poverty. This would require a drastic reorientation in both national agriculture policies and food-assistance programs. This program would permit the small, marginal farmers, who presently are being squeezed out of farming, grow the food, and the Government would then distribute it to the hungry. This would require extensive technical and financial assistance from the Government. Programs would have to be set up to teach the farmers to grow the various crops and raise the animals. MDTA programs would have to be set up to teach farm and cooperative management. Loans and grants would have to be given to the farmers. But certainly this is nothing new. The Federal Government has been doing this for years for many farmers who now farm successfully. For years they have received technical assistance with regard to such things as farm management and crop diversification, and they have received loans to buy land.

The U.S. Commission on Civil Rights has provided extensive documentation showing the great discrepancy in services provided by the U.S. Department of Agriculture to the white farmers in the South as opposed to the black farmers. The National Sharecroppers Fund believes that it is high time that an effort should be made to make up for the years of neglect that the black farmers, as well as other small farmers, have experienced.

Increasing concern has been expressed concerning the migration of the poor from the rural areas of this country to the cities. The fact is that many poor people would prefer to stay in the rural areas; that is, if it were possible for them to make a decent living. The program we have suggested would be a comparatively small investment by the Government and would bring large returns in helping strengthen the rural areas, curtail migration to the cities, and feed the hungry.

The CHAIRMAN. Now, Mr. Graham I marked off my list. Is he not going to appear?

Mrs. GALLAGHER. Not today. He asked to come later.

The CHAIRMAN. Mr. Wilson, if you will remain at the table and I will ask Mr. Kramer to come back. If there are members who care to question either of these witnesses, they will have the opportunity. Are there any questions of either of these witnesses?

Mr. Montgomery.

Mr. MONTGOMERY. Mr. Chairman, I have no questions of Mr. Kramer. I would just like to point out to him that if it hadn't been for the chairman of our committee, Mr. Kramer, you would not have had the opportunity to make such testimony as you made today. I might say the majority of the members of this committee have felt we have had enough hearings on food stamps by the July 5, 22, 29, 31, August 6, September 3, 4, 5, October 21 and 27 hearings. Our chairman on his own felt that we should have more hearings on food stamps and I know in your testimony you did not mention that you had the opportunity to testify and I wanted the committee to know that the chairman's feelings on this matter were to give everyone a chance to say something.

That is all I have, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Montgomery.

Mr. Melcher.

Mr. MELCHER. Mr. Kramer, for some reason you seem to have directed a considerable amount of wrath not only toward the chairman but toward me and the rest of the members of the committee, but there are points that I think all of us agree on within your vigorous presentation.

I do want to say, though, that I think it is quite a glib and phrase-making type of presentation and I do believe that it is a rather inten-

tional smear of American farmers and ranchers. When you speak about a farm program which allows farmers to buy new cars or television sets, or get $20,000 annual income to take a Carribean cruise, it seems to me quite contradictory to other areas of your testimony where you speak of the Secretary of Agriculture's belief that perhaps 400,000 farmers would go on welfare under the new Nixon welfare plan.

But I think we have to take the view here on this committee, and I hope throughout the Nation, that agriculture is a basic industry and that the $3.4 billion that you referred to that is put into the farm program is something for all of the Nation. That leads me to this point.

Don't you feel that since 16 percent of consumer income is spent for food and is admittedly the best bargain worldwide, do you think that has quite a bearing on how much food can be purchased with the dollars of food stamps that the people have?

Mr. KRAMER. Let me answer really what you said in a threefold way.

To begin with, do not take my statement despite the violence of my rhetoric as condemning farmers. I don't know whether anybody uses the $20,000—what they use it for. Neither do you, and the point I am making is that you don't care, but when you give a poor person on food stamps $20 a month you want to be very sure they only use it for something. All I am talking about there is the double standard.

Mr. MELCHER. Mr. Kramer, what gives you the idea that I don't care about the $20,000 or the people that are hungry?

Mr. KRAMER. Perhaps I am guilty of guilt by association, Mr. Melcher. I am really referring to the unrefuted press releases that have been released by the chairman's office seemingly in the name of the committee.

Mr. MELCHER. Well, I read the press releases and I don't find in them the reprehensible ideas that you seem to find, Mr. Kramer. But be that as it may, let us get back on agriculture as an industry, and whether or not the farm program has anything to do in your mind with the production of this food for the consumers, for all consumers, whether or not they have food stamps, at a very low price. Do you agree that they do?

Mr. KRAMER. I think there is a myth on both the conservative and liberal side of the House that the farm program has anything to do with what people eat. Perhaps it does with respect to the dairy products but certainly not with respect to cotton, tobacco, feed grains on a very, very indirect basis because, of course, cattle eat feed grains. I don't think the farm program is a food program and I think that when we yell about the farmers getting subsidies to produce—not to produce foods, that is false because these are not food producers and just the same way I don't think that the farm programs that you are talking about passing here have really very much except on an indirect basis to do with the fact that people only pay 16.5 percent for food. I think that is a different part of the agricultural production system, not included perhaps in the farm program.

Mr. MELCHER. You seem to have very definite views about a wheat program, or a feed program, or a dairy program but if they don't have something to do with the cost of food in the marketplace, how do you relate this fact, included in your testimony, and apparently agreeing with the Secretary of Agriculture, that 400,000 of our present farmers would go on welfare under the new proposed welfare program of President Nixon? What does this mean to you?

Mr. KRAMER. I think we are in agreement. Maybe you don't want to be in agreement with me, I would like to be with you. I felt the defect of the farm program you are talking about, of course, they do not get to the poor producer and it is those defects than lead to 400,000 marginal farmers forced to turn to Nixon welfare.

Mr. MELCHER. Well, I view this a little differently. Perhaps it is because where I come from and my intimate knowledge of what the various farm and ranch producers are doing and what their level of income is, and I will assure you that the farm programs do get to the farmers of every level in my area and the ranchers there, too.

Now, Mr. Kramer, while you are giving us a wide range of authority to solve all of the welfare problems the Nation has, by inference in your testimony, you do recognize the fact that this committee will not make the appropriation for the food stamp bill, it comes from the Appropriation Committee. You are aware of that?

Mr. KRAMER. Yes, I am.

Mr. MELCHER. And that regardless of what we would like to do, the proposal to make it open-ended in Chairman Poage's bill does indicate that we are urging the Appropriations Committee to appropriate a sizable portion of money for the food stamp program. You are also aware of that; are you not?

Mr. KRAMER. I have no quarrel with the open-ended requirement. I would quarrel with what accompanies it.

Mr. MELCHER. Then in your testimony you did not seem to make it very clear whether or not you are aware that the proposal to allow work in lieu of cash refers only to that amount of cash that the head of the household pays as his share of the food stamp cost. You are aware that the work would only entail his portion; are you not?

Mr. KRAMER. I am clear what the work would entail, but the provision is so vague and so short that it doesn't make that other issue clear at all. As I said, Nixon talked it out in terms of 86 pages in the welfare field provision which is quite comparable although far better.

Mr. MELCHER. That is all I have.

Thank you, Mr. Chairman.

The CHAIRMAN. Any other questions?

Mr. SEBELIUS. Mr. Chairman.

Mr. Kramer, I, probably like Mr. Melcher, take a little offense at your remarks on page 2 about well-to-do farmers, when the average income of the farmer last year was about $4,000 a year. This meant he got less than a minimum wage for his time and nothing for a $70,000 investment or he got little over 5 percent on his investment and not a dang nickel for his time.

I bring this to your attention for one purpose. We are talking about the small farmer and farm programs to protect the small farmer. If you will think about the fact that you paid 25 cents of your dollar for food 20 years ago and that you pay only 16.5 cents now. If you are not satisfied with that record, wait until we lose the small farmer and corporate farming starts pricing food for you.

The farmer is in bad shape too, but, when it gets down to what he sells and what he has to buy, I am sure none of them would buy their cattle with food stamps. I would like to bring one other thing to your attention.

Maybe this is a lecture in reverse because I never took Dale Carnegie's course and I don't know that you——

Mr. MYERS. I don't think he has either.

Mr. SEBELIUS (continuing). Want to accomplish anything more today than getting your name in the paper, but you impugned the integrity of this committee and the chairman, so I would like to bring a couple of other things to your attention. I think I have as much compassion in trying to solve the problems of the poor as anybody, but you seem to want to attack the idea that they should work.

My father died and left my mother with six children, the youngest of which was 6 months old at the time. My mother spent all of whatever she had to get us through school. Today she is 89 and in the hospital, but her six children are paying her back and we are taking care of her without a dime from welfare.

I think it is high time a little spirit of what American initiative means goes into the thoughts of this problem and we will then try to get caught up with the rest of the problems.

I apologize to you if I get a little emotional, but I, too, have a little concern. The problem of poverty is not all on the full path of give-it-away and then we solve it. Thank you for listening to me.

The CHAIRMAN. Thank you.

Mr. ZWACH. Mr. Chairman——

The CHAIRMAN. Yes, Mr. Zwach.

Mr. ZWACH. Mr. Chairman.

Mr. Kramer, I listened with a great deal of interest to your comments. I certainly hope that you know a lot more about some things than you know about agriculture. I think your hatemongering and venom that you unloaded today on producers of food is a tremendous insult upon the people who have done the miracle job in our country and they have brought the costs down to 16½ percent. Nowhere else in the world ever have we had this. And if we follow your apparent suggestion, food costs in the future are going to become a great deal bigger percentage of the American income dollar.

I would hope that you wouldn't feel that it would be necessary to insult the miraclemen of this Nation nor to make points on some things that you know nothing about.

Could we have for the record, Mr. Chairman, the information regarding the National Council on Hunger and Malnutrition? Could we have for the record the names in that organization and the financial support of it?

Mr. KRAMER. Certainly.

The CHAIRMAN. If you will furnish that for the record, Mr. Kramer, we will be much obliged.

Mr. ZWACH. Thank you, Mr. Chairman.

Thank you, Mr. Kramer.

(The information referred to follows:)

THE NATIONAL COUNCIL ON HUNGER AND MALNUTRITION IN THE UNITED STATES

WHAT IS THE NATIONAL COUNCIL ON HUNGER AND MALNUTRITION IN THE UNITED STATES?

The National Council on Hunger and Malnutrition in the United States (the Council) is an educational-charitable organization supported by approximately ten foundations and individuals primarily to mobilize local action to reform and provide additional resources for Federal food assistance programs, including

food stamps, commodity distribution, and school lunch, as well as to undertake any other activities furthering the objective of assuring every American family an adequate diet.

The Council is governed by a board of 19 individuals including prominent physicians, nutritionists, food industry personnel, educators, and leaders of social action organizations. It has had a staff of up to sixteen persons, ten of whom travelled and are travelling throughout the country in an attempt to galvanize volunteers from various church, civic, social welfare, charitable, medical, college, youth, poverty and other groups or coalitions to devote their time, energy, enthusiasm, and where possible, funds, to overcoming the obstacles that prevent Federal food aid from reaching all the people who need it.

The Council hopes to achieve its aim of assuring every American family an adequate diet regardless of ability to afford it through local organization around the issue of hunger and malnutrition, detailed local inquiry into the conduct (or misconduct) of the appropriate Federal programs, and local action to remedy the defects revealed by investigation by cooperating with or bringing appropriate pressure to bear upon the local and state officials who are responsible. The Council does not undertake the necessary local effort itself, but does supply organizational impetus and the technical know-how to equip interested local people to ask the right questions and devise the best possible solutions. To spur this process the Council publishes various action reports on the status of Federal food aid programs in Washington and the rest of the country and is in the process of preparing for publication a lengthy guidebook for volunteers explaining in detail the nature of the programs to be reformed and describing step-by-step the actions which volunteers might take to improve the feeding of the poor.

The CHAIRMAN. Any other questions?

Mr. BURLISON. Mr. Chairman, I would like to ask Mr. Wilson a question.

You indicated, I believe, that we all know who the hungry are, who the malnutritionists are. I believe that was the substance of your statement? Are you hungry?

Mr. WILSON. No, sir. I am not hungry. I am glad I am not. If I had to wait for certain things to take place for me to eat, I would understand the situation that I would be in.

Mr. BURLISON. Now, can you please give me the names of some people that now are hungry?

Mr. WILSON. Can I give you the names of some people that are hungry?

Mr. BURLISON. Yes.

Mr. WILSON. Of course, I could give you some names of some people who are hungry but I don't see what that proves. I am saying that in essence we can look into communities and we can look into rural areas of this country, and we can see that.

Mr. BURLISON. Can you give me the name of a hungry person now?

Mr. WILSON. Yes.

Mr. BURLISON. That is what I asked you.

Mr. WILSON. No, I can't.

Mr. BURLISON. All right.

Mr. WILSON. I can and I am not. I will put it that way.

Mr. BURLISON. That is all I have for Mr. Wilson.

I don't have any questions for Mr. Kramer. Could I say this, that it has been my practice, Mr. Chairman, and I have found it to be fairly good practice, that when you are libeled and slandered and defamed, smeared, as one of the other gentlemen termed it here, that about the only response that you can make to that is that it doesn't deserve the dignity of a reply. I think Mr. Kramer has succeeded very well and I would hope that the press is well represented here—I take it they are—and his purpose will be accomplished.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Burlison.

Any other questions?

If not——

Mr. MYERS. Mr. Chairman, I would like to ask Mr. Wilson, what is the National Sharecroppers Fund? I am not familiar with it.

Mr. WILSON. The National Sharecroppers Fund is an organization which organizes and works with rural farmers, rural small farmers. We organize farmers into cooperatives. We organize farmers into nutrition programs and things of that sort. We cover the whole rural area, mostly problems that——

Mr. MYERS. All over the United States?

Mr. WILSON. Basically we are in the southern part of the country.

Mr. MYERS. I am a small farmer also. And could I join your organization?

Mr. WILSON. Of course you could.

Mr. MYERS. What are my dues?

Mr. WILSON. You don't have any dues.

Mr. MYERS. How do you get your pay, then? Who pays you if we don't have any dues?

Mr. WILSON. We raise our money through private sources and other programs, other things.

Mr. MYERS. Well, through private sources—can you be more definite on that?

What kind of a budget do you have? How do you meet your requirements?

Mr. WILSON. What happens is that I don't handle the budget aspects of the organization. I am only the Washington representative.

Mr. MYERS. You show your address as New York City here.

Mr. WILSON. Right. The address of the organization is New York City. I am the Washington representative of Sharecroppers Funds.

Mr. MYERS. Mr. Chairman, I will ask for a similar request that he might file with the committee the function——

The CHAIRMAN. Without objection, if the gentleman will file——

Mr. WILSON. I would just like to know, Mr. Chairman, what the purpose of it is.

The CHAIRMAN. If the members of this committee ask a question and it seems to me to be a logical question, I don't try to read their minds as to what their purpose is. Now, if you object to filing that information, you may state that on the record, and we will make a record of that fact. If you will file it, you just say you will file it.

Mr. WILSON. That was not what I asked, Mr. Chairman.

The CHAIRMAN. The chairman has told you it is none of his business what the purpose is. Any member of this committee has a right to ask any legitimate question and that seems to be a perfectly logical question. And do you not want to file it?

Mr. WILSON. That is not the question, whether or not I want to file it.

The CHAIRMAN. Just a second here, now. Are you going to file that or are you not?

Mr. WILSON. It is not the question. I am not——

The CHAIRMAN. Are you going to file that or are you not? The Chair—you can tell us you won't. Go ahead and tell us now what you intend to do.

Mr. WILSON. We will file it, Mr. Chairman.

(The information submitted to the committee in the form of a report on the work of the National Sharecroppers Fund was not an answer to the question of source of funds and purposes and goals of the fund. This brochure is in the files of the committee.)

The CHAIRMAN. All right. That is sufficient.

If there are no further questions, the gentlemen are excused.

Now, Mr. Graham will appear tomorrow, will he?

Mrs. GALLAGHER. He asked to, if we can get him on.

The CHAIRMAN. Now, I would like to ask the members of the committee to remain for a few minutes, please. We will excuse the others in the room.

(Whereupon, at 11:30 a.m. the committee went into executive session.)

FOOD STAMPS

TUESDAY, OCTOBER 28, 1969

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to recess, at 10:05 a.m., in room 1301, Longworth House Office Building, the Honorable W. R. Poage (chairman), presiding.

Present: Representatives Poage, McMillan, Stubblefield, Purcell, O'Neal, de la Garza, Vigorito, Jones of North Carolina, Montgomery, Alexander, Burlison, Lowenstein, Rarick, Jones of Tennessee, Melcher, Belcher, Teague, Wampler, Goodling, Miller, Mathias, Zwach, Kleppe, Price, Myers, Sebelius, McKneally, Mizell, and Resident Commissioner Córdova.

Also present: Christine S. Gallagher, chief clerk; Hyde H. Murray, associate counsel; John A. Knebel, assistant counsel; and L. T. Easley, staff consultant.

The CHAIRMAN. We are here this morning to continue the hearings on the General Farm and Food Stamp legislation, with particular reference to the food stamps, as we have in the last several days, and will the remainder of this week.

Our first witness this morning is our own colleague, the Honorable G. V. Montgomery, who is the author of the bill, H.R. 13227. Sonny, we are delighted to have you give us your ideas. Mr. Montgomery.

STATEMENT OF HON. G. V. MONTGOMERY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSISSIPPI

Mr. MONTGOMERY. Thank you, Mr. Chairman. To read my testimony, which I would like to do, will take me about 6 minutes and 20 seconds.

Mr. Chairman and members of this committee: I appreciate very much being given the opportunity to testify on behalf of my bill to amend the Food Stamp Act of 1964. I will be very brief and touch only on those points which I feel are most important.

All of you have previously received a copy of H.R. 13277, plus a summary of the provisions, and as I know, most of the members of this committee have read my bill.

To touch on the matter of appropriation authorization for the fiscal year 1970 might be an unimportant point at this time, since the committee voted by 29 to 4 on October 8, to authorize a funding level of $610 million for the current year.

My bill calls for an authorization of only $450 million. This figure is based upon the spending level for fiscal year 1969, plus Secretary Hardin's statement that the Department could effectively use only $610 million during fiscal year 1970. If my memory serves me correctly, this statement was originally made some 3 or 4 months ago by Secretary Hardin.

The present fiscal year is now some one-third gone, which leads me to conclude that USDA would probably not be able to effectively use $610 million during the remaining 8 months of fiscal year 1970.

H.R. 13277 calls for funding levels of $550 million for fiscal year 1971, $650 million for fiscal year 1972, and $750 million for fiscal year 1973. I feel that these funding levels are completely within reason and, when considered in relationship to the beginning funding level of $75 million in fiscal year 1965, show a reasonable fiscal policy on the part of Congress. The appropriation authorizations outlined in this bill would represent a very generous 1,000-percent increase over a 9-year period. I will be the first to admit that we need to take action to eliminate hunger. But at the same time I do not believe we should authorize more money than we see will be reasonably used. Nor should we authorize funding levels to such excesses that will lead to abuses in administration and the possible ineffectiveness of the Food Stamp Act of 1964.

Another point of H.R. 13277 about which I feel very strongly is State participation from a monetary standpoint. My bill calls for States to begin paying 2½ percent of the bonus coupon values by the end of fiscal year 1971.

This percentage of State participation would be increased to 10 percent by the end of fiscal year 1974.

I do not believe that the food stamp program should be an exception to the present philosophy of combined Federal-State participation in programs of aid to the less fortunate of our Nation.

Also, if the States have a financial stake in the food stamp program, they will be more prone to see that the issuance of coupons are carried out according to regulation.

A third point I would like to cover is that of free food stamps. Since I am basically opposed to giveaway programs, this bill would require a minimum payment of 50 cents per person per month up to a maximum of $3 a month for a family of six or more.

The bill also authorizes State agencies to assist in arranging for these minimum payments.

I firmly believe that most people, no matter how unfortunate their circumstances, do not want plain and simple charity. The theory of an outright dole is demeaning and degrading to every citizen.

Even though people need and desire aid, they want to have a feeling that they are contributing something toward their own upkeep. The token payment proposed in my bill would serve this purpose.

A fourth point is the provision that would prohibit food stamps from being issued to college students unless they were eligible by regulation and were receiving food stamps prior to attending college. I believe it is common knowledge that some college students go around bragging about how they receive food stamps even when they do not need them.

This is one abuse of the Food Stamp Act of 1964 that needs to be corrected and corrected now.

In closing, Mr. Chairman, I would like to mention briefly other provisions of H.R. 13277, such as issuing stamps monthly or semi-monthly, permitting the withholding of an individual's payment for food stamps from public assistance checks and the establishment of food stamp values at a level which will provide a nutritionally adequate diet for recipients.

I think I can safely say that my bill is a very worthy and workable piece of legislation. After careful and close study, I believe you will agree it is a bill that will serve as a needed platform of compromise upon which all members could stand in good conscience.

I thank the committee for their indulgence and urge favorable consideration of this piece of legislation.

The CHAIRMAN. Thank you very much, Mr. Montgomery, for a well-reasoned and well-presented discussion of an important subject. We are glad to have had your views on this, and glad to have the suggestions that you make.

Are there any questions of the colleagues? Does anyone have any questions?

Well, I am sure this is not something that anyone wants to ignore, but they probably do not want to question any of your conclusions. Thank you, Mr. Montgomery.

Mr. LOWENSTEIN. Mr. Chairman?

The CHAIRMAN. Mr. Lowenstein.

Mr. LOWENSTEIN. Mr. Chairman, I just want to thank Mr. Montgomery for his useful comments. Whatever our disagreements, most of us respect the thoughtfulness of his proposals and will want to study them carefully as part of our effort to determine how best to deal with this whole problem. Mr. Montgomery raises questions that deserve thoughtful consideration, and that is always a valuable thing to do.

The CHAIRMAN. Our next witness is Mr. Jacob Clayman, administrative director, Industrial Union Department, AFL–CIO, Washington.

Mr. Clayman, we will be glad to hear from you.

STATEMENT OF JACOB CLAYMAN, ADMINISTRATIVE DIRECTOR, INDUSTRIAL UNION DEPARTMENT, AFL–CIO, WASHINGTON, D.C., ACCOMPANIED BY MARVIN CAPLAND

Mr. CLAYMAN. Thank you, Mr. Chairman. My name is Jacob Clayman and I have with me Mr. Marvin Capland, who is also associated with the Industrial Union Department.

The CHAIRMAN. We are glad to have you.

Mr. CAPLAND. Thank you.

Mr. CLAYMAN. I am the administrative director of the Industrial Union Department of AFL–CIO. We represent industrial workers in America.

Our organization represents roughly about 6 million industrial workers in America, and on behalf of IUD I would like to thank you for giving us this opportunity to set forth our position on this crucial matter; namely, the food stamp legislation pending before your committee.

I am sure we do not need to repeat for this committee the awful statistics of hunger, the slow death by malnutrition to which millions of Americans are condemned. Surely by now we all agree with President Nixon when he says, "the moment is at hand to put an end to hunger in America for all time."

The food stamp program, we believe, has demonstrated its worth and importance in our struggle to end hunger. The task is determining how to improve that program so that it feeds more than the small number of Americans presently served: only 3.2 million of about 38 million poor; only 16 percentage of the Nation's hungry. Three objectives ought to define the improvements we need: 1. the program should provide enough stamps for an adequately nutritious diet; 2. stamps should be available at a price a poor family can afford; 3. a system of distribution needs to be devised to get the stamps quickly to those who qualify for them.

There are commendable features in many of the food stamp bills before this committee. IUD feels, however, that the bill the Senate passed on September 24 (S. 2547) would carry us far toward meeting the criteria for a more effective program.

These are some of the features we were glad to see win Senate approval; we commend them to this committee for inclusion in the measure you may approve ultimately:

1. An adequate allotment. The Senate formula for providing a nutritionally adequate diet based on Department of Agriculture determinations, works out to about $125 a month for a family of four. We endorse that as a minimum standard.

2. Free stamps. According to Office of Economic Opportunity estimates, about 1.3 million Americans have no cash income whatsoever. More than 5 million have incomes less than the amount they need to provide food at the level of $125 a month for a family of four. A nation that seeks to provide free school education for all should now provide free food for those who need it. We endorse, as a minimum, the allocation of free stamps to families with monthly incomes of less than $62.50 or annual incomes of $750.

3. Variable purchases. It has become clear that many poor people cannot afford to participate in the food stamp program. They are unable to get the money together to buy their full allotment of stamps once a month. We endorse provisions that would enable a family to buy less than the full allotment at one time if it did not have the money to do so. The provision in S. 2547 that would authorize issuance of stamps once a week and permit a household to buy the whole monthly allotment or a portion of it at each issuance seems to us to meet this situation.

4. Nationwide participation. It is an ugly aspect of the present program that indifferent or hostile local officials can prevent the starving poor under their jurisdiction from having access to food. Seven States do not participate in the food stamp program at all, and 413 counties have no food programs at all. About 700 counties of those that do participate have token programs in which fewer than 20 percent of those in need receive any help at all. We fully endorse giving the Secretary of Agriculture authority to operate stamp programs where he determines a need for them and where States and counties have failed to do so.

5. A limit on charges. At a time when the average American family spends only 17 percent of its income for food, no poor family should have to pay more than 25 percent of its total income for its stamp allotment. We therefore urge the House to adopt the 25 percent limit as set forth in the Senate bill.

6. Eligibility and certification. One of the difficulties of the present system is that there is too much variance in State standards for eligibility and participation in the program sometimes becomes a long, complicated and therefore intimidating matter.

We believe the redtape must be cut. We, therefore, support proposals to establish national income standards for eligibility and proposals that enable a household to become eligible simply by having a member sign an affidavit establishing the family's need and eligibility for the stamp allotment.

7. Food stamps and commodity programs. Both commodity distribution and food stamps are needed in the struggle against hunger. We approve of the proposal that would require simultaneous operations in a county of both the food stamp and the commodity programs during transition from commodities to stamps until participation in the stamp program equals a county's previous participation in the commodity program.

We also approve of the provisions in the Senate bill that would define food to include soaps, toothpaste and other products necessary to personal cleanliness and home sanitation; enable elderly persons without cooking facilities to participate in the program and use their stamps to buy cooked meals; and provide instruction and counselling in order to help families make best use of their increased purchasing power.

We recognize that these advances in the food stamp program will cost money. But the present cost to society in the burden of hunger, sickness and despair outweighs any price we set on this particular program. How we allocate our money determines the quality and future of our society.

In fiscal 1970, the Defense Department plans to spend nearly $4 billion to feed 3.5 million servicemen. That works out to about $1,100 for each person in the Armed Forces. Our budget for assistance to the poor calls for an expenditure of $1.226 billion to feed 8 million persons—an annual rate of about $145 per person.

In our humble judgment, we cannot skimp in this matter, and I quote Margaret Mead who has done a lot of talking and thinking in this area:

"If we can't solve the problem of hunger and malnutrition in the United States, we are not going to solve anything," because quite obviously this is one of the relatively simple areas of social action, and if we can't reach either the efficiency or the will to provide for hungry citizens in our midst, then I am fearful that much more complicated areas will not get satisfactory attention from our society and from our Government.

That, Mr. Chairman, is the sum and substance of the attitude of the Industrial Union Department of this important issue of food stamps.

The CHAIRMAN. Thank you, Mr. Clayman. We are very much obliged to you for your statement and your views.

Are there any questions from the committee?

Mr. GOODLING. One question, Mr. Chairman.

The CHAIRMAN. Yes, Mr. Goodling.

Mr. GOODLING. Mr. Clayman, I would like to re-read one statement that you made. "I am sure we do not need to repeat for this committee the awful statistics of hunger, the slow death by malnutrition through which millions of Americans are condemned."

Will you state what the source of your information is, in making that statement?

Mr. CLAYMAN. I suspect that the source of my information is not personal contact with hunger, obviously, and so the source of my information, my own eyes, the source of my information, what I read, from what I believe to be responsible sources, the Senate Committee, for instance, the Select Committee on nutrition. Even if I did not have that source at my command——

Mr. GOODLING. You believe, then, that it is a factual statement?

Mr. CLAYMAN. Oh, I believe so.

Mr. GOODLING. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Goodling.

Mr. de la Garza.

Mr. DE LA GARZA. Thank you, Mr. Chairman.

Mr. Clayman, I appreciate very much your very constructive statement on this matter, and I would like to clear up one matter, if we might, because I do not think you intended it as such, where you say that local officials are hostile and then you quote the 413 counties. I do hope you do not mean that any county that does not avail itself of the food stamp program has hostile officials, because this is not so, in my area, but you have a problem of having one or the other. Many of the families in my area in south Texas, you have times of the month where they have no income whatsoever, so my county officials, I assure you and this committee, that all of them are very interested in the problem, and have to take one course or the other, so naturally we have the commodity program rather than the food stamp program.

Mr. CLAYMAN. I do not mean to imply that the hostility is the sole source of failure to provide for the hungry. I think it is one of the factors in some areas and there is, frankly, a disbelief in this approach generally, that we have used in America in recent years to provide food for the hungry. It is a factor. If you believe from what I said that it was a total factor, I must correct myself. I do not intend that. It is hostility, it is indifference, and frankly, a basic problem of a law that does not perform uniform justice to hungry people.

Mr. DE LA GARZA. Well, I think we agree on that. I just wanted to make the record clear that I did not want any of my county officials to be indicted when they are trying but the law prevents them, and they have to choose one or the other.

That leads me to the next question. You mentioned that you would phase out the commodity program. Is it your testimony that you would phase it out altogether because you say that we should have a transition period?

Mr. CLAYMAN. My associate, Mr. Capland, will address himself to that question.

Mr. CAPLAND. No, we are certainly not saying, Mr. Congressman, that the commodity distribution program has to be phased out entirely, but we are saying where the food stamp program is put into

effect that there be a transition period. But, we feel both programs are needed.

Mr. DE LA GARZA. Well, because I have been espousing the cause that we should have both, and I wanted to clear this up. So, I assume then what you say is that if a county has a commodity, surplus commodity program, then the law is changed to whereby they can participate in either or both, that if the country would go to the extent that they were using surplus commodities, it would go to that level in food stamps, and then you would phase out the commodities; is that what you intended?

Mr. CAPLAND. I think if the county had decided, if the county takes on the food stamp program, that you phase out the commodity distribution, but we do feel both programs are necessary.

Mr. DE LA GARZA. Thank you very much, Mr. Chairman.

The CHAIRMAN. Mr. O'Neal.

Mr. O'NEAL. Thank you, Mr. Chairman.

Mr. Clayman, on page 2, under your second recommendation with respect to free food stamps you say that the Office of Economic Opportunity estimates that about 1,300,000 Americans have no cash income. Now, do you mean no one in the family has any cash income at all?

Mr. CLAYMAN. This is what the Office of Economic Opportunity has told this country. I accept their figures at face value, and it means literally, I assume, what they suggest: namely, that they have no cash at all.

Mr. O'NEAL. At any time during the year?

Mr. CLAYMAN. Obviously that is what they mean.

Mr. O'NEAL. No welfare? Do you know why they would not have any welfare?

Mr. CLAYMAN. Well, I think what the OEO was saying, Mr. Congressman, is that there are people in many rural parts of the country whose work is paid for in kind. They do not get anything, have no cash income.

Mr. O'NEAL. Do you know any, yourself?

Mr. CAPLAND. I do not know at this moment; no sir.

Mr. CLAYMAN. We would like to supplement this statement by further evidence, if you will permit us.

Mr. O'NEAL. I would be very interested.

Mr. CLAYMAN. We would like to insert that in the record and we would like to investigate.

Mr. O'NEAL. This is a shocking statement and one that takes me completely by surprise.

The CHAIRMAN. Without objection, he will have permission within the following week to insert additional data on this subject.

Mr. CLAYMAN. We shall be pleased to investigate that further.

Mr. O'NEAL. Thank you.

(The following information was later submitted to the committee:)

INDUSTRIAL UNION DEPARTMENT, AFL–CIO,
Washington, D.C., November 26, 1969.

Hon. W. R. POAGE,
Chairman, House Agriculture Committee, U.S. House of Representatives, New Senate Office Building, Washington, D.C.

DEAR CONGRESSMAN POAGE: In the course of testifying on food stamp programs on October 28 for the Industrial Union Department, AFL–CIO, I observed that one reason why we felt free stamps should be available, at least to the very poor, was that there are "about 1.3 million Americans" who have no cash income. Representative Maston O'Neal of Georgia questioned me as to the source of this statement. This letter is meant to supply the information he requested.

The immediate source of my remark was the "'Interim Report" of the Senate Select Committee on Nutrition and Human Needs, for August, 1969. On page 20 the report observes "according to OEO, 1.3 million of these very poor have no cash income at all."

Going behind this statement, we find that OEO's estimate was based on Census Bureau statistics. According to the Census Bureau table which we enclose with this letter, there were in 1967, a sizable group of individuals and families in the U.S. who had no cash income. Adding together the numbers of unrelated individuals and members of poor families who the Census Bureau lists as persons "with no income" produces a total of 1.2 million. If in addition to these household income is less than the cost of the economy diet alone—less than the little funds they had, the total is well over the 1.3 million figure.

I trust this supplies the information that Mr. O'Neal sought and that this letter will be included in the record along with IUD's testimony.

Sincerely,

JACOB CLAYMAN,
Administrative Director.

Enclosures

(A) THE VERY POOR

5.1 million Americans, or 20 percent of the poor, live in families whose yearly household income is less than the cost of the economy die alone—less than the equivalent of $1,200 a year for a family of four. According to OEO, 1.3 million of these very poor have no cash income at all.

It requires no elaboration to conclude that these 5.1 million poor cannot even begin to meet the basic necessities of life. Unless their dietary needs are met through food assistance, they are sure to suffer from chronic nutritional deficiencies. They are certain to be the victims of poverty-related hunger and malnutrition.

(B) THE "HARD CORE" POOR

Another 9.3 million Americans (37 percent of the poor) live in families whose incomes are less than twice the cost of an economy diet. Their incomes are less than the equivalent of $2,400 per year for a family of four. Unless they are receiving food assistance they, too, are likely victims of poverty-related hunger and malnutrition.

(C) THE REMAINING POOR

The remaining 10.6 million of the currently estimated 25 million poor have incomes between two and three times the cost of an economy diet, or between $2,400 and $3,600. While they are not certain to be suffering from malnutrition, they probably suffer from periods of nutritional deficiency and they are continually at risk.

Even by the very conservative assumption that only the very poor and the "hard-core" poor suffer from poverty-related hunger and malnutrition, again, unless they have food assistance, 14.4 million Americans are hungry because they are poor. This is the group at which our Federal food programs must aim first.

NUMBER OF FAMILIES AND UNRELATED INDIVIDUALS, AND MEAN INCOME, BY SIZE OF FAMILY, BY SIZE OF TOTAL MONEY INCOME

Total money income of family or unrelated individual	Grand total	Unrelated individuals	Total families	Size of family												Average size
				2	3	4	5	6	7	8	9	10	11	12	13 or more	
	Number of families and unrelated individuals (thousands)															
MALE AND FEMALE HEADS																
Total	11,198	5,112	6,086	2,271	889	793	649	501	410	261	136	89	38	27	23	13.8
With negative income	89	17	72	26	13	14	8	4	4	3					1	13.0
With no income	822	657	165	56	49	35	18	4	4							
With positive income, total	10,287	4,438	5,849	2,189	827	744	623	493	402	259	136	89	38	27	22	13.8
$1 to $999	3,028	2,117	911	500	168	85	79	30	21	15	3	9	2			
$1,000 to $1,499	3,121	2,007	1,114	664	189	118	49	39	22	17	7	6	1		2	14.0
$1,500 to $1,999	1,687	314	1,372	885	215	92	74	51	24	15	8	3	4	1	1	13.0
$2,000 to $2,499	774		774	140	211	163	91	57	38	21	28	17		4	5	14.6
$2,500 to $2,999	474		474		44	160	120	61	36	20	19	5	5	3		
$3,000 to $3,499	471		471			127	112	93	53	38	20	9	9	5	5	13.7
$3,500 to $3,999	276		276				96	71	43	32	14	5	6	5	4	13.7
$4,000 to $4,999	350		350				2	91	102	84	24	25	8	10	4	13.3
$5,000 to $5,999	107		107						63	15	15	10	2		1	13.0
$6,000 to $6,999																
$7,000 to $7,999																
$8,000 to $8,999																
$9,000 to $9,999																
$10,000 to $11,999																
$12,000 to $14,999																
$15,000 to $24,999																
$25,000 or more																
	Income of families and unrelated individuals (dollars)															
Mean income	1,429	334	1,929	1,285	1,405	1,914	2,242	2,752	3,344	3,270	3,188	3,122	3,272	3,560	2,938	
	Number of families and unrelated individuals (thousands)															
MALE HEADS																
Total	5,722	1,446	4,276	1,692	532	458	439	362	312	210	109	63	28	20	20	13.8
With negative income	82	11	71	24	13	14	8	4	4	3					1	13.0
With no income	294	236	58	29	10	11	7		1							
With positive income, total	5,346	1,200	4,147	1,639	508	463	424	358	307	208	109	63	28	20	19	13.9
$1 to $999	1,120	561	558	334	82	48	44	17	15	9		7	2			
$1,000 to $1,499	1,289	488	801	505	122	74	33	27	15	11	7	6			2	14.0
$1,500 to $1,999	1,145	150	995	701	131	50	46	35	12	10	5	1	1	1	1	13.0
$2,000 to $2,499	511		511	99	138	99	58	33	29	21	19	9		3	3	15.8
$2,500 to $2,999	338		338		36	103	83	49	25	17	17	3	4	2		
$3,000 to $3,499	355		355			89	89	70	38	31	15	8	6	5	5	13.7
$3,500 to $3,999	197		197				67	54	29	22	11	2	6	2	4	13.7
$4,000 to $4999	292		292				2	75	86	73	20	19	6	8	4	13.3

Total money income of family or unrelated individual	Grand total	Unrelated individuals	Total families	Size of family											Average size
				2	3	4	5	6	7	8	9	10	11	12	13 or more	
	Number of families and unrelated individuals (thousands)															
$5,000 to $5,999	98		98						58	14	15	7	2		1	13.0
$6,000 to $6,999																
$7,000 to $7,999																
$8,000 to $8,999																
$9,000 to $9,999																
$10,000 to $11,999																
$12,000 to $14,999																
$15,000 to $24,999																
$25,000 or more																
	Income of families and unrelated individuals (dollars)															
Mean income	1,708	812	2,011	1,311	1,488	1,958	2,313	2,858	3,496	3,373	3,311	3,128	3,387	3,558	3,015	
	Number of families and unrelated individuals (thousands)															
FEMALE HEADS																
Total	5,476	3,666	1,810	578	357	305	209	138	98	51	27	26	10	6	2	13.0
With negative income	8	6	1	1												
With no income	528	421	107	28	39	24	10	4	2							
With positive income, total	4,941	3,238	1,702	550	318	281	199	135	96	51	27	26	10	6	2	13.0
$1 to $999	1,909	1,556	353	166	86	37	35	13	6	6	3	2				
$1,000 to $1,499	1,832	1,519	313	159	67	44	16	12	7	7		1				
$1,500 to $1,999	541	164	377	184	84	42	28	16	12	6	2	1	2			
$2,000 to $2,499	263		263	41	73	64	32	24	9		9	8		1	2	13.0
$2,500 to $2,999	136		135		9	57	36	13	11	3	2	3	2	1		
$3,000 to $3,499	115		115			38	23	24	15	7	5	1	3			
$3,500 to $3,999	79		79				29	17	15	10	3	3		3		
$4,000 to $4,999	57		57					16	16	11	4	6	2	2		
$5,000 to $5,999	10		10						5	1		3				
$6,000 to $6,999																
$7,000 to $7,999																
$8,000 to $8,999																
$9,000 to $9,999																
$10,000 to $11,999																
$12,000 to $14,999																
$15,000 to $24,999																
$25,000 or more																
	Income of families and unrelated individuals (dollars)															
Mean income	1,138	843	1,735	1,208	1,282	1,843	2,094	2,475	2,858	2,845	2,697	3,118	2,936	3,564	2,279	

Note: Dashes represent zero or rounds to zero. Detail may not add to total due to rounding. Frequencies under 20,000 subject to large error.

Mr. KLEPPE. Mr. Chairman.

The CHAIRMAN. Yes, Mr. Kleppe.

Mr. KLEPPE. Mr. Clayman, I wonder if you could throw a little light on the statement that you make on page 1, which is No. 1 of your objectives, when you say that the program should provide enough stamps for an adequately nutritious diet. I do not know of anybody, or certainly not many Members of Congress that are not interested in taking care of the hungry people and providing a more nutritious diet, but there is a question of how we are going to educate the people to use these stamps with the funds they have, to obtain a nutritious diet. Have you given any particular thought as to how this education and this teaching may come about under the food stamp program?

Mr. CLAYMAN. The Senate bill provides for education of the very nature that you describe; namely, how do you, how do you go about developing a nutritious diet, because I am in agreement with you, there are people who have enough money to buy whatever food they need and they very well might buy the improper food. That is why I suspect some of us are so overweight.

But, in the main, in the main I do not think this is the heart of the difficulty. The heart of the difficulty is that they do not have enough money to buy the kind of foods that sustains life and growth in the sense that all of us would like to see it done.

Mr. KLEPPE. You are satisfied then with the Senate's proposal on this educational aspect and have no particular additional information to add as to how this education may come about and may be utilized?

Mr. CLAYMAN. We have no further advice to give you on that score except this observtion, that if any committee can devise more effective methods of educating the American population as to how to best utilize the nutritious products we have, then we would be for it.

Mr. KLEPPE. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Kleppe. Any further questions?

Mr. MYERS. I have one question, Mr. Chairman. Mr. Clayman, in your judgment, do you think that these programs should be available to college students, who because they are in college do not have enough income; do you think that stamps should be available to them?

Mr. CLAYMAN. Well, I would guess that hunger is hunger, wherever it is, and whether it afflicts the man who works with his hands, or the kids in the family, or the intellectual or the artist, or the college student, I would say we should apply the same standard, because what I assume the import of most of the legislation before you is that somehow we find rational ways of taking care of hunger in a nation that should not have any hunger or hungry people. There are some countries that cannot help it and so they are afflicted with hunger. We can help it, and I would not be inclined to draw a line as to occupation or avocation. I would meet hunger wherever it is, and wherever people cannot afford to take care of themselves and try to provide for it.

In our judgment, it would be in the fashion suggested by the Senate bill.

Mr. MYERS. And at the same time the farmer whose income only comes in maybe once a year, then the other 11 months he should be allowed to get food stamps, too, because he does not have any money during those 11 months. Do you feel he should be eligible, also?

Mr. CLAYMAN. Well, I do not think the import of the Senate legislation is to the effect that if a farmer gets $10,000 after the harvest, but he does not have an income during the balance of the year on a monthly or weekly basis, that he should get food stamps. No, I do not think that is the import of the legislation at all.

Mr. MYERS. But, if he does not have any income during those 11 months, though?

Mr. CLAYMAN. Well, I am confident of this, the Senate bill does not contemplate——

Mr. MYERS. Well, I am talking about your judgment, not what the Senate bill says; in your judgment.

Mr. CLAYMAN. Oh, no, of course not. I do not want to describe your question, but the point is that that is hardly, in my judgment, a meaningful question because——

Mr. MYERS. I will make the questions and you make the answers.

Mr. CLAYMAN. All right, I shall try to make the answers.

Mr. MYERS. And I will make the decision whether it is meaningful or not.

Mr. CLAYMAN. Very well, and I will make the answers——

Mr. MYERS. All right, please do.

Mr. CLAYMAN (continuing). That I consider meaningful, too. But, I do not know of anybody anywhere that is contemplating the idea that if you have a gross income of let us say $10,000 or $20,000 or $100,000, and it comes to you all in 1 month, that person should be a part of this program.

Now, no one has suggested that anywhere that I know of, in or out of Congress, and that explains the nature of my response.

Mr. MYERS. Then I take it from your answer you feel the same way, if a labor union member is out on strike he should not be allowed to accept it, either, unless it is over a long, long term? He would not be eligible for stamps, either, using your present analogy.

Mr. CLAYMAN. The analogy is based on real human need. The problem is based on real human need.

Mr. MYERS. But you used dollar figures a while ago.

Mr. CLAYMAN. Now, then, if a person is genuinely poor and cannot afford to provide food for himself and his family, the program suggested by the Senate would take care of them. Now, we can argue about the niceties as to when he gets his income and how it happens to come in, but that is the basic theory and that is the basic philosophy, and that is the basic, and will be the basic fact.

Mr. MYERS. Then I detect a double standard in your answer.

Thank you, Mr. Chairman.

Mr. CLAYMAN. You are welcome.

The CHAIRMAN. Thank you. Any other questions?

Well, we are very much obliged to you, Mr. Clayman.

Mr. CLAYMAN. Thank you.

The CHAIRMAN. We will now hear from Mr. Harry L. Graham, legislative representative of the National Farmers Organization.

Mr. Graham, we will be glad to hear from you.

STATEMENT OF HARRY L. GRAHAM, WASHINGTON REPRESENTATIVE, NATIONAL FARMER'S ORGANIZATION

Mr. GRAHAM. Thank you, Mr. Chairman. I have only a short statement this morning—at least short for me, as you probably recognize. I think I will read it and probably save time by doing so.

I am Harry L. Graham, legislative representative of the National Farmer's Organization.

The NFO is a nationwide organization of farmers who have joined together to improve farm income and farm commodity prices by blocking together significant amounts of farm production and marketing this production in such a way that it has some significant effect on the market price.

Our membership is interested in increasing the utilization of the abundance of food produced on American farms. In general there is no elasticity in the total demand for foods. However, there is no doubt that there is an unsatisfied demand for additional and higher quality food in that group of people whose incomes are substantially below the poverty levels or, in some cases, nonexistent.

However, we doubt that the increased demand for food which would result from meeting the minimum nutritional needs of our low-income citizens would substantially increase the total consumption of food in the United States.

In other words, we are saying to those who hope to increase food demand enough to compensate farmers for decreased income from Government programs that it just doesn't come out that way. The expenditure for food by the use of food stamps is about 2½-times greater than the amount the farmer receives for those same commodities.

We would also point out that farm programs should not be held hostage for a food stamp or other nutritional programs. The farm program is not a welfare program, and the nutritional programs are not farm programs. Both programs are valid, but for different reasons.

Our membership is made up of ordinary Americans. I rather think our farm people are even more charitable than our city friends. No farmer likes to see an animal hungry. We are not less concerned with people.

We have made our contribution to both domestic and foreign relief programs by making our surplus food available for Government programs at the cost of production, or less.

However, we don't believe that it is fair to expect farmers to continue to sell their products to the Government at disaster prices and then have them take the cost of food programs from our badly needed farm programs.

Having said that, we would briefly comment on the bills before this committee.

The NFO supports the declaration of policy of H.R. 12222 but suggests that the provisions of the bill making its utilization dependent upon "the request of a State agency" as not being consistent with the declaration of policy. The meeting of minimum nutritional standards for our Nation's citizens should not be made dependent upon any State agency whose motives might include social or political objectives which are not generally acceptable.

We would approve section 4(b) which provides that no household should be charged more than 30 per centum of the household's income

and also providing that allotments may be issued without charge to those households with little or no income.

However, we note with approval the provisions of section 7, subsection (b) makes the same provision and also spells out the conditions and provisions for determining the amount, which households should be charged in relation to their income.

H.R. 13277 is not acceptable.

We urge that this committee give priority to S. 2547 for the following reasons:

1. It has been approved by the other body.

2. It makes eligible private nonprofit institutions when they meet certain criteria. Incidentally, at this point, Mr. Chairman, and members of the committee, I think there is some valid reason for continuing the surplus food distribution program. These programs might conceivably be more beneficial at less cost to the nonprofit institutions and to private nonprofit institutions than the food stamps would be, and this is something I think should be determined by adequate investigation. But, the people who run these nonprofit institutions are pretty apt to want to buy their commodities in terms of wholesale lots, and the food stamps would not necessarily work quite so well that way because all of the definitions of the bills they would be required to exchange them in retail stores.

3. It provides for regional adjustments.

4. It is more generous than the other bills, but not overly generous.

5. Primary eligibility could be established by affidavit.

6. It permits a program in areas where political subdivisions have not given the cooperation necessary for the administration of the plan.

7. It permits an exchange of food stamps for meals. This is especially important for the elderly and ill, and it provides a generous authorization which no one who supports the program can describe as inadequate.

And it provides for an educational program.

May I add at this point that it seems to us that the provision that was made in the bill that was introduced by Congressman Foley earlier this year for having some kind of a national advisory committee on nutrition which would also have some responsibility for setting up adequate educational programs is something that probably should not be dismissed without at least some thought and consideration.

Both Houses of the Congress have repeatedly demonstrated their ability to establish the authorizations at any level they desire.

The important question is the appropriation. The authorization is almost a moot question from our standpoint. Frankly, we believe that continued arguments at this point is counterproductive. The proponents of a high authorization represent those who will pay most of the bill and they have the votes.

This does not mean that the NFO does not appreciate the leadership of the chairman and other members of this committee to satisfy the demands of those who feel so strongly that this committee has been too parsimonious in its provision for the food needs of disadvantaged people. We do appreciate the efforts of the Agriculture Committees of both Houses of the Congress, especially this year, as well as the Appropriations Committees.

Their actions have made it easier to continue the kind of relationship with our urban friends which will ease all of our still difficult jobs.

The hard political fact of life is that major decisions concerning both the farm problems and the problems of both the rural and urban poor are going to be made by those who have no direct interest in agriculture.

The passage of a bill which is substantially like S. 2547 without restrictive amendments should help to defuse what has been a politically and economically explosive issue. The welfare of our strife-torn Nation will be well served by this action.

The CHAIRMAN. Thank you, Mr. Graham. We appreciate this expression of views, and ideas for the benefit of the committee.

Are there any questions?

Yes, Mr. Mathias.

Mr. MATHIAS. Yes.

Mr. Graham, you mentioned No. 7 on page 3, the conditions of the Senate bill permits an exchange of food stamps for meals. Would you explain some of the details on that, how that exactly would work?

Mr. GRAHAM. Well, all I know about it is what is in the bill, but as I understand it, it would permit an elderly person who had qualified for food stamps under the regular qualifications, and maybe somebody even besides an elderly person, to exchange their food stamps for meals that have been prepared and served to them for the value of the food stamps.

Mr. MATHIAS. How do you determine the restaurants?

Mr. GRAHAM. Now, I do not think the bill suggests that this be done with restaurants. It suggests that it be done by nonprofit private corporations, as an old folks home or something of that kind. I don't think it is the kind of thing——

Mr. MATHIAS. Well, now, you endorse this idea. Did you check in on the details? Could it be in a restaurant or just——

Mr. GRAHAM. Well, I read it but I did not read anything in there that would indicate that they could go into a regular restaurant and exchange these. I would not approve of that if it did. I think that is getting a little too far off base. If the people are able to go out to restaurants they are probably able to do some shopping for themselves, but if they are unable to stay at home, if they are in an institution of any of various kinds that would be privately operated on a nonprofit basis, and if they had no money, this at least would be some payment on a bill for food. I see no reason why it should not be transferred in this case rather than in the regular retail food market. This is an exception to the retail provisions of all of the bills, and it is the only exception I know of.

Mr. MATHIAS. Do you go as far as endorsing the use of household articles, sanitations, and soaps and things like that?

Mr. GRAHAM. Well, I don't see how we can avoid that. If somebody has no money at all, how are they going to buy soap? If you give them all of the food they need, they certainly need to wash the dirty dishes, and I think we ought to have some limitation of household items that should be available with food stamps, but this in the modern day is generally considered part of the grocery bill, and too much of it is a part of the grocery bill many times. I do not see any particular point of objection on this one.

Mr. MATHIAS. That is all of the questions I have.

The CHAIRMAN. Thank you, Mr. Mathias.

Mr. Montgomery?

Mr. MONTGOMERY. Mr. Chairman, thank you, sir.

Mr. Graham, I appreciate your reading my bill, H.R. 13277.

Mr. GRAHAM. I did read it, too, carefully.

Mr. MONTGOMERY. I have to disagree with your conclusions.

Mr. GRAHAM. I am sure you would.

Mr. MONTGOMERY. You have fully endorsed, without amendment, I believe, Senate bill 2547. Is that correct? You have recommended it to this committee?

Mr. GRAHAM. Well, not necessarily without amendments. I said without restrictive amendment, limitations.

Mr. MONTGOMERY. Well, basically you have endorsed this bill?

Mr. GRAHAM. Yes, basically.

Mr. MONTGOMERY. And the bill is known as the McGovern bill, is that correct?

Mr. GRAHAM. I do not know. At this point it was not——

Mr. MONTGOMERY. Just for the benefit and identification to the committee——

Mr. GRAHAM. I am not sure. I did not compare the final result with the original bill.

Mr. MONTGOMERY. But you are familiar with this bill?

Mr. GRAHAM. Yes.

Mr. MONTGOMERY. Well, getting into some of the details, following up on Congressman Mathias line of questioning pertaining to the formula of who is eligible for food stamps under the McGovern bill, S. 2547, do you know who is eligible—and I use the example, say, of a family of six or seven. What maximum income could these people have to be eligible for food stamps under this bill?

Now, a formula has been worked out on it and are you familiar with who would be eligible, the maximum income of a family of seven people?

Mr. GRAHAM. Well, basically, yes.

Mr. MONTGOMERY. What is the figure?

Mr. GRAHAM. Well, I can provide it for the record, but I do not have that here with me. I do not have the formula that has been worked out.

Mr. MONTGOMERY. Yes, that is correct.

Mr. GRAHAM. Because it was a part of the committee report and not a part of the bill.

Mr. MONTGOMERY. Yes, that is correct. Now, my point is, and I think you know my point, I believe under the Senate bill a family of seven persons with the head of the household making $11,000 would be eligible for food stamps under this McGovern bill, and that seems to be a little excessive.

Mr. GRAHAM. Yes, I think so.

Mr. MONTGOMERY. Would you not agree to that?

Mr. GRAHAM. I think that that is excessive. I think it is overly generous in several ways. Our support for that at that point was more pragmatic and political than economic, I am frank to tell you, and I gave you the reasons at the last part of my testimony. But, I think that both Houses of Congress have shown their ability to pass this kind of legislation if they want to, and we just get ourselves into endless

arguments with them, and I am getting tired of that argument. That is just basically what has motivated this.

Mr. MONTGOMERY. Well, you agree that this is an excess, and anybody making $11,000 and would be eligible——

Mr. GRAHAM. I should think if I had seven children and $11,000 a year, I think I would probably feed them on it. I might not feed them on steaks, but I think I could feed them with an adequate diet.

Mr. MONTGOMERY. That is all I have, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Montgomery.

If there are no further questions, we are very much obliged to you, Mr. Graham.

Now, we have devoted half of the time to three witnesses and we have a group here. I had understood there was one witness, but there are actually some seven here, but if we may keep them down to the statements of approximately 5 minutes apiece, I think we can get through. I think from seeing the statements that they are all short, and so we will be able to proceed.

We have the representatives of the District of Columbia Food Stamp Advisory Committee, and the first representative of that group is Mr. Hard Burke.

Mr. Burke, we will be glad to hear from you.

STATEMENT OF HAROLD BURKE, REPRESENTATIVE OF THE DISTRICT OF COLUMBIA FOOD STAMP ADVISORY COMMITTEE

Mr. BURKE. Mr. Chairman and members of the committee, my name is Harold Burke. I appreciate the chance to speak before you today. I represent both the Metropolitan Citizens Advisory Council, which is the citizens advisory group to the United Planning Organization that is the District's Poverty Agency, and the Food Stamp Advisory Committee to the Department of Public Welfare of the District of Columbia.

The major functions of our food stamp advisory committee are to evaluate the effectiveness of the food stamp food program that is administered jointly by the Agriculture Department and the District of Columbia Welfare Department; to devise new ways and means of publicizing the program; to encourage food stamp participants to make the most of their food money and their bonus food coupons by buying the best foods that will produce an adequate nutritional diet for them.

Since last January, our committee has been preparing food stamp recommendations, that we have previously presented to you and other members of Congress, to be used as a means of developing new legislative reforms to the Food Stamp Act. These reforms would provide for more food participants, who would get greater distributions of food, money and services.

Presently, it is a fact that the food stamp program in the District of Columbia and in most of the cities has only begun to reach a small population that is eligible for the program.

After 4 years in operation, close to 40,000 persons are participating in the District of Columbia food program. An estimate tells us that over 160,000 persons should be participating. But this is due to the lack of additional food stamp certification officer, general staff, improved community services and more liberal food stamp policies from Congress.

Our committee, along with the actual food stamp users, who will testify today, strongly feel that these inadequacies of the food stamp program and the growing existence of hunger and malnutrition in America can be solved by Congress only if its creates favorable reforms to the Food Stamp Act.

Following my testimony actual food stamp users will describe a picture of what it is to the day-to-day or week-by-week or month-by-month on the food stamps, and with that description you can get some idea of the problems that I occur.

I appreciate this opportunity to speak with you today, and our committee thanks you for asking us to participate.

The CHAIRMAN. Thank you, Mr. Burke.

Now, in order to proceed with dispatch, the committee has found it advisable where we have a group of this kind, to ask if you will step aside and wait until we can have all the other statements, and then let the group, as a whole, respond to questions.

So, I will now call on Mrs. Gloria Barnes.

So, Mr. Burke, if you will step aside for Mrs. Barnes to testify.

Mrs. Barnes, we will be glad to hear from you.

STATEMENT OF MRS. GLORIA BARNES, REPRESENTATIVE OF THE DISTRICT OF COLUMBIA FOOD STAMP ADVISORY COMMITTEE

Mrs. BARNES. Well, I am a food stamp user, and it is kind of hard.

The CHAIRMAN. May I ask, now you have a written statement, and if you are going to use the written statement, the committee wants you to use whatever you please, but if you are going to use the written statement, it will be made a part of the record.

If you intend to make another statement, we will insert either one you want, but we will not insert two statements. Now, are you going to use the written statement, or are you going to say something else?

Mrs. BARNES. I am going to talk definitely about food stamps.

The CHAIRMAN. You are not going to use the statement?

Mrs. BARNES. Yes; I am going to use the statement.

The CHAIRMAN. All right. That is all right.

Mrs. BARNES. What I wanted to say about this statement, now my food stamps run me $68 a month, and my rent runs me $80 a month, and when I pay my telephone bill and get my groceries in, I hardly have anything left for food or for clothing for my kids.

So, that means that my kids have to come up short of clothing. Well, if they give me a store that I can buy clothes, the clothes are so high I can only get maybe a couple of pieces where there are two other kids that didn't get anything, and this is why I feel that we really are not getting enough money a month to support our family properly.

Now, I have $8.75 a month telephone bill. Well, I can't afford to even talk long distance call to my mother because if I do it will cost me so much that I couldn't afford to pay it. I have a gas bill that runs me about $34 a month during the winter months because the house that I live in is not permittable, it needs some work done to it. It is cold downstairs.

I have got to keep the heat up as high as it can go, and if I don't keep the heat up as high as it can go my kids are sick with colds.

Right now they have lost quite a few days out of school on account of they have had such colds and flu and also I have had it.

The lack of cash is a real problem, that we don't have enough to go around to our families. We don't have enough to buy food stamps, and if we didn't have to pay so much for food stamps we would be able to buy the food stamps. When our grants go up, our food stamps are going to go up, too. It would help us quite a bit if we didn't have to pay for our food stamps all at once. If we could pay $34 twice a month or $17 four times a month, this would be better than the way we are doing it now.

I know that my food budget is going to be worse because my kids' appetites are growing each day, and they eat more. My 5-year-old can eat as much as my 11-year-old, and this is a girl child, but she eats a lot, and it takes a lot for her.

Then I have another one who eats quite a bit. She comes in from school in the afternoon, she is ready to eat again, but she hasn't been but a little while had her lunch. But, she is still ready to eat again and if I don't give it to her, that child is going out and saying, "Well, I am hungry."

One hundred dollars does not stretch to the end of the month. By the end of the month we hardly even have enough to eat.

Thank you for listening to me.

The CHAIRMAN. Thank you very much, Mrs. Barnes. Now, the statement you have made will be the one that will appear in the record, and not your written statement. I want to make it plain that any witness can make their choice of whether they are going to use the written statement or make a different statement, but we cannot put two statements in the record. You can have the choice.

Now, the next witness is Mrs. Mary Thomas. Mrs. Thomas, we will be glad to hear from you, and you may either use your written statement or make a different statement, but I would be glad if you would advise me what you are going to do.

STATEMENT OF MRS. MARY THOMAS, A REPRESENTATIVE OF THE DISTRICT OF COLUMBIA FOOD STAMP ADVISORY COMMITTEE

Mrs. THOMAS. Thank you.

Gentlemen, my name is Mary Thomas. I am glad to be here today and to speak as a person who uses food stamps and also as a community worker who urges other people to use food stamps. I see many people who are suffering from malnutrition every day and I ask how can we get them to use food stamps. Also, why don't they use food stamps.

1. People don't know about the existing service. They are surprised when we come to their homes and tell them what is available to them.

2. People don't like handouts. Some people are so full of pride we have to work extra hard in order to convince them that the benefits of the program are for everybody.

3. People often believe benefit programs like food stamps are a fake. They have been fooled many times in the past.

4. Some people are apathetic, unable to make the effort to get to the certification office and the bank. Part of their lack of feeling can be traced to poor diet. That was my No. 4.

Many people who should be using food stamps have never had a balanced diet and don't know what a balanced meal is. How do you know what you're missing if you've never had it before?

Many of the recommendations we brought to your offices mention the need for publicity and educational material. There is no doubt that we need plenty of booklets and radio and TV announcements. But we must also train people to get out and tell people about the food programs, about balanced diets, and how to get more food value for their dollars.

We must get workers from the community who speak the peoples' language to tell them about these programs.

At present 40,000 persons in the District use food stamps but 100,000 more are eligible. This is true throughout the country.

We won't have good nutrition in this country until we have the workers to get out and tell the story.

The CHAIRMAN. Thank you very much, Mrs. Thomas.

Now we will hear from Mrs. Mary Peters.

Mrs. Peters.

STATEMENT OF MRS. MARY PETERS, REPRESENTATIVE OF THE DISTRICT OF COLUMBIA FOOD STAMP ADVISORY COMMITTEE

Mrs. PETERS. Good morning, gentlemen. My name is Mary Peters, and I am a member of the Neighborhood Development Center No. 1.

It is a pleasure for me to be here this morning. In my work in the neighborhoods of Washington, I deal primarily with families who receive public assistance, commonly called welfare. I would like to talk about how the public assistance caseworker works with the food stamp program.

In the District, people who receive public assistance do not have to go to a food stamp certification office. Their social worker is supposed to write up a form which will put them on the mailing list for food stamp authorization if they want it.

This is a good system, but it does not work, because (1) It should be mandatory for caseworkers to tell clients about the food stamp program; (2) Caseworkers don't always know enough about the complicated food stamp regulations to include all the hardship information which might lower the cost of food stamps.

We have recommended that all caseworkers be required to explain the food stamp program to clients and enroll those who want it.

Also, we recommend that all caseworkers receive inservice training in food stamps so they can give their clients the best possible breaks from the program.

For nonpublic assistance persons there are long lines and a long interview with verification of income, rent, et cetera.

It is very time-consuming and discouraging. We recommend that a person's declaration of income and expenses be accepted in food stamp offices in the same way income tax returns are accepted by the Internal Revenue Service.

Another problem area is "mixed households," that is, households where there is income from more than one source which results in the denial of food stamps to those who need it.

For example, a family with a marginal income might have a grandmother living with them who receives social security. The grandmother's income totaled with the family's, denies the entire household the right to food stamps which they both would have, if the grandmother lived independently.

Thank you.

The CHAIRMAN. Thank you, Mrs. Peters.

And now the next witness will be Mrs. Mildred Claypool.

Mrs. Claypool.

STATEMENT OF MRS. MILDRED CLAYPOOL, REPRESENTATIVE OF THE DISTRICT OF COLUMBIA FOOD STAMP ADVISORY COMMITTEE

Mrs. CLAYPOOL. Gentlemen, my name is Mildred Claypool from Neighborhood Development Center No. 2.

Thank you for the opportunity to speak here today. I want to talk about those who need food stamps but can't always afford them.

Where you live, in the suburbs, everybody seems to be pretty much on the same financial level, or must have a certain minimum income. In my neighborhood on Eighth Street, NW., we have some of every class. These are classes we have: We have the professionals, which consists of teachers, doctors, and lawyers. We have Government workers in another class. We have those who work for private concerns—D.C. Transit, Peoples Drug, motels, and hotels. We have welfare clients who receive benefits regularly; but the class I want to talk about is this class.

But there are some who do not qualify for welfare because they have an occasional income. They work off and on, mostly in construction. They often only 1 or 2 days a week. When these people do get a little money, they usually spend it paying back what they borrowed during the off days.

These people should be given food stamps regularly based on what they need to feed their families (and they usually have a lot of children). If you do not see fit to give these people free food stamps, then some other arrangement should be made. It is up to Congress to set up guidelines for food stamps for these people, because there are many of them, all over the country. They need good nutrition, too. Without clear policy from you these people may eat at the whim of county administrators who may be unsympathetic to their needs.

Emergencies happen to everyone, but when they happen to people with little or no money emergencies are catastrophic. Often what people need most in the time of emergency is food. The Food Stamp Advisory Committee has asked for emergency food banks in addition to the food stamp program.

The food stamp program is based on income. For those who have no income, in a time of emergency, such food banks might save the day.

If there is any doubt that emergency food is needed, I can bring you statistics from churches, neighborhood centers, and the Welfare Department Family Emergency Shelter. Every weekend when food stamp service is not available, people come to these places for food to tide themselves over for the rest of the week.

Now, I have a few things I want to say that is not on this paper. Now, for instance, the food stamp program is a very good program, I think, just needs a little brushing up and a few things that I can tell you that will remedy and help it go along smooth.

You see, I think the food stamp program should stay just where it is, with the Agriculture Department. I don't know why Welfare wants to take it over when they have been knowing people have been hungry all of their lives and then it took the Government, had to send the Government to find out we were hungry.

Welfare has been knowing this all along but they didn't do nothing about it.

And another thing, I want to say that these people that I am talking about, that you are overlooking between the welfare clients and the people with no income. You see, it is a level of people in there that have a little income, but the income keeps them from qualifying for welfare because of the guidelines. I think the guidelines should be done away with completely and give a person something according to what he needs, because you cannot set up a guideline that will match everybody, because everybody is different. It should do away with the guideline.

For an instance, these people who have this little income, they work 2 days, and the next 2 days they don't have nothing, they have got to borrow off the rest of the week, and then when they get something again they are behind and they still don't have nothing.

Now, if you have some way of giving them some food stamps, and if you can't give them free food stamps, give them food when they need it, and then when they make some money let them pay on it like you do a bill, pay something on it, but continue to give them food stamps.

And then another thing, this food bank, you see, I work for NC–2, I work on Saturdays, and they have this if you have free food banks when these people run out of money, you see the bonus on the food stamp is so low that they don't get enough money, get enough food for their money, to run them a whole month. It only runs 3 weeks, and the other week you have got to beg and do whatever you can to make it over until the first of the month again.

Now, if they had free food banks in different places, when they run out of money like that and they don't have no food they can come to these food banks and get some money. And then another thing, when the banks are closed, when the food places are closed, and on Saturdays especially, the Government don't work on Saturday and that means food banks and things are closed on Saturdays, and they come to us to be certified.

Well, that's not going to do them much good because after we certify them they can't get the food stamps because they don't have the money. You have got to get that ticket first and then get the food stamps. But, everything is closed. Now, if they had a food bank there they wouldn't have to do all of that, you would just give them something to eat, give them something to eat.

They found out we were starving, and then we eat, but that's the reason why we are so malnutrition, because we have to buy beans, all types of beans, dried beans, blackeyed peas, butter beans, but they are still beans, to make them know that we are eating. We are eating, but it took another man and another category to find out why they

were wrong, because they are eating but not eating the right kind of food, because they don't give them enough to get the right kind of food.

Now, if you don't want to give us soap and things in our budget with the food stamps, give us a larger budget, bonus on the food stamps to do that, so when we have this larger bonus we can have a little money left to buy the soap and detergent and all of that. I can see where they might not want it mixed up. The money goes back to Agriculture and they have to split it up then and divide it with some of these other people.

You see, if you don't want to do that, then give us a bigger bonus for the money that we do spend, to carry us over, and then that would work.

Now, that's one of the things you could do to make it work, you see. Now, did everybody get the picture? I want you to get the picture, because if you don't get the picture you can't see my point. Those are the people that I am asking for because those kind of people are all over the country. They might not be construction workers, but they are food pickers, and all of the fruit pickers, and things like that. They have the same thing, work a few days and other days don't work. These people don't have no money. If they don't work they don't have no money.

They don't have no other kind of income. Now, why should you hold back the guidelines on that? You know they need the food, give it to them. It is here. You send it everywhere else; you can give us some of it.

(Applause.)

Mrs. CLAYPOOL. I thank you very much, and I hope this sticks.

The CHAIRMAN. Well, thank you.

Our next witness will be Mrs. Yvonne Betters.

Mrs. Betters.

STATEMENT OF MRS. YVONNE BETTERS, REPRESENTATIVE OF THE DISTRICT OF COLUMBIA FOOD STAMP ADVISORY COMMITTEE

Mrs. BETTERS. My name is Yvonne Betters.

Gentlemen, I appreciate the opportunity to speak with you today. I would like to speak in reference to a great need in the community for more food stamp certification officers, particularly those who can go out and reach the bedridden and the elderly.

I asked to speak here today because of my own case. Last May I was informed that it would be necessary for me to have an operation for cancer. At that time I took a leave of absence from my job as a recreation leader with the District of Columbia Recreation Department. Until that time my income was too high for food stamps. I live with my four children, age 6 to 15, in public housing.

I was operated on in mid-June but did not receive any welfare benefits until mid-August, because it takes quite a while to get the papers processed.

During this period of recuperation, the only income was $67.80 a month, a social security payment for my two boys whose father is in Glendale Hospital with tuberculosis.

I was quite desperate for food. I called and was told there was no way to get food stamps if I could not come to the office. I asked if I could send my 15-year-old but was again turned down.

Fortunately, I had a friend who worked in the near Northeast Community Improvement Corporation office where there is also a food stamp unit. She took my papers and got me certified for food stamps—but this was a personal thing. What would I have done without a friend in a strategic spot?

In our public housing unit there are people who can't see, who move about with canes. Everywhere are the elderly who have worked all their lives and are now too feeble to go to the certification offices. Workers should be available to visit these people and certify them for food stamps.

Now, I live on a property that has many people that cannot see, cannot go any place. These people are afraid to go to the certification office, really, because there are a lot of young people and they are nervous and they don't understand.

What I am trying to say is that we need somebody like nutrition aides, certification officers that can speak to these people. Now, I only ask them to come out and go to their homes and have pamphlets to show them what to buy with these stamps, along with certifying them, and give a person a book of stamps and say go to the Safeway with this, is not enough. They need to be told what to do with the food stamps when they get them and what to buy. If they have a nutrition aide, along with the certification officer, they would be much obliged and they would know what to do and appreciate their food stamps. Thank you.

The CHAIRMAN. Thank you, Mrs. Betters.

Mrs. Mary Spriggs.

STATEMENT OF MRS. MARY SPRIGGS, REPRESENTATIVE OF THE DISTRICT OF COLUMBIA FOOD STAMP ADVISORY COMMITTEE

Mrs. SPRIGGS. Mr. Chairman, committee: My name is Mary Spriggs. I appreciate the opportunity to speak with you today. I am 70 years old. My husband is 72. He has been receiving retirement since 1951 when he became totally paralyzed. Over the years his monthly checks have gone from $70 to $104. Just this month we received the largest one to date $117.

I was working until August, 1968, when I became ill. I am not eligible for social security because I have not contributed enough. I need about 2½ years more.

We were buying our own home but payments have been increasing rapidly because they raise real estate taxes (from $168 to $314 this year).

I called to inquire about it and they told me the house is depreciating but the "dirt" is going up. The note is $136.60 a month.

Now we are trying to negotiate to sell the house and move to an apartment. This is a big job when you can't count on good health. I have arthritis, diabetes and heart trouble.

Today I came to talk about food stamps. I was paying $20 for $40 worth of food stamps. Four months now. Now we pay $1 for $30 worth of food stamps. We simply cannot live on that amount of food. In

recent hard times we've been living on the extras we get from our working friends.

It is a shame for a person to work all his life in this country, to be a good citizen and do volunteer work for political candidates like yourselves, and wind up with not enough to eat. I might add that to supplement my husband's income since I've been sick I tried to get welfare. They took a lien on my house and three insurance policies. I got $11 a month for 3 months. Then, my husband received an increase of $8 a month of which $7.40 was taken out for medicare insurance.

There are many older persons like my husband and myself and others who live alone. Rents are high and when you buy food stamps you don't get enough to eat and all your cash is gone. We need good diets because our health is failing. When you don't eat well, it starts a vicious circle of getting weaker and feeling worse. Let's break the circle by giving us enough food stamps to live on.

Thank you.

The CHAIRMAN. Thank you, Mrs. Spriggs. We appreciate your statement.

Now, I suggest if there are any questions of any of these last seven witnesses, that the members of the committee might question them now.

Are there any questions of any of this panel?

If there are no questions, we are very much obliged to all of you for your attendance. We appreciate each of you making a presentation to the committee. I thank you all for being here, and you are excused.

Mrs. CLAYPOOL. There is one more thing I would like to say, just one thing. I want to add this so the welfare people can hear this.

The welfare people, I hope you take notice of this. You see, we have sales in the stores, and the people have the food stamps and there are sales in the store, but now here is the hindrance to that. The Frigidaires that they have, they have these little old small boxes for the little apartments, efficiency apartments, nowhere to store nothing. Now, it looks like to me that the welfare, the families that are on welfare that have large families and a lot of children, they could furnish them with a Frigidaire where they could put something in it and store something so that when they get these sales they can store this food, and if you store something you have always got food. But, if you don't have nowhere to store nothing, those sales are no good to you.

Now, please, welfare people, or whoever is connected with it, see that these large families get a Frigidaire where they can store something, and then that will teach the people how to store something and they will always have something on hand. But, if you don't have nowhere to store it you can't do nothing with it.

I wanted to say this a long time ago and I forgot it, and this is a good time to say it, so that some of these other people can hear.

Thank you.

The CHAIRMAN. Thank you.

Thank you all. Thank you all for your attendance.

I believe that concludes the list of witnesses and the committee will stand in recess until tomorrow morning at 10 o'clock.

(Thereupon, at 11:30 a.m., the hearing was recessed, to reconvene Wednesday, October 29, 1969, at 10 a.m.)

FOOD STAMPS

WEDNESDAY, OCTOBER 29, 1969

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to recess, at 10:05 a.m., in room 1301, Longworth House Office Building, the Honorable W. R. Poage (chairman) presiding.

Present: Representatives Poage, Abernethy, Purcell, O'Neal, Foley, de la Garza, Vigorito, Montgomery, Sisk, Burlison, Lowenstein, Jones of Tennessee, Melcher, Teague, Wampler, Miller, Mathias, Mayne, Zwach, Kleppe, Myers, Sebelius, Mizell, and Resident Commissioner Córdova.

Also present: Christine S. Gallagher, chief clerk; Hyde H. Murray, associate counsel; John A. Knebel, assistant counsel; and L. T. Easley, staff consultant.

The CHAIRMAN. The committee will please come to order.

We are met to further consider the general farm and food stamp legislation with special emphasis on food stamps at this time. We had scheduled Senator Javits and Senator McGovern. I understand Senator McGovern will not be with us but Senator Javits is here and is anxious to get back to a hearing on his side in which he is interested. We are always delighted to have the Senator with us. He was a distinguished Member of the House of Representatives before most of our Members were in the Congress.

I am delighted to have you with us, Senator. We will be glad to hear from you.

STATEMENT OF HON. JACOB K. JAVITS, A U.S. SENATOR FROM THE STATE OF NEW YORK

Senator JAVITS. Thank you very much, Mr. Chairman, and members of the committee.

Mr. Chairman, my appearance before this committee is to call your attention to, as vividly as I can, the key provisions of the Senate-passed food stamp bill, S. 2547, which has been referred to this committee. I am mindful of the fact that the action of this committee will be in the tradition of independence of both Houses. I am also prepared to respond to any questions.

First, I wish to emphasize that the Senate acted notwithstanding recommendations of the Senate Agriculture Committee. That, in my judgment, is very significant.

The Committee on Agriculture in the Senate is highly respected in all areas of its jurisdiction, and only rarely are its recommendations

overturned. However, the problem of hunger—both in its proportion and its nature—is not solely a problem of agriculture. If it is partially, a problem of agriculture products, it is also very heavily, a welfare problem. Thus it was appropriate and necessary for the full Senate to treat this problem in all its aspects and to adopt a bill which reflected that broad view.

I think it would be a mistake to assume that the Senate repudiated the Committee on Agriculture. As the ranking Republican member of the Select Committee on Nutrition and Human Needs, and as one who joined with Senator McGovern in this action, I feel that this was not the case. Rather, the Senate resolved a jurisdictional dilemma for there is no legislative committee which encompasses the broad spectrum in the area of human and other basic needs as does the select committee.

I believe that the Senate did its best under these circumstances. With that background, Mr. Chairman, I would like to make a brief statement.

I appreciate very much the opportunity to testify on what I consider to be one of the most crucial humanitarian pieces of legislation to come before the Congress this year, the expansion and reform of the food stamp program.

As I have stated, I am the ranking Republican on the Senate Select Committee on Nutrition and Human Needs. I have heard the testimony and have seen the evidence, in the field as well as in the hearing room, of the serious inadequacies of the existing program which make it more restrictive and limited than is needed to reach and serve millions of the hungry poor.

It was almost inconceivable that there should be so much hunger in this country, and its existence has, I think, very much aroused the conscience of the country. Hence, the effort to greatly improve this program. It is a fair estimate that this affects a minimum of five million people.

For over 2 years now, the Congress, and the American people, have been aroused by the national disgrace of hunger amidst affluence. We have talked, we have seen, we have deliberated. Now the time has come to reorder our priorities so that we can act. We must provide the necessary programs and funding so that the Nation's hungry and malnourished can receive the basic balanced and adequate diet which every American deserves and which this great Nation is capable of providing.

There has been a doggedly slow pace, it seems to many in the country, in coming up with the programs and the funds needed to combat hunger.

Speaking now, personally, I am convinced that the Nation's agricultural policy cannot be one-sided—a policy that provides some billions of dollars for supporting the price of food or keeping food out of production and limited millions for bringing food to the poor, a policy which spends millions for curing the diseases of fattened livestock but finds it hard to provide the money needed to eliminate parasites in malnourished children. And so, I appear today to urge the committee, a committee which has done so much good in improving the lot of the farmer, to take a basic first step in broadening our Nation's agricultural policy so that it also meets the needs of hungry Ameri-

cans. That first step is to provide a practical, efficient, thorough, and humanitarian food stamp program.

Such a program, in my judgment and, obviously, that of the Senate, is provided in the historic food stamp bill that the Senate passed some weeks ago—and which is now before this committee.

I urge the committee to adopt the key provisions of the Senate bill, which are so necessary if we are to meet our commitment to the Nation's hungry and malnourished poor. I also would like to stress that an expanded food stamp program could be of substantial benefit to agriculture in the United States. Historically, we have approached the problem of stabilizing agricultural prices by seeking to hold down the supply. However, an expanded food stamp program would serve to maintain prices by increasing consumer demand for farm products. Thus, food stamps could provide an added price-stabilizing factor on agricultural products that heretofore has not been adequately explored.

I believe that the Senate-passed bill, S. 2547, would go a long way towards eradicating the deficiencies of the present food stamp program. It would bring the purchasing power needed to achieve a balanced diet within the reach of those who for so long have been denied assistance due to bureaucratic red tape, inadequate funding and inequities in the existing law.

The key provisions of the Senate bill break new ground in a number of areas by (1) providing free food stamps for any family of four whose monthly income is less than $60; (2) allowing, where appropriate, concurrent distribution of surplus commodities and food stamps in given counties; (3) authorizing the establishment of national eligibility standards which would allow families of four with incomes of less than $4,000 per year to participate in the program and (4) establishing a clear Federal responsibility in those areas where local officials either refuse to operate a stamp program or fail to operate an existing program adequately.

The Senate, in passing S. 2547, has now clearly declared that the Federal Government must and will mount a full-scale attack on hunger and malnutrition and will devote the necessary resources to the achievement of that objective—that the Nation's conscience just will not tolerate anything less.

I might point out that it was this administration which broke the redtape barrier that had blocked its predecessor. President Nixon earlier this year called for substantial improvements in the Federal food assistance programs and for "an end to hunger in America—for all time." Evidence of this administration's commitment has been provided by significant administrative breakthroughs by Secretary of Agriculture Hardin and Secretary of Health, Education, and Welfare Finch, and by the proposals for food stamp reform which the administration submitted to the Congress earlier this year.

The Senate has now responded to the overwhelming sense of urgency which has characterized public concern with this issue. In expanding and reforming the food stamp program, the Senate has taken a giant step toward providing the administration with the tools it needs to establish and implement a truly responsive food assistance program.

Mr. Chairman, the Senate bill would provide $1.25 billion for fiscal 1970, $2 billion for fiscal 1971, and $2.5 billion for fiscal 1972. Congress

provides nearly $3 billion in order of magnitude in assistance programs to farmers. Surely it can provide at least half that amount to enable the hungry poor to have adequate diets. I deeply believe that the Nation's conscience has been sufficiently aroused. And, it should no longer tolerate the bloated bellies of malnourished children and it should no longer permit the empty stomachs that prevent millions of impoverished schoolchildren from gaining a full mind. If we can provide programs to feed 48 million malnourished children around the world, then we must do no less for our own disadvantaged here at home. I do not begrudge what we do abroad at all, but we have to perform our obligations here. I hope very much, Mr. Chairman, that the matter will be of the highest priority with the committee. I compliment the Chair and the committee for having these hearings so promptly upon the passage of the Senate bill, and I would like to emphasize that an expanded and reformed food stamp program enacted by Congress will provide national direction and leadership for some local officials who for too long have resisted implementing the food stamp law and for other local officials who have been caught in the maze of redtape which has on occasion snarled it.

If we take the lead, we can demand that local governments will also do their best to comply.

Already, my own State of New York has passed a law requiring every social service district in the State to apply for a food stamp program, or at least a commodity distribution program, until a stamp program can be implemented.

I would like also at this time to pay a tribute to the chairman of our select committee, Senator McGovern. We have worked together very closely. We feel that hunger knows no parties and this is a strictly bipartisan effort in which we are engaged. I know—I do not have to urge—I know that the approach of this committee and of the House will also be in that spirit.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Javits. I know you want to get back to an important hearing. I hope that the Chair will not take too much time.

I did want to ask you about four or five questions.

You discussed at some length the Senate-passed legislation, which is not the same as your agriculture committee suggested. I just wonder if you recall where the first food stamp program was presented and from what committee it came.

Senator JAVITS. I do not, Mr. Chairman, but I have a dim recollection that it originated in this committee.

The CHAIRMAN. That is correct.

Senator JAVITS. It came from the House Agriculture Committee.

The CHAIRMAN. I am sorry that the present leading advocates of the food stamp program have such dim recollection, as the Senator puts it, as to who originated the food stamp program. This committee originated the food stamp program. This committee brought it out and fought for it. But it seems that a great many people's recollection is so dim that they rather feel that this committee, instead of being the sponsor of the food stamp program, is its chief enemy.

Senator JAVITS. Mr. Chairman, I mean no derogation by my remarks of my respect and admiration for the committee and its members who

brought the food stamp program forward. I believe at that time I was actually serving in the House of Representatives. I was only being accurate as to my memory. But I did recall that the food stamp program originated here and I pay the fullest tribute to the ingenuity of the men who brought it forward. I would like to point out to the Chair that perhaps the greatest tribute to any of us is permanence. In other words, the things of which I am proudest as a legislator, having spent over 20 years in the Congress are the programs which I originated and which persist. It is fundamental that the idea of food stamps—the dignity it gives, the technique of using established channels of distribution in terms of retailing, et cetera—has now been validated. This is evidenced not only by time, but also by the fact that the Senate's action regarding food stamps is all premised on that basic food stamp program and the desire to improve upon it.

The House Committee on Agriculture has great reason for satisfaction with the permanence of what it initiated.

The CHAIRMAN. Thank you, sir.

Now, do you consider this a program of supplementing the resources of those whose resources are not adequate to provide all the food they need, or do you look upon it as a program of providing for all of the needs of people in the United States?

Senator JAVITS. I regard it as a supplementary program. However, I also view it in the light of our new determination to put a floor under the incomes of the poor. We now intend to hold them to a new standard, to wit, the standard of training and work. It seems to me that we cannot consider this measure as standing alone but rather as an element in a totally new approach to the concept of what to do about helping the poor in this country. And I, therefore, believe that if we expect the poor to learn and to work, then we must provide them as a fundamental base, an adequate quotient of food.

The CHAIRMAN. Well, now, that leads me to my next question, as to just how far would you go. Would you go far enough to supply clothing as has been suggested. Obviously, clothing is needed as well as food. Would you provide clothing through these stamps?

Senator JAVITS. Mr. Chairman, that might be the optimum but I do not believe that we can do it realistically in terms of cost or in terms of preparation. I believe that we simply have to do what we can do. We cannot be doctrinaire about these things. The fact is that we do have a food program, we do not have a clothing program. We are going to try to approach clothing and shelter in other ways.

I like very much the administration's basic payment welfare plan. It is a wonderful beginning. I like very much the approach to training and work and day-care centers which will enable AFDC mothers to join in the program, but you cannot wrap it all in the food stamp program. This is food, basic, important. I would not ask the Congress to go beyond that except in other programs which we will be considering in due course.

The CHAIRMAN. Now, would you object, as one of the witnesses recently before us did object, to requiring such work of the recipient of food stamps as that recipient might be able to perform?

Senator JAVITS. In my judgment, Mr. Chairman, to relate the food stamp alone to a work quotient would be neither effective nor efficient. However, I strongly favor the administration's welfare concept. I do favor making the overall engagement of the Federal Government to

the poor, either directly or through the States, contingent upon manpower training and manpower programs of a specific character generally rather than only related to the food stamp. We should enact a good food stamp program. A manpower training plus basic welfare payment program may come next year and there will be a time lag between the two. But I think socially that time lag is justified by the greater efficiency which would result. And I do not think we can be as simplistic as to say if you want to eat you have to work.

I do think, ultimately, that is the way it will work out, given the network of programs with which we are wrestling right now.

The CHAIRMAN. The gentleman from California?

Mr. TEAGUE. No, thank you, Mr. Chairman.

The CHAIRMAN. Anybody want to ask any questions?

Mr. ABERNETHY. I would like to—what is the amount of the Senate bill?

Senator JAVITS. The Senate bill is—the first year, a billion and a quarter. The next year, $2 billion, and the next year $2½ billion.

Mr. ABERNETHY. Do you think $2½ billion will be the maximum and that that would take care of those that others have in mind throughout this country?

Senator JAVITS. Congressman Abernethy, I think the answer to that question must be no. Indeed, it is very doubtful that the $2½ billion will take care of those eligible. I am very cognizant of that, but for the same reason that I said what I did to Chairman Poage about the clothing, I have to say the same thing to you.

We can not pretend that this bill will be more than an improvement in degree, I think major degree, both qualitatively and quantitatively, but to pretend that it is the optimum would just be untrue.

Mr. ABERNETHY. Well, evidently Senator McGovern, you and others have made a rather studious study of this. What do you think would be the approximate maximum amount of money that should be expended at the Federal level in order to reach all who are in need of food stamps?

Senator JAVITS. I am told, Congressman, that if you take the estimate of the Department of Agriculture on the Senate bill the amount would go up to around $5 billion. There is some disagreement about that estimate, because—as I understand—the fulcrum of the controversy relates to the $4,000 ceiling. It is argued that in fact, other provisions of the bill increase that to a $6,000 ceiling.

Mr. ABERNETHY. Your answer helps me very much. I recall when we first reported this bill out of committee I made a statement in a newsletter and I think also on the floor of the House that this program would, within a few years, run to at least $4 billion annually. I was hooted at by some people and also highly criticized by some for issuing a statement in a newsletter; but I think you are right. I think it will run to $4 or $5 and probably more than $5 billion. I am just trying to estimate what it will cost.

Now, Senator, what is your attitude about making food stamps available to people who are on strike?

Senator JAVITS. I would say that the basic welfare quotient—of which food stamps are a part—should be made available to all Americans, even if they are on strike. I do not believe in the simplistic approach which would require work to eat. I do not agree that you are

going to get men to go back to work because they are not getting food stamps. On the contrary, I believe that you are more likely to get them out on the barricades.

Mr. ABERNETHY. Well, now, food stamps are being made available in some instances to people who are on strike and that gives the endorsement of the Government to the idea throughout the Nation of making food stamps available to all persons who are on strike, making them available to one. If it is right to make stamps available to one group it certainly would be right as you have just suggested, to make them available to all groups. Do you agree with that?

Senator JAVITS. I do.

Mr. ABERNETHY. You did not take that into consideration, I do not think, in the $5 billion estimate that you have just submitted, did you?

Senator JAVITS. I think I did. This is a very rough approximation. There is some difference of opinion between those who authored the Senate bill and the departments on this cost. I do not believe that there can be any claim that, having limited the authorizations, we are going to go beyond that. That is what we have limited it to. If anything, the Appropriations Committee will go below that. Therefore, it is somewhat academic to discuss the maximum possibilities. We have an order of magnitude, Congressman Abernethy. There will be a major improvement in the food stamp program even without the authorizations which the Senate has put on the program. I did not wish to pretend——

Mr. ABERNETHY. I do think it is time, though, that we put on the record the whole picture of the potential and what we are headed for. Do you not think so, and you will have to do it——

Senator JAVITS. Not necessarily headed for——

Mr. ABERNETHY. Maybe I did not use the right word. Why are we not headed for such?

Senator JAVITS. No. You have used a very important word. I constantly hear, and you, as a very distinguished legislator of long experience, constantly hear of "precedent"—that if we pass $2½ billion, we are going to have to pass $5 billion.

Well, we do not have to pass anything. We are limiting it to $2½ billion. If we do not want to increase it we will not, notwithstanding the fact that if one were seeking 100 percent participation it might cost $5 billion. That is up to us. Right now we stand at $2½ billion. We might reduce it. Therefore, I cannot subscribe to the theory that, ipso facto, you or I are going to vote for $5 billion. We are not.

Mr. ABERNETHY. Well, of course, passage of $2½ billion is up to us, too.

Senator JAVITS. That is right.

Mr. ABERNETHY. But you have just testified that you think that it will reach around $5 billion and you have taken into consideration the fact that that pertains to strikers and you testified that strikers ought to be fed; so if there was a bill before this committee providing for such, you would be testifying for it.

Senator JAVITS. I do not know about that. I have got to consider the overall financial means of the country. I voted together with you and others, I think you, to limit our expenditures to something like $193 billion, plus some additions within the criteria established by law. I have got to pay attention to that, too.

Mr. ABERNETHY. Well, Senator, I really cannot just follow your statement. You just said that you thought they ought to be made available to strikers. That was what you said, was it not?

Senator JAVITS. I certainly did.

Mr. ABERNETHY. All right. Then, if that issue was before the Senate would you support it or oppose it?

Senator JAVITS. Within the limits of $2½ billion in fiscal 1972 and for no more.

Mr. ABERNETHY. What would you do when they present the $5 billion?

Senator JAVITS. I just could not pay it. I would have to make some——

Mr. ABERNETHY. I know you would not pay it but would you vote for it?

Senator JAVITS. I could not because I have limited myself to $2½ billion.

Mr. ABERNETHY. I see. All right. Now—and I am not quarreling with people making good hourly wages. There are many people in the Nation that make $6, $8, $10 an hour and I think maybe we have some people now making that figure and who are on strike.

Would you feel that it would be right for the city of New York to distribute food stamps to a person on strike who was making $8 an hour?

Senator JAVITS. Well, he would not be eligible for——

Mr. ABERNETHY. And went on strike?

Senator JAVITS. He would not be eligible for food stamps if he were earning $8 an hour. He is only eligible for food stamps if his income at the time of stamp application is within the welfare category.

The fact that he was making $8 an hour does not relate to the situation where he has been out on strike for so long that he is simply unable to feed himself. I would support public assistance to feed him if he cannot afford to feed himself, and that is the criterion in the bill, even though he is out on strike. I would not use the withholding of the food stamps as a weapon against that man because he is out on strike, but I will not feed him if he can well afford to feed himself.

Mr. ABERNETHY. I realize that, Senator, but he is out of money, he is out on strike, he has been making $8 an hour, he goes on strike. He has got no money. He could go back to work in the morning at $8 an hour.

Senator JAVITS. Correct.

Mr. ABERNETHY. My question is, would you feed him through the use of food stamps.

Senator JAVITS. I would not coerce him with that weapon.

Mr. ABERNETHY. I did not say coerce.

Senator JAVITS. Yes, you are. I am sorry, sir. I have to disagree. You would coerce him. You would make him starve.

Mr. ABERNETHY. No.

Senator JAVITS. Yes, you would, you would make him starve unless he goes back to work.

Mr. ABERNETHY. No, I do not. You do not starve at $8 an hour.

Senator JAVITS. But he is not earning it. You just said so. He is out of money, he doesn't have food.

Mr. ABERNETHY. He can go back to work at $8 an hour, can he not?

Senator JAVITS. But he is starving if he does not and I would not use the food stamps to coerce him.

Mr. ABERNETHY. But you would still give him the food stamps.

Senator JAVITS. Right.

Mr. ABERNETHY. Well, what about college students? Would you make them available to all college students or to those in the same category?

Senator JAVITS. Again, I would not coerce the student—I do not know what you have in mind about college students. I do not think——

Mr. ABERNETHY. They have been made available to some college students.

Senator JAVITS. I do not see any reason why a college student's stomach is any different from that of the fellow not going to college.

Mr. ABERNETHY. Did you take that into consideration when you came to your $5 billion estimate?

Senator JAVITS. I took into consideration a generalized food stamp program which did not use the food stamp as a sanction. And that goes for college students who are disrupting campuses and it goes——

Mr. ABERNETHY. You would feed them, too?

Senator JAVITS. Yes.

Mr. ABERNETHY. You would?

Senator JAVITS. I do not believe in starving a person in this country as a sanction.

Mr. ABERNETHY. I do not, either. I believe in them taking care of themselves when they are physically and mentally capable of doing so and a striker or a college student who is conducting himself as you just suggested is capable of doing it——

Senator JAVITS. Disruption has nothing to do with his economic condition. But just for the same reason that the whole country rebelled against the draft being used that way, I would feel the whole country would feel about food being used as a sanction.

Mr. ABERNETHY. Well, I think you should limit your statement——

Senator JAVITS. There are plenty of other ways. We can lock them up and put them in jail.

Mr. ABERNETHY. The whole country did not rebel against the draft. Some did. Most of them did not—most of them still do not. Do you not agree with that?

Senator JAVITS. No, I do not. This is a matter of opinion as between us and I think one of the reasons General Hershey——

Mr. ABERNETHY. If most of them rebelled the military would collapse today.

Senator JAVITS. I did not say they rebelled against serving. I say they rebelled against the idea that the Director of Selective Services would use the draft as a sanction against the student.

Mr. ABERNETHY. Well, I do not know what that has got to do with food stamps.

Senator JAVITS. Neither do I. [Laughter.]

Mr. ABERNETHY. It just gets us off the track a little bit. I know where you stand, Senator, and I appreciate——

Senator JAVITS. Good.

Mr. ABERNETHY (continuing). Appreciate your presence here. $5 billion worth of food stamps to feed strikers making $8 an hour. I thank you for letting the world know where you stand.

The CHAIRMAN. Thank you, Mr. Abernethy.

Mr. Mayne?

Mr. MAYNE. Senator Javits, Mr. Chairman, with the exception of this somewhat extraneous field that we have gotten into with reference to the obligation to serve our country, I would certainly like to commend the Senator on his very signicant testimony this morning and his great leadership in the welfare field.

Senator, I was very happy to hear the favorable comments that you made about the President's new welfare program which I believe you described as a totally new and much needed concept in the approach to the poor.

Now, this Nixon welfare program involves cash payments which will provide a floor or base, does it not?

Senator JAVITS. It does.

Mr. MAYNE. And I agree with you, Senator, that this will be a great step forward if we can get it through the Congress. It will, if we are successful, involve a very significant new financial outlay and investment in the problems of taking care of the poor, will it not?

Senator JAVITS. It will.

Mr. MAYNE. There have been various estimates of how much the President's welfare program will cost if implemented the way that it should be. What is your best judgment on how expensive this will be?

Senator JAVITS. I think the first estimate of the administration is something in the order of magnitude of $4 billion.

Mr. MAYNE. Of course, I believe there have more recently beeen somewhat higher estimates——

Senator JAVITS. Yes.

Mr. MAYNE (continuing). Coming unofficially from the White House.

Senator JAVITS. I have heard them as high as $10 billion.

Mr. MAYNE. Well, I am wondering, Senator, if you would agree with me that we are going to have our hands full in getting this welfare program through committee and to the floor of both Houses and passed before it can be signed by the President.

Senator JAVITS. Interestingly enough, Congressman Mayne, I do not think there is going to be nearly the tough fight on that program that you might have on food stamps. I think that the understanding of the implications is very clear, the demographic implications, the movement of population which has been attributable to the inadequate welfare standards, the fact that States and localities are financially strapped unless this program is enacted, and the very interesting work-welfare tie. I rather think that program is going to have a rather general acceptance. Further, I feel that the argument is going to concern details and that the overall cost will be phased in at the cost of other programs including this food program.

Taking the net tax on the total society for welfare programs—including Federal, State and local taxing—we will find that we are not going overboard financially, even with the President's welfare program. Rather, our problem will be that of phasing. That will relate to food stamps and many other things which may phase out to some extent as the other approach phases in.

You cannot cut it off, you know, because you are going to do something new maybe tomorrow or next year.

Mr. MAYNE. Well, the Nixon program does have a great advantage in that the cash payments would be much easier to administer.

Senator JAVITS. Exactly so.

Mr. MAYNE. There would be much less bureaucratic redtape.

Senator JAVITS. That is one of the items of genius. Just as the stamp program in its day—and its day is still today—had the brilliance of conception that, to the extent possible, the poor would not be stigmatized, so the Nixon basic payment program has the even greater advantage of automaticity.

Mr. MAYNE. And the poor would greatly prefer a system of cash payments rather than food stamps, would they not?

Senator JAVITS. Yes. The poor person values dignity, and the individual wants to avoid being on food stamps or welfare. The poor in many cases would rather die than be on welfare, and actually do. We all know it. Those of us who deal with these situations on a case-by-case basis see cases where, because a person has to go to a welfare doctor or clinic, he will not go. He would rather shorten his or her life, not consciously, but that is the end result. Therefore, I think you refer to a most important factor.

Mr. MAYNE. I have just one more question, Mr. Chairman.

I would appreciate the Senator's comment on this. It does seem to me that we must be very careful that an expanded food stamp outlay such as the Senate has passed might possibly get in the way of and complicate the passage of the Nixon welfare program which has the greater merit and will in the long run accomplish much more to getting us on the proper course in solving the problems of the poor.

Senator JAVITS. Mr. Mayne, I would like to make two observations. First you have to eat at least once a day and every day comes and goes with awesome regularity. You certainly want to avoid obstructing passage of the welfare program which we all think—you and I obviously think—is very good. But you cannot do that at the expense of continuing that condition of hunger which unfortunately, we have discovered in the country.

Second, the time which we have provided for this program, considering the responsibility for annual appropriations, places it entirely within our power to phase in or out as the situation requires. And so long as it is within our power, as I said to Congressman Abernethy, that is all we can ask.

Certainly, I am frankly very pleased to hear what you say about the President's welfare program and you bear out what I had in mind—that it will not have nearly the rough fight that perhaps even this bill would have.

Mr. MAYNE. Thank you, Senator.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Mayne.

Mr. Montgomery?

Mr. MONTGOMERY. Thank you, Mr. Chairman.

Senator Javits, this is a first for me, the first time I have had the opportunity to question a Senator in any manner.

Senator JAVITS. You can even ask anything.

Mr. MONTGOMERY. I am concerned about the so-called McGovern bill, S. 2547, and I will only ask you two questions so other members will have an equal opportunity, and I will be brief.

I have been told by a reliable source that the McGovern bill would allow a family of seven, where the breadwinner earns over $11,000 a year, to be eligible for food stamps in some cases. This seems like an excessive amount of income to let someone be eligible for food stamps, and I wonder what your feeling is on that.

Senator JAVITS. Well, it seems like an excessive amount of income to me but I do think that the bill allows a ceiling to be put on family income by the Secretary.

I might point out, too, that this is not too different from the situation where I think you gentlemen, on the whole, are unwilling to limit agricultural price support or subsidies on the basis of the aggregate amount paid to or the aggregate income of those who receive it.

I am not arguing for or against that proposition now but I will say that certainly it is a proper subject for your consideration as a matter both of principle and of practice. To answer your question, there is built into section 5–A of the bill as passed by the Senate, power in the Secretary to put a ceiling on income. I agree with you. It could be interpreted as being possible under this bill to get higher limits. I am certain that this committee will carefully examine that matter.

Mr. MONTGOMERY. Thank you. My last question is based on the fact that in your bill the amount of money recommended disturbs me in that it seems to me it will be impossible, certainly for this fiscal year, to come anywhere close to spending $1,250 million. In fact, the chairman has received a letter from the Secretary of Agriculture saying under the present law the maximum amount of money that the Department of Agriculture could spend for food stamps would be $610 million.

I think you would agree with me that possibly we would be almost kidding ourselves if we think we could amend the Food Stamp Act as suggested by the McGovern bill, pass it, and have it signed by the President by March or April of next year. This fiscal year would just about be completed before we would even have the opportunity to begin spending money at the higher funding level you are suggesting today. My point is, my question is, I think you are way too high as far as being realistic on the actual amount of money the Department of Agriculture can spend, and if we make these appropriations and they cannot spend it, that would seem to encourage wasteful spending.

Senator JAVITS. We went into this aspect very carefully, Mr. Montgomery. I did personally and met with some of my colleagues to discuss this very point. The record demonstrates also what was testified to on that score. The Senate as you know, has authorized $750 million for fiscal 1970 based upon an argument similar to yours. The House has only appropriated $340 million. We are satisfied in the Select Committee—and obviously, the Senate was satisfied—that the $1¼ billion was adjusted to the capability for intelligent expenditure.

I will tell you personally that, as a condition of Republican support for this bill, including my own, I sought a specific authorization figure. The figure to which I came, according to my best judgment—again, I say I could be wrong—with which the Senate apparently was in agreement was a billion and a quarter.

Mr. MONTGOMERY. Thank you, sir.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Montgomery.

Mr. Kleppe?

Mr. KLEPPE. Thank you, Mr. Chairman.

Senator, you come from a very populous State and I come from a very rural State. We have very little except farmers and farm-oriented small business people but I think the question of hunger is a human thing that is understood whether it is in a highly populous State or in a rural State. I think you have articulated your position very clearly but I am concerned about your comparison of $3 billion worth of assistance to farmers as it relates to the authorization for food stamps. I interpret this as a negative reference to our farm programs when it is not the point in question.

If this is to be considered then we should compute all other welfare assistance whether it be for medical care, clothing, food, and all the rest. That is a substantial figure.

Senator JAVITS. Of course.

Mr. KLEPPE. The point I am trying to make here is that I would hope you would not use a comparison of what we assist farmers through the price support program as evidence for selling the food stamp program. Maybe I am a little sensitive to your comments on page 2 where you recite those figures.

Senator JAVITS. Mr. Kleppe, I think the sensitivity is a good thing. I am glad you are sensitive and I hope the sensitivity stirs your conscience in the matter. I am not trying to be popular here.

We have got to do our job. It is a fact that we have a right to equate authority with responsibility to feed hungry people which we have not met. We have met other responsibilities. I do not even pretend that the $3.435 billion which we are providing in fiscal 1970 for price supports and related programs necessarily represents what we ought to be doing in the farm field. I am not trying to argue that. I am only arguing that people have a right to equate what is being done in category A with what is being done in category B, to be sure that our national allocation of resources is a reasonable one. We cannot, as I told Congressman Abernethy, pay the whole bill in any of these fields.

Mr. KLEPPE. Well, it seems to me as you use this comparison here, it makes it sound like the farmers are getting something out of the mouths of the hungry people.

Senator JAVITS. Well——

Mr. KLEPPE. I hope that is not your point.

Senator JAVITS. Not at all, and may I tell you this, too, and I think members here will bear me out. When I have argued on the farm program, I have often argued about means. I have only voted on the question of means. I have never sought to deny to the small farmer or the family farm or the farmer who needs to have his income supplemented, the amount necessary. On the contrary. I think most of the people who have taken my position, more or less the city position on farm legislation, have always said, "Let us spend what is needed but let us spend it wisely, intelligently." I would hasten to affirm what you say. The farmers are not taking out of the mouths of the hungry, but I affirm the fact that any American farmer worthy of the name will feel exactly as I do and exactly as you do about the question of a program to feed the hungry.

Mr. KLEPPE. Thank you.

The CHAIRMAN. Mr. Foley?

Mr. FOLEY. Senator Javits, as a sponsor of the House bill which is similar to the Senate bill, I am in hearty agreement with your testimony. I would like to raise two points.

First of all, we talked a little bit about the President's welfare program. If that should be implemented, some of the provisions in the Senate bill on food stamps would probably not need to be implemented themselves; for example, the free food stamps. Would you not agree with that?

Senator JAVITS. I would say yes, that even at this low level—and it is a low level—but even at this low level I think that is true. I believe, as I said here in answer to Mr. Mayne, we will be operating concurrently, this program and the President's family assistance program.

Mr. FOLEY. And if it is necessary to adjust the food stamp bill following the enactment of the President's welfare program, that can easily be done.

Senator JAVITS. Not even following. You can do it right in the enactment of the President's welfare program.

Mr. FOLEY. I am aware that this is a sensitive point, but on the subject of strikers and students, is it not true they now participate in the food stamp program if they are otherwise eligible?

Senator JAVITS. So I understand, and I might point out it is a lot more expensive to feed them in jail.

Mr. FOLEY. And I think the record should show in the last session, in the last Congress, the House and Senate Agriculture Committees reported back a conference report which struck from the bill a House provision excepting students and strikers, so it was the judgment of the conference that students and strikers should be included and that was sustained by a record vote in the House of Representatives.

Senator JAVITS. I am grateful to you, Mr. Foley, and I would like to compliment you on your bill. I agree it is a fine bill.

Mr. FOLEY. I think you have done an excellent job in your devotion to the problems of nutrition in this country and when you look at your legislative record after many years of service, I am sure this one is one that will give you the greatest pride.

Senator JAVITS. You are very kind.

Mr. FOLEY. Thank you.

The CHAIRMAN. Thank you, Mr. Foley.

Mr. Melcher?

Mr. MELCHER. Senator Javits, we have skirted this point and I think you will agree, but I would like it for the record. Regardless of what the amount spent, whether it is $600 million per year or the $1¼ billion, or up to $2½ billion per year, regardless of what is spent, some of the need for welfare funds, Federal, State and local, will be relieved by the amount we spend here, will it not?

Senator JAVITS. Oh, I am sure of that.

Mr. MELCHER. Thank you. That is all the questions I have.

The CHAIRMAN. Mr. Lowenstein?

Mr. LOWENSTEIN. I want to join in welcoming my distinguished colleague from New York, Senator Javits. As is customary with Senator Javits, his statement has been informed and enlightening and we are indebted to him for his contributions to these hearings.

I have two questions I woud like to ask concerning the use of nutrition aides. I wonder if any evidence was submitted to the Select Committee on the question of nutrition aides, and, if so, whether you feel this type of activity is useful and should be expanded. These are the neighborhood people who are——

Senator JAVITS. Yes. Yes. We have had much favorable testimony on that program and the Select Committee has undertaken an intensive study of its effects, merits, and successes. The Committee will issue a definitive report upon the results of that study in about 3 weeks.

Mr. LOWENSTEIN. I assume that report will include information about the question of whether low income people can be utilized effectively across racial lines in this kind of program and so forth. I think that would be very helpful.

Senator JAVITS. Good.

Mr. LOWENSTEIN. As you know, Mr. Foley and I are working for the same general program here that you and Senator McGovern did so much to further in the Senate, and it is wonderful to have your testimony in support of the general philosophy encompassed in these bills. I appreciate very much your taking the time to come.

Senator JAVITS. Thank you.

The CHAIRMAN. Thank you, Mr. Lowenstein.

If there are no further questions, we are very much obliged to you, Senator Javits. We appreciate your coming over and sharing with us your views.

Our next witness is Mr. Arnold Mayer, legislative representative, Amalgamated Meat Cutters and Butcher Workmen. We are glad to hear from you, Mr. Mayer.

STATEMENT OF ARNOLD MAYER, LEGISLATIVE REPRESENTATIVE, AMALGAMATED MEAT CUTTERS AND BUTCHER WORKMEN (AFL–CIO)

Mr. MAYER. Thank you, Mr. Chairman.

Mr. Chairman, gentlemen of the committee, my name is Arnold Mayer. I am the legislative representative of the Amalgamated Meat Cutters and Butcher Workmen (AFL–CIO).

The Amalgamated is a labor union with 500,000 members organized in about 700 local unions throughout the United States and Canada. The Amalgamated and its local unions have contracts with thousands of employers in the meat, retail food, poultry, egg, canning, leather, fish processing and fur industries.

More than 90 percent of our half-million members work in the handling, processing and selling of food. We are the largest organization of food industry workers in the United States and probably in the free world.

SPECIAL CONCERN

Because we are so involved with food manufacturing and distribution, we are especially concerned about the existence of widespread hunger and malnutrition in the United States. Our officers and members feel the same shock and embarrassment as most Americans because some 10 million of our fellow citizens do not get enough nourishing food to eat. But in addition, we know, because of our participation in

the industry, that this terrible suffering among men, women, and children need not occur at all. We know that the food and the resources are readily available in our land of plenty to wipe out hunger completely.

American producers certainly can grow immensely more than is necessary to feed every single American adequately. In fact, they are subsidized now to prevent this massive production. And our union's members and food industry management can certainly process much more greater amounts of wholesome and nourishing foods.

Our union is ready and willing to help in the campaign to banish hunger and malnutrition from our country in all ways we can. We believe this effort is of the greatest urgency. It should have top priority among governmental actions, for it is incredible and shameful that men, women, and children should suffer the pangs of hunger in our Nation, the richest the world has ever known.

AMALGAMATED POLICY STATEMENT

The executive board of our union has discussed the hunger problem at its various meetings in the past year. It spelled out our union's policy in a statement adopted at its April 29 meeting in Chicago. I should like to read the action of that statement:

> Union policy—The Amalgamated Meat Cutters & Butcher Workmen (AFL–CIO), believes that action to end hunger is needed and it is needed now.
>
> We recognize that the Amalgamated, as the largest and strongest organization of food industry workers in the United States, has a special responsibility in the fight against hunger. It is the policy of our union to play a leading role in the effort to secure adequate resources and effective administration to banish hunger completely from our Nation.
>
> We shall accelerate our present legislative efforts. We shall work on behalf of bills to liberalize, reform, and increase the scope of the food stamp program, such as the measure proposed by Senator George McGovern (Democrat, of South Dakota). This was issued when Senator McGovern's was the only bill around, chairman of the Senate Select Committee on Nutrition and Human Needs. We shall support expansion of the school feeding programs and the removal of the ridiculous obstructions which now sharply limit its scope and effectiveness. We shall support efforts to use the direct food distribution program as a supplement to the other two programs.
>
> In these activities, the Amalgamated is working and shall continue to work not only with other unions and civic welfare groups, but also with the managements of major food companies and food industry trade associations. There is a common enemy—hunger. Together, we shall defeat him quickly and permanently.

MOST BASIC PROBLEM

The problem of hunger is obviously the most basic of human problems. If a human being does not have adequate and proper food, he cannot function effectively. His other problems become secondary as he desperately seeks to ease the gnawing pains in his stomach or as he becomes an easy victim to illness, suffers, and perhaps dies.

Fortunately, this most basic national problem is also the easiest of the Nation's poverty difficulties to solve. Its remedy involves no great and complex political, sociological, or psychological problems, as do so many of the other antipoverty efforts.

Nor are the American people divided on what to do about hunger. There is a tremendous public support for ending it—and ending it quickly. A recent Gallup poll showed that 68 percent—or two out of

every three Americans—favor free food stamps for families in dire poverty. Sixty percent—or nearly two out of every three supported selling food stamps at sharply reduced rates to families whose earnings are between $20 and $60 a week.

The Senate's action in substituting a more far-reaching bill for the one proposed by its Agriculture Committee by a 54-to-40 rollcall vote and then increasing the margin of support for the bill on subsequent rollcalls is also an indication of this legislation's strength among the American people. Final passage in the other body was by a 78-to-14 margin.

The combination of the comparative lack of complexity of and public support for solving the hunger problem is fortuitous. Hunger can be wiped out in the United States if:

(1) Adequate funds are made available—especially by the Federal Government—to provide sharply expanded food programs, including making free food stamps available to the lowest income families.

(2) The administration of the existing food programs are reformed at the various levels of operation.

FOOD STAMP BILLS

The committee has before it several bills and proposals which seek to achieve these two goals as far as food stamps are concerned. We commend the chairman of this committee, Representative W. R. Poage, for his legislation. It demonstrates his concern with the problem and his efforts to meet it. We also commend the administration, Representative Catherine May and the 33 cosponsors for the bill they have proposed. Their actions are also vital contributions in the campaigns to make this a hunger-free Nation. But we fear that neither bill is adequate to meet the problem.

We support H.R. 13423 introduced by Representative Thomas S. Foley and 23 cosponsors and S. 2547, the measure passed by the Senate. These two bills are not panaceas, but they are effective proposals.

We should like to cite some of the factors which brought us to support these measures by discussing some major provisions of the food stamp legislation.

THE STANDARDS

1. *Eligibility standards.*—Many individuals and families are currently excluded from participating in the program by State eligibility standards. States also find their burdens increased because of the sharply differing standards established by neighboring States.

In H.R. 13423 and S. 2547, Congress would specifically set eligibility standards while allowing variations by differences in household size, household composition, region and place of residence.

2. *Free food stamps.*—Some Americans are so very poor that they have virtually no money whatsoever. We believe they should be able to get free food stamps.

Of the different provisions before you, we prefer those of S. 2547, which would provide free food stamps for households with an income of less than half of the cost of a nutritionally adequate diet or about $64 a month. This amount is much less than one-fourth of the amount of income the Federal Government uses as an indicator of poverty.

3. *Price of coupons.*—The purchase of the food—and often of food stamps—takes virtually the entire amount of an impoverished family's money. Inadequate sums are left over for rent and other necessities.

H.R. 13423 and S. 2547 would assure that the cost of food stamps would not be more than 25 percent of the household's income.

4. *Total value of coupons.*—The existing program provides an inadequate food stamp bonus to many poverty-stricken families. A southern family of four with an income of less than $30 a month, for example, receives the equivalent of only about $58 a month.

H.R. 13423 and S. 2547 would increase the bonus to provide a more realistic amount of stamps which will assure an adequate diet.

BUYING STAMPS

5. *Place of coupon issuance.*—In some areas, some poor people find it costly to participate in the program because the stamps are sold in places not easily reached by them.

H.R. 13423 and S. 2547 correct this situation easily by permitting post offices, banks, credit unions, participating food stores and public and private nonprofit agencies to handle the purchase of food stamps.

6. *Issuance of coupons.*—Many persons and families otherwise eligible for food stamps find it impossible to participate because they cannot afford to buy their entire monthly allotment at one time. Yet, that is the only way in which purchases can be made in the area.

H.R. 13423 and S. 2547 permit installment purchases on at least a weekly basis. We strongly support this change as a means of permitting more poor people to benefit from the program.

7. *Product coverage.*—The program is currently limited to food and does not include any items necessary for personal cleanliness, hygiene and home sanitation. Obviously, these items are essential to the welfare of a family and would not add a large amount to the cost of the program.

H.R. 13423 and S. 2547 would include these sanitation provisions.

FUNDS AND CERTIFICATION

8. *Method of certification.*—The fear that some persons will cheat on food stamps has resulted in the institution of an often degrading and expensive system for certification. The procedure does not necessarily catch the small number of cheaters, but it puts burdens upon all applicants and it drains off funds and staff which should be used to further the goals of the program.

H.R. 13423 and S. 2547 provide for certification on the basis of an affidavit prescribed by the Secretary. The certification can be challenged and fraud can be prosecuted. We consider this procedure to be better both in the way human beings are treated and as a means of saving money for the program.

9. *Method and level of funding.*—The current program obviously is not adequate to meet the problem of hunger in the United States. A larger program and, therefore, more funds are needed.

We strongly support the provision of H.R. 13423 which would have the Commodity Credit Corporation use its borrowing authority to run the program. Appropriations would then be used to reimburse CCC.

The Commodity Credit Corporation has done a good job in bolstering the U.S. farm economy. It would be an excellent vehicle for providing the food to wipe out hunger in this Nation.

The bill which the chairman has introduced would allow open-ended authorization. We think that is the next best approach. We think CCC is a good way of handling the problem, but if that is not a satisfactory means for the committee, the open-ended authorization, which the chairman has proposed, is an excellent way of doing the job.

10. *Flexibility in administration.*—Some local governments find a decision for participation or actual administration of the program to be politically difficult. As a result, the impoverished in the area go hungry or suffer from inadequate diets. To aid these areas and feed the hungry, flexibility in administration must be made possible.

H.R. 13423 and S. 2547 would permit a series of options for those areas. They would permit the Secretary or a local public or private nonprofit agency to adminster the food stamp program. Most important, the bills set a specific date when all areas must have a program available. All hungry Americans will then have the opportunity to benefit from the legislation.

11. *Commodity credit distribution and food stamps.*—Without an emergency situation, commodities cannot be distributed in an area which has a food stamp program. Yet, because of some of the problems outlined above, families which benefited from the commodity distribution cannot get food stamps. They are left without any food aid.

H.R. 13423 and S. 2547 would permit both programs to operate in an area during the transition from commodity distribution to food stamps and even later at the request of the State agency.

12. *Program Outreach.*—Many poor people who are eligible simply do not participate because they do not know about the program or have gotten a thoroughly garbled picture of it.

H.R. 13423 and S. 2547 provide that eligible households be informed about the program and aided in making applications.

ACTION NEEDED

Some argue that the efforts envisaged by the food stamp legislation are too costly, that they would increase the budget too much, that they would hamper the fight against inflation. An argument is also heard that there is little or no poverty-caused hunger in the United States, that only malnutrition exists and that it is due to the ignorance of diets and lack of desire to eat proper foods.

The executive board of our union labeled these arguments as "sheer nonsense" in its policy statement on hunger and malnutrition. It said:

> The Amalgamated Meat Cutters and Butcher Workmen, (AFL–CIO) believes the Nation must afford the several billion dollars a year it will cost to wipe out hunger. What we cannot afford is to permit babies to go hungry in the midst of plenty or the brains and bodies of children to be stunted for lack of food while our national policies cut back agricultural production.
>
> The Amalgamated also believes there is no question about the widespread existence of poverty-caused hunger in our Nation. No one can disregard the hearings of the Senate Select Committee, the surveys of individual legislators, the findings of nationally known and respected medical people and the tentative conclusions of the very detailed U.S. Public Health Service study.

Mr. Chairman and gentlemen of the committee, we believe speedy action is needed. We respectfully urge that you report legislation to the House soon and we hope that legislation will contain the various provisions of H.R. 13423 and S. 2547 which we have discussed.

The CHAIRMAN. Thank you very much.

Mr. MAYER. And we also greatly appreciate the opportunity of presenting this statement to you.

The CHAIRMAN. Thank you, sir. The Chair does not agree with all of the suggestions you have made, but you have made some very well thought out, constructive suggestions. We do appreciate them. Suggestions of that kind are what we need if we are going to be able to see the whole picture and write an intelligent bill. We appreciate your statement.

Mr. TEAGUE. I have one question, Mr. Chairman.

Mr. Mayer, does your union have a position favoring an increase in Federal income taxes to pay for this highly desirable, greatly expanded food stamp program which you have recommended?

Mr. MAYER.No, we have no policy for increasing income taxes but we do have a program for changing the tax laws to vastly increase the amount of revenue available to the Federal Government by cutting out tax loopholes and by making the tax legislation more just. And if the gentleman would like, I will bring that over to his office and also I would be delighted to add it to the record.

Mr. TEAGUE. I do not think—as far as I am concerned, it does not need to go into the record. I will be glad to see it. Probably not too far from what the House did several weeks ago.

Mr. MAYER. Well, it goes further than the House did. The House closed some loopholes. It did not close all of them. The House made a major reform effort, but we certainly would like it to have gone further.

Mr. TEAGUE. Thank you.

The CHAIRMAN. May I suggest off the record——

(Discussion off the record.)

The CHAIRMAN. Your programs do not suggest putting taxes on unions, do they?

Mr. MAYER. Unions are taxed on their outside income.

The CHAIRMAN. I understand, but you are not suggesting we increase or place any taxes on the unions, are you?

Mr. MAYER. I am saying that we are already taxed on any business income.

The CHAIRMAN. So is everybody else taxed on that.

Mr. MAYER. No. A lot of people are not taxed at all, Mr. Chairman.

The CHAIRMAN. I know of very few people who are not taxed at all. But—any other questions of the witness?

Mr. ABERNETHY. I just want to ask one. Did I understand you to say that the companies or corporations could take off the income tax bribes?

Mr. MAYER. Yes, sir. That situation came before the House Ways and Means Committee.

Mr. ABERNETHY. B-r-i-b-e-s.

Mr. MAYER. B-r-i-b-e-s.

Mr. ABERNETHY. That is paying somebody to do something they should not do.

Mr. MAYER. That is right. They are tax deductible by corporations.

Mr. MYERS. Were is that in the code?

Mr. ABERNETHY. Well, I do not think that is true. You make the statement but I think I——

Mr. MAYER. It was part of the Ways and Means Committee hearings.

Mr. ABERNETHY. I think it reflects on the good statement you made by making such a statement here.

Mr. MAYER. I am sorry, sir. I depend upon the considerations of the Ways and Means Committee.

Mr. ABERNETHY. I understand. I do want to commend you on the dispatch with which you made your statement. You did a good job of reading.

Just one question. You also support making available food stamps to strikers, do you not?

Mr. MAYER. Yes, sir, and I am glad you asked that question——

Mr. ABERNETHY. I am sure you are——

Mr. MAYER. (continuing) Because in your colloquy with Senator Javits you spoke on the matter of people who earn $8 an hour. I think that——

Mr. ABERNETHY. Or $6. Let us drop it back to $6 or $5.

Mr. MAYER. Let us even talk about $4.

Mr. ABERNETHY. $32 a day.

Mr. MAYER. I think if you look at the eligibility standards, it is unlikely that someone who has earnings of that amount will be able to get food stamps unless the strike has gone on a long time.

But to get to the principle of the issue, yes, I do agree that eligible strikers should get food stamps. I think anyone who is hungry ought to have this recourse and should have the food stamps made available to him.

Mr. ABERNETHY. Now, would you make the stamps also available to management while they are on the strike?

Mr. MAYER. Yes, sir.

Mr. ABERNETHY. That certainly would be unusual.

Mr. MAYER. If they meet the eligibility qualifications, yes.

Mr. ABERNETHY. Now, what does a meatcutter in Washington make per hour?

Mr. MAYER. A journeyman meatcutter, I think now makes about $160 a week for a 40-hour week, so it is $4 an hour.

Mr. ABERNETHY. When you say a journeyman, is that the maximum?

Mr. MAYER. No. Well, that is the maximum in his qualification. You see, you have different classifications.

Mr. ABERNETHY. What does a meatcutter in Safeway make?

Mr. MAYER. The journeyman meatcutter is the man who cuts the meat. He is not an apprentice or wrapper. He makes about $163.50, I believe.

Mr. ABERNETHY. Is that the regular meatcutter who cuts my meat at Safeway?

Mr. MAYER. Yes.

Mr. ABERNETHY. $160 a week?

Mr. MAYER. Yes, sir.

Mr. ABERNETHY. That is after withholding?

Mr. MAYER. No. That is gross. Withholding comes off that.

Mr. ABERNETHY. Now, if he goes on strike and he had not saved any money at all, would you still give him food stamps?

Mr. MAYER. Well, I would, yes. Washington, D.C., will not, because it does not have the strike eligibility provision.

Mr. ABERNETHY. But you think we should make that available?

Mr. MAYER. I would say that in practical terms, he would not get it. The eligibility standards would prevent the benefits from going to him. But if you ask me whether I would make him eligible, I say, "Yes. If he is hungry, I would."

Mr. ABERNETHY. I did not ask you that. I asked would you make such available to strikers and your answer is, yes.

Mr. MAYER. Yes, sir.

Mr. ABERNETHY. And you would make that uniform throughout the country?

Mr. MAYER. If I could persuade you to do that, yes.

Mr. ABEBRNETHY. And tax management to pay for it.

Mr. MAYER. No I think our people get taxed for it, sir.

Mr. ABERNETHY. You are out of money. He does not pay any taxes.

Mr. MAYER. But not everyone is on strike. There are others that are working.

Mr. ABERNETHY. That is all.

The CHAIRMAN. Any other questions or suggestions?

Mr. KLEPPE. I was not going to add any questions but I wanted to add just one experience to what Mr. Abernethy is talking about.

I have an oil refinery in my district and they had a strike for 10 days and there were some men getting between $8,000 and $9,000 a year salary and they did get food stamps. Now, in that instance do you think that would be correct?

Mr. MAYER. Sir, I think that shows that the food stamp program in your area is very liberal. I think this case makes probably the most liberal one anywhere in the country.

Mr. KLEPPE. Maybe I should say to you, we put a stop to it, but it did happen.

Mr. MAYER. I see. I think that is very unusual.

Mr. KLEPPE. My question is, do you think that is proper?

Mr. MAYER. I think——

Mr. KLEPPE. You can determine the income between $8,000 and $9,000 a year and the strike was of very short duration. Do you think that instance was proper?

Mr. MAYER. I would have some qualms about that one, where a strike is so short.

Mr. KLEPPE. Thank you, Mr. Chairman.

Mr. MYERS. Mr. Chairman, I have one question for Mr. Mayer. Did your union take a position on the recent surtax extension?

Mr. MAYER. Yes, sir.

Mr. MYERS. What was that position?

Mr. MAYER. Our position was that we would support the surtax provided there would be tax reform.

Mr. MYERS. Then, you did support the surtax extension?

Mr. MAYER. When it came up the first time; this year, we did not——

Mr. MYERS. Then, you did not listen to the Ways and Means Committee Chairman who assured you tax reform would be before the Congress within 2 weeks—you did not then favor the extension?

Mr. MAYER. We favored the extension provided that there would be tax reform. At the time of that first vote, there were assurances, but the tax reform legislation had not moved very far. In the second vote it had moved. You remember that the surtax came up three times before the House, so to answer your question fully, the first time, no; the other two times, yes.

Mr. MYERS. In other words, then, you would not want these programs here if we did not get tax reform because the only way we can pay for new programs is through taxation. We do not make money here regardless of what the popular opinion might be.

Mr. MAYER. I would question that. I think the budget is rather big. You and I might disagree what programs we should pay for and what——

Mr. MYERS. What would you cut out to provide the billion dollars or so you are asking for?

Mr. MAYER. I think considering the domestic problems we have, I think we could cut down the war in Vietnam, which is taking $30 billion a year.

Mr. MYERS. Then, you would deny the young men enough to fight with.

Mr. MAYER. No. I would bring them back home.

Mr. MYERS. They are there now.

Mr. MAYER. We can bring them back.

Mr. MYERS. You cannot bring them back by wishing it nor just overnight.

Mr. MAYER. The President is doing exactly that.

Mr. MYERS. But in the meantime, you would cut them off, though, from having enough, material, weapons and supplies.

Mr. MAYER. No.

Mr. MYERS. We cannot cut down two years ago. It already has been spent. The commitment has been made this year.

Mr. MAYER. We certainly can cut back on the future commitment, can we not?

Mr. MYERS. Yes, I think we are doing that.

Mr. MAYER. That is what I say. I think we agree on that.

The CHAIRMAN. I hope that there will be no further questions because if the witness continues to answer as he does, I will want to retract my commendation.

Mr. MAYER. I am sorry to disappoint you, Mr. Chairman.

Mr. PURCELL. Mr. Chairman, I want to say that I know Mr. Mayer well enough that if I ask him too many questions I will not agree with him, but I want to compliment him on having a very analytical, a very meaty statement that does not wander all over the place, and I think he made a contribution to this committee on this subject. And I have got sense enough not to ask him any more questions.

Mr. MAYER. Thank you.

Well, Mr. Chairman, I am sorry if we disagree on some things, but I feel I do have an obligation to answer the questions that are put before me by the committee members. And that is what I tried to do.

Mr. FOLEY. Mr. Chairman, I am conscious of the fact that we have other witnesses waiting. I just want to say both the witness himself and the organization he represents, have added more in recent months, at least in recent years since I have been in Congress, than any other

labor organization in the field of food legislation, related legislation. I want to compliment him both on the statement and the services both he and his union have rendered.

Mr. MAYER. Thank you.

The CHAIRMAN. Thank you, Mr. Foley. If there are no further questions, we are very much obliged to you, Mr. Mayer.

Mr. MAYER. Thank you, Mr. Chairman.

The CHAIRMAN. Our next witness will, as I understand it, be somewhat in the nature of a panel with Mr. Hodges——

STATEMENT OF HON. GEORGE G. SEIBELS, JR., MAYOR OF BIRMINGHAM, ALA.

Mr. SEIBELS. Mr. Chairman, this is the mayor of Birmingham speaking, sir. I will introduce the gentlemen. My name is George Seibels, mayor of the city of Birmingham. I appreciate very much this opportunity of having our citizens come up here. I will introduce them in just a moment.

I would say this, and someone else is going to do the talking, but for 6 months we have had a Community Affairs Committee. We have been meeting on many different problems in the food stamps and improving it in the city of Birmingham and Jefferson County which is represented, Jefferson County, Birmingham, represented. We have been resolving some problems. For the last several weeks we have gotten together this book. I think you will find some—we think you will find some very constructive suggestions in it. We have made this in-depth study of our food stamp program as presently administered and we have some concrete and believe plausible suggestions to respectfully submit to you.

This was done by Operation New Birmingham. This is a group of men, our Community Affairs Committee, of businessmen and government leaders working together and many of them are here today.

I will say this, that we believe that this is a good program and that it can be made to work more effectively and we have set it forthright here.

Now, let me introduce—I would say this, that we are quite concerned. We have made substantial improvements in our city government. We have just finished our budget and already I have committed a good sum of money to do a better job with our food stamp program. So has the county.

I would like to introduce these gentlemen. Mr. Gerow Hodges, vice president, Liberty National Life Insurance Co., will be the spokesman. I am sorry. Mr. Peake will be the spokesman. I would like to introduce the following gentlemen if they would stand.

Mr. Gerow Hodges, vice president, Liberty National Insurance Co. This is the food stamp committee of our community affairs. Mr. Wayne Peake—you will hear from him in a minute. Mr. Thad Holt,, business executive. Mr. Drennan, one of our city councilmen, could not be here. He is ill. I am here, the mayor. Mr. Tom Pinson, Jefferson County Commissioner, is here. Mr. Arthur Shores, one of our city councilmen and an attorney, is here, Mr. A. C. Bauer, who is the president of the South Central Bell Telephone Co. and Chairman of the Community Affairs Committee. And Mr. Dan Roper, back there,

who is a staff member of Operation New Birmingham that prepared this book.

We will now hear from Mr. B. Wayne Peake, vice president, Commercial Realty Co., and who had so much to do with getting this book together. Mr. Peake. Thank you, gentlemen.

The CHAIRMAN. We will be glad to hear from you, Mr. Peake.

STATEMENT OF B. WAYNE PEAKE, VICE PRESIDENT, COMMERCIAL REALTY CO.; ACCOMPANIED BY GEROW HODGES, VICE PRESIDENT, LIBERTY NATIONAL INSURANCE CO.; THAD HOLT, BUSINESS EXECUTIVE; TOM PINSON, JEFFERSON COUNTY COMMISSIONER; ARTHUR SHORES, ATTORNEY AND CITY COUNCILMAN; AND CECIL BAUER, PRESIDENT, SOUTH CENTRAL TELEPHONE CO., AND COCHAIRMAN, COMMUNITY AFFAIRS COMMITTEE, OPERATION NEW BIRMINGHAM

Mr. PEAKE. Mr. Chairman, gentlemen, we would like to discuss the food stamp program, first, with the operation of the program in Jefferson County, Ala., and second, recommendations for improvement of the operation under present legislation.

And thirdly, recommendations for improvement of the entire food stamp program.

Thank you for the opportunity you have given us to appear before your committee. May we take a moment to identify who we are and why we are here before you today. We are members of Birmingham's Community Affairs Committee, known as CAC. This committee was put into being in May of 1969, by a larger group known as "Operation New Birmingham."

CAC is chaired jointly by Dr. Lucius Pitts, president of Miles College, and by Mr. W. C. Bauer, president of South Central Bell Telephone Co. There are some 30 members of CAC and breakfast meetings are held every Monday. Members include Hon. George Seibels, mayor of Birmingham, County Commissioners Cooper Green and Tom Pinson, our sheriff, our chief of police, two representatives of our legislative delegation to the State capital in Montgomery, the vice president of JCCEO, two members of Birmingham's City Council, the president of the Birmingham Bar Association, labor leaders, ministers, attorneys, and local businessmen. CAC is biracial, and is actively engaged in getting at, and attempting to solve, some of the problems that Birmingham faces, problems that are faced by every urban area in our country. Our discussions are candid, sometimes vociferous, but always with the unanimous desire to be productive for the betterment of our community. Our Dr. Pitts has said that in his many years of experience, CAC is the first really meaningful civic action committee upon which he has ever served. Present areas of CAC study include police community relations, the broadening of local policymaking boards, hunger, poverty and welfare, and specifically for our appearance before you today, our study of the food stamp program in Jefferson County.

With your permission, we will want to discuss the present food stamp program in our area, first in terms of its laborious procedures and its ineffectiveness.

We will present an outline for the simplification of these procedures through use of mail service, machine accounting and computer automation.

We will want to point out what, to our minds, are deficiencies in the present legislation and why these deficiencies keep the food stamp program at an ineffective level, both in Jefferson County, Ala., and elsewhere in the Nation. In short, the food stamp program, as it now stands, does not, and, in our opinion, will not reach more than a small percentage of its intended recipients.

Lastly, and more importantly, we will make suggestions for innovations and modifications in the food stamp program that will cut administrative costs, and make the program more easily accessible and easily understandable to its recipients. We believe that the truly noble intent of the program is frustrated, to put it simply, by its operational technique.

Most of us on CAC started this not knowing what a food program looked like, not knowing who bought them or how they had to be obtained. Those of us, however, who drew subcommittee assignments on hunger in our community, decided that food stamps would be a good place to start. There is no need at this hearing to take up your time with the specific details of our food stamp operation in Jefferson County, since it probably does not vary greatly, as we have subsequently learned, from the operation of other food stamp offices in other counties around the country. The details of Jefferson County's operation are shown on attached "Exhibit A" in the form of a "step out" analysis of each motion that a prospective food stamp recipient goes through to be certified, recertified and to buy food stamps.

(Exhibit A follows:)

EXHIBIT A—JEFFERSON COUNTY FOOD STAMP PROGRAM

The Jefferson County Food Stamp Program is administered by the State of Alabama Department of Pensions and Security through the office of the County Director of Pensions and Security. The program is financed by Jefferson County and the Federal Government through the Agricultural Marketing Service, Department of Agriculture. Persons eligible for the purchase of food stamps fall into two categories: recipients of public assistance and nonrecipients of public assistance. Those receiving public assistance are processed by the Department of Pensions and Security office and those not receiving such assistance are processed by the Food Stamp Office. The following procedure describes the program as it pertains to the nonpublic assistance cases only. However, the procedure for handling the public assistance cases is very similar to that for the nonpublic assistance cases. The main differences are as follows:

1. A public assistance recipient can be certified for a period up to 1 year while the maximum period for a nonpublic assistnce case is 6 months.
2. A public assistance recipient is automatically eligible to purchase food stamps if he so choose unless he lives in the household with another person whose income disqualifies them from participation because it exceeds the maximum allowable limit. Nonpublic assistance cases are not automatically eligible under any circumstances.
3. Only the Food Stamp Office can sell the stamps. Both the Food Stamp Office and the Department of Pensions and Security can certify clients.

This procedures is presented in six main parts:

1. Securing the food stamps from AMS, USDA.
2. Certification of households as eligible.
3. Purchase of food stamps.
4. Re-certification of households.
5. Authorization of retail food stores to participate.
6. Spending the food stamps and clearing them through banking channels.

Mr. PEAKE. This shows also a parallel "step out" analysis of the motions of caseworkers and cashiers in handling of file folders, household record cards and in manual accounting for stamps sold and money received. The analysis depicts, in essence, the almost complete frustration that must be the lot of the poor person, standing in line trying to get stamps or simply to find out what it is all about. The analysis shows equally well the awesome amount and duplication of paperwork that hamstrings the personnel in a food stamp office. This step-out analysis I have referred to here was done by Mr. Gerow Hodges and a young assistant he has with the Liberty National Life Insurance Company to endeavor to give us a picture of actually what our operation was, and to put it down on paper so we could see step by step what had to occur.

Another study for our use was made at the request of Mr. Tom Pinson, our county commissioner, and a member of our CAC subcommittee dealing with hunger. This study was prepared for him by the Community Service Council of Jefferson County and is attached as "Exhibit B".

(Exhibit B follows:)

EXHIBIT B—REPORT ON HUNGER JEFFERSON COUNTY, ALA., COMMUNITY SERVICE COUNCIL OF JEFFERSON COUNTY, INC., AUGUST 1969

COUNCIL REQUESTED TO STUDY HUNGER

As a result of a request from commissioner Thomas B. Pinson, the executive committee of the Community Service Council authorized the staff of the council to review the current food programs in Jefferson County and recent studies on hunger which have been completed, hold meetings with affected programs and people, and report to the executive committee with findings and recommendations. The executive committee will in turn relay to the board of directors of the council the various alternatives with recommendations for further study and/or a plan of action geared to the development of the maximum community program to alleviate hunger.

METHOD OF STUDY

During the week of July 21, the staff of the council discussed the problem of hunger with numerous people in the community who have either a direct relationship with an on-going food program, a professional interest from either a clinical or educational point of view, and an administrative responsibility for economic assistance.

A meeting was held on July 28, with 29 representatives of programs serving the economically disadvantaged to further identify hunger. The staff attended three meetings with neighborhood groups, most of whom were recipients of the public assistance from the Jefferson County Department of Pensions and Security to further identify problems associated with hunger as viewed by the poor.

1. *Findings.*—Major supplemental relief program for hunger is the food stamp program. The food stamp program in Jefferson County is currently serving 3,273 households. There are 13,744 persons in these households. During the time that the food stamp program has been in operation in Jefferson County, there have been 30,000 applications for food stamps processed. The food stamp program certifies a household on the basis of eligibility requirements and will provide, for a purchase charge based on a coupon issuance table, food stamps which are used by the individual to purchase groceries at participating retail markets. Currently a central office in downtown Birmingham and a branch office in Bessemer are the only outlets for food stamp distribution. A report of a visit to the Birmingham food stamp program follows:

The Jefferson County food stamp program is located at 805 North 22d Street, Birmingham, Ala., and recently a Bessemer branch of the food stamp program has been opened. The Jefferson County food stamp program is administered by Commodity Distribution Bureau of the State Department of Pensions and Security, through the office of the County Director of Pensions and Security. It is financed through the Agricultural Marketing Service, Department of Agriculture

on the Federal level, and locally funded by Jefferson County. The housing and a portion of the personnel cost is also the responsibility of the county. It is open 5 days per week from 8 a.m.–5 p.m. (closed from 12–1 p.m.).

A. Present location

The present location of the Birmingham program is in a one-story warehouse type building just off the Eighth Avenue alley near the railroad track. The entrance is reached by a small partially paved walkway between the warehouse and another brick building. There is no number on the building and the sign is difficult to distinguish. (At the time of this visit trash was being burned by the food stamp employees in the small passageway and trash was blowing in the faces of those entering the building.) It is off the busline, a distance in most instances from two to three blocks.

B. Interior of building

The warehouse has been renovated to provide adequate lighting and air conditioning. However, the space is cramped between the interviewers and the waiting area is used by clients applying for food stamp certification. The interviewers desks are placed side by side with a folding chair in the aisleway for the interviewee. Approximately one-third of the space is used for file cabinets, bookkeeping type equipment, and offices. The area occupied by the cashiers is small and opens out of the building onto 21st Street. There are no restrooms for the clients. They are referred to the 2121 building restrooms, a half block away.

C. Staff complement

There are a total of 14 staff members, State employees, and a part of the State merit system. There are three vacancies at present; one cashier and two interviewers. The present staff includes the director, supervisor of the food stamp issuance division, eight interviewers, and three cashiers. In rush days, one of the interviewers is placed in charge of directing the waiting lines, decreasing the number of interviewers.

D. Eligibility requirements

Persons eligible to be certified for the food stamps include recipients of public assistance such as old age assistance, aid to the permanently and totally disabled, aid to the blind, and aid to dependent children. These are certified by the Department of Pensions and Security who is responsible for keeping the food stamp program up to date on the status of the client's eligibility. Others who are eligible are those whose annual income is less than certain amounts as shown by the table below.

Number in household:	*Allowable monthly income*	Number in household—Con.	*Allowable monthly income*
1	$130	6	$350
2	210	7	380
3	255	8	410
4	290	9	440
5	320	10	470

Add $30 for each additional member of the household. Other resources such as cash, money in the bank, savings bonds, and any other liquid resources, must be considered in determining eligibility for nonassistance households. The total of these resources must not exceed $1,000 or four times the allowable monthly net income, whichever is greater. These instructions supersede all previous instructions on this subject.

These categories are processed by the Food Stamp Office, if the client is unemployed, the interviewer determines the reasons. If "possibly" eligible for unemployment compensation he is referred to the State employment office. After he is registered at the employment office, then he returns to the Food Stamp Office for further processing. For eligibility to be determined it is necessary for the client to establish himself as the head of the household or else be represented by someone else, provided he is physically unable to be present. For this exception to be possible, it is necessary that a doctor's statement or the statement of some other reliable person, such as a minister, be presented as proof of the head of the family being physically unable to be present. Cooking facilities must be available to the family and the proof of income, if any, must be furnished, such as social security, and employers' statements. The client's total reserves must not exceed $1,000, or four times the allowable monthly net income, whichever is greater.

E. Determination of Client's Participation

The interviewer is responsible for determining the net monthly income and the size of the household so as to be able to determine the amount of money required to purchase the stamps and the amount of bonus stamps the client will receive. A chart prepared by the State department of pensions and security and the Department of Agriculture which varies according to number in household and income is used to determine the amount of the client participation. The client is allowed to purchase stamps only in the amount shown on the chart. Stamps may be bought either monthly or semimonthly, according to his pay frequency. For example, a family of four persons with an income between $90 and $109.99 would pay $40 for a total of $70 worth of stamps, allowing him a bonus of $30. (Chart FSS 17, review Feb. 1, 1969. Field inspection by office personnel is explained to the client. A home visit every 6 months is attempted to make certain the client is not misrepresenting his situation. Penalty for such misrepresentation can be up to 1 year in prison or $500 fine, or both. Thus far the program has experienced less than one-half of 1 percent fraud.

2. *Surplus commodities.*—Public schools and the family court are able to obtain surplus food commodities, however, there is no central warehouse and the commodities must be stored in the school and juvenile court. The Jefferson County School Board purchases commercial storage space for perishable commodities. Other institutions in the community, such as day care centers, are not able to take advantage of surplus food commodities due to the lack of a central storage facility and a sponsoring agency.

3. *Local studies.*—There have been some clinical and nutritional studies conducted locally. Most of the studies indicate that there is not a great degree of clinical hunger or malnutrition in Jefferson County. These indicate that the central problem is one of purchasing habits of poor people and lack of knowledge concerning what are nutritional foods and how to prepare these foods. The food-for-better-living program of Auburn University is providing an educational component within the community, however, these efforts are not reaching very many people.

In 1968, approximately 18,340 cases were receiving public assistance from the local State office of pensions and security and were automatically eligible for food stamps. The total number of families receiving food stamps is currently only 3,273 households. Large numbers of the public assistance clients who are eligible to receive food stamps are not making use of the program. According to the social security poverty classification, approximately 20 percent of the population of Jefferson County are living below the poverty level, defined in a 1966 study as $2,968 for the average family are in Jefferson County.

4. *Previous studies.*—Previous studies do not list Jefferson County in hunger category. Neither Jefferson County nor the counties immediately surrounding it were listed in the report developed by a committee studying hunger and malnutrition in a book published by a citizens board of inquiry entitled "Hunger, U.S.A." There were 17 other counties in Alabama so listed.

5. *Directors of agencies and professional people having contact with the poor.*—Most of the interviewed expressed the belief that there is no emergent hunger problem. Many of those interviewed believed that there is a chronic complexity of problems which in this area have resulted in much too high a level of social breakdown. Income levels are too low. Too many people have low income. There is too high a level of school drop out, to many in the so-called "hard core" unemployment category. Welfare grants to the aged, the blind, permanently and totally disabled, and to families whose ordinary head is ill, in prison, or deserted, are among the lowest in the Nation. General and emergency assistance from both public and private sources are practically nonexistent. All of these facts point to the probability of a continuing cycle of not enough food, not enough understanding of importance of food as well as not enough clothing, adequate shelter and other basic essentials of living.

6. *Recent major cuts by the Alabama State Department of Pensions and Security.*—The recent major cuts in the aid to dependent children's grants to approximately 35 percent of minimum budgeted needs have and are causing severe hardships to a great number of children in the Jefferson County area. In this reduction program, families in which only the mother is the head of the household, including four and five children, are expected to live on $100 monthly, or less, pay rent, buy food, clothing and utilities. This reduction of grants also works a severe hardship on the mother to provide cash at the beginning of the month for food stamps, as well as to pay bus or cab fare to become certified

and/or buy the stamps and to get to the store to purchase the food. In addition, the food stamps cannot be used to buy such essential articles as soap.

A portion of the problem concerning the State department of welfare and its reduction of grants appears to be the continuing battle with the State of Alabama versus the Federal bureaucratic programs. We are in no position to assess relative rights or wrongs nor even to provide an opinion as to its overall effect. We are aware that there are continuous litigations currently centering around the lack of appeal provision in the personnel structure of the State of Alabama. The results are currently that several new programs and/or expansions of Federal funds are stymied.

7. *The responsibility for providing housing or a mobile unit for the delivery of the food stamp program is the responsibility of the county commission.*—Currently even the central food stamp office is not adequate for the handling of applications and purchasing of stamps without long queues of doors at the first of each month. The nine neighborhood service centers of the J.C.E.O., with some amount of overhauling, would appear to offer some appropriate decentralizing opportunity. It is obvious that all of those eligible for food stamps are not receiving them for many reasons. According to the social security poverty classification more than 20 percent of the population of Jefferson County are living below the poverty level, defined in the 1966 study as $2,968 for the average family in Jefferson County. Food stamps are not being used by a large number of those who are eligible. There are approximately 37,666 families living below the poverty line and currently only 3,273 households are receiving food stamps.

8. *The food stamp program and surplus commodities are only stopgap measures.*—A revamping of the whole approach to the matter of income maintenance and assistance is a real need in this area. In addition, larger amounts of money need to be appropriated and spent for education and rehabilitation to the end that families are kept together and that jobs are available for all who can use them. There is already a study underway in the Community Service Council, known as the family and children's study, which will grapple with some of these long-range programs. The group who met relating to this problem have volunteered to be a task force to assist with the implementation of the recommendations of this study relating to the food stamp program and as an advisory group to the family and children's study committee.

CONCLUSIONS

The system Jefferson County uses to solve its hunger problem is food stamps. The following are specifics concerning the program:

1. The eligibility and certification process is slow, complicated, and difficult for the client group to understand. Each applicant must verify income, number of persons in household, and number of families in the household unless he is a recipient of the Department of Pensions and Security. DPS is responsible for keeping the food stamp program up-to-date as to the status of its clients. However, the DPS has an average personnel shortage of 25 percent and is sometimes late in recertifying its clients. Then the client is required to go to the DPS and get a written statement and return to the food stamp program to purchase stamps.

2. There are only two distribution centers, one in Bessemer and one in downtown Birmingham. The latter is not easily accessible to the aged, disabled and mothers with small children. The cost-and-time elements involved in transportation are part of the difficulty. Bus fare including transfer amount to 70 cents round trip and then the distance to the food stamp program averages two to three blocks from the bus stop. Buses are scheduled at 30- to 60-minute intervals during the day. Several hours can be spent using public transportation. Taxi fare can be as much as $2 to more than $5 round trip.

3. Food stamps cannot be purchased unless the client has the required minimum purchase charge to buy the food stamps. He may be referred to the Salvation Army, JCCEO, or other agencies or organizations which might have such funds for him.

4. There is a question concerning the adequacy of the amount of food stamps allowed per household. As an example, the family of four previously mentioned with an income of $90 can purchase a total of $70 worth of stamps for $40. One would wonder if this is adequate for a family of four, considering the dramatic increase in the cost of food during recent months. As the food prices increase it is probable that the amount of food stamps allowed will remain the same with only periodic increases, thus reducing the buying power of the food stamps.

5. Nutrition education to help purchasers of stamps to learn to buy and prepare nutritional food or to learn to use stamps economically to prevent running out before the month is out, is presently not available.

6. The food stamp program has as many as 400, 500, and even 700 individuals applying and/or purchasing stamps in one day. At the first of the month, even with two lines, the clients have long waits, sometimes outside the building in hazardous weather. Some clients have had to return additional times to complete the process. Others have waited 3 to 5 hours.

7. The Department of Pensions and Security recipients receive their payments for aid to dependent children, permanently and totally disabled and aid to the blind at the close of the month. These recipients are receiving less than minimum budget allowance; in fact 35 percent of a minimum budget for Aid to Dependent Children and they need to purchase food stamps on the earliest possible day.

8. The food stamp program does not have enough staff to rotate lunch hours. Its accounting procedures require approximately 2 hours daily from 3 to 5 p.m. Therefore, only approximately 6 hours daily can be spent interviewing clients and selling stamps. The clients may lose their place in the waiting line if they leave during lunch hour, or any other time.

Jefferson County does not appear to have a grossly emergent problem of hunger, such as would be found in a disaster situation. Jefferson County has a system to take care of emergent hunger problems, such as a family in need of food because of sudden illness, death of breadwinner, et cetera. The problem of hunger is a chronic although no less real one, the result of a complexity of causes such as eating and food buying habits and social problems encountered by poor people in the county. Accompanying this is a system of providing food for poor persons which has certain problems that should be corrected.

A detailed study of the number of hungry persons would be of no great benefit at this time. Very few agencies or people can agree on what hunger is. Income levels and other economic and social indices are quickly reviewed. Clinical and nutritional studies give little clue to the socio-economic aspects of hunger. Social securities statistics completed in 1966 indicated that approximately 130,000 individuals in Jefferson County were living in homes in which the income was under $2,968.

RECOMMENDATIONS

It is recommended that, as this matter is of so great importance to so many poor people, the Community Service Council devote a reasonable period of time during the next few months to work with the county commission or any other group to explore fully the possibility of revising the food stamp operation so that more can be done locally to more nearly meet the needs of the poor to the end that hunger need not exist.

Specifically, it is recommended that the Community Service Council:

1. Further explore with the county commission, the Department of Pensions and Security, the U.S. Department of Agriculture, the Jefferson County Committee for Economic Opportunity, Operation New Birmingham, and others, the possibility of revising the food stamp operation so that more can be done locally to meet the needs of the poor:

(*a*) That management methods be found to eliminate the need for several hundred people appearing at the food stamp office in 1 day and very few at other times during the month.

(*b*) Determine better methods for certification and recertification.

(*c*) Better coordination with local agencies, such as the Neighborhood Service Centers operated by the Jefferson County economic opportunity program.

(*d*) Revision of nutritional education to improve the meal-planning, food buying and preparation practices of the poor.

(*e*) Decentralize as much as possible either through mobilization of branches.

2. Attempt to find ways and means for surplus food commodities to be made available to all eligible institutions and child-caring programs.

3. Continue to explore the utilization of additional available State and Federal programs for the poor with other organizations.

4. Organize a task force including professionals serving the poor to assist with the implementation of these recommendations which relate to the food distribution program for the immediate future, and to also serve as an advisory group to the Family and Children's Study Committee.

Mr. PEAKE. This is a narrative form and ranges somewhat beyond food stamps but with respect to the latter, it puts descriptive drama into what it takes for a recipient to get a hold on a food stamp, the long and often impossible trek to the one or two offices that can certify, recertify or sell the stamps; the long waits in line on the few specified days that the recipient can buy the stamps; the bewildering and, what must seem to many of our poor and often illiterate people, a completely inscrutable jumble of requirements for paper on top of paper.

You gentlemen, have no doubt heard much of the above before. It has been my pleasure to be here both today and yesterday and I certainly understood the language of a lot of people who were talking because we looked into it in exactly the same way.

But we have dealt at some length on the "laborious procedures" for these reasons:

1. As interested citizens, we have gone into food stamps deeply enough to know what we are talking about. In Jefferson County we reach a bare 10 percent of public assistance people, those people for whom the food stamp program should be the simplest to handle. We understand that 10 percent in the category of public assistance recipients is about the national average so we are not really behind.

2. Laborious procedures are a principal cause for the ineffectiveness of the present food stamp program. Any solutions, such as more food stamp offices within the county or taking the offices out to the people by way of mobile units, so long as these procedures are in effect, will be doomed from the start. A small increase in the number of recipients will result (and has resulted where attempted) from such efforts, but at an obviously much greater increment of administrative cost. If I can stop there just one moment, we had one office in Jefferson County at the time we started looking into the program and an obvious quick solution to our mind at that time was to open another office in an area called Bessemer, Ala., which is an outlying city from Birmingham. So we pitched in. We got help from merchants in Bessemer. We got some free paint. We got a free office from the city of Bessemer. I went out and found a used safe so we could take the safe out there. In other words, we did very much of a sort of a Boy Scout operation in opening up another food stamp office in Jefferson County.

It then occurred to us that we also had added some personnel out there and it would be impossible to follow that procedure to open another office in Ensley, another area, or Leeds, another area, that the more food stamp offices we opened the more we were really compounding ourselves.

Despite the above, we are, on our committee, and from what small vantage point we have obtained, thoroughly convinced that the food stamp program should be given every chance of being really effective. We believe it is a good program and that it can be made to work much more effectively.

The present legislation on food stamps, and when I refer to that, I refer to it strictly as a layman, allows quite a latitude in the setting up of the programs by the various States, subject to review and approval by a Federal authority. Thus, it is up to us, in Jefferson County and in Alabama, to cure many of the faults we have alluded to. This we intend to do by way of mechanizing all "in office" accounting procedures. For example, the requirement for statistics on the individual

recipient, his period of eligibility, his frequency of use of the program, will be taken away from a handwritten "household record card" and become a few digits within the disk of a computer. We can advise all public assistance people that they can and should be certified for food stamps and we can use all means to encourage their certification and participation. We can mail out, at the beginning of each month, "ID" cards or "authorization to purchase" cards, bearing the name of the recipient and the degree of his cash participation and this card can be so arranged as to allow a greater number of times for purchase of stamps within the month. We can provide for more sales locations for the stamps. We can make the sale of stamps strictly a cashier type operation, with cashier windows in city halls, branch banks, post offices, or mobile units.

To attain mechanization within the limits of the present legislation and to do all of the prescribed functions, we are presenting a program for adoption in Alabama that has been outlined for us by two experts in data processing. Their outline is attached as "exhibit C," and is as follows:

I do not think it will be necessary to take up your time now to go through that except it has been done by a couple of friends of ours in this case who are with IBM. I happen to be the landlord of the IBM building and these gentlemen pitched in and did this job on their own, have designed as far as the computer end is concerned—they wanted to be sure that it would be anybody's computers. It could be NCR or anybody else's equipment. But they have done a very creditable job on how to take care of paperwork through computers and printout machines and that sort of thing.

(Exhibit C follows:)

EXHIBIT C—NEW APPLICATIONS FOR FOOD STAMP PROGRAM

1. The application for food stamp program, form FS–3, will be completed in either the food stamp office or the welfare office. If, during the interview by the caseworker, it is found necessary to permit the participant to buy food stamps immediately, the ID card would be typed and a note to this effect made on the application. The ID card would then be given to the participant for his signature and the purchase of stamps. The applications will be separated between approved and disapproved when they are received by the punch operator from the caseworker.

2. The punch operator will punch a card from each application, keeping the approved separate from the disapproved. At this point a code will be punched in column 80 of the card to indicate that an ID card had been typed as described in paragraph 1. This code will enable the computer to eliminate preparation of an ID card which will be described later.

3. The application cards will have printed across the top all information punched into the card. The accuracy of the punching will be verified by reading this printed data back to the application.

4. The disapproved applications will be filed, in alphabetical sequence, in a disapproved application file. The cards representing the disapproved applications will be filed in a file known as disapproved application card file. The cards will be used to prepare alphabetical listings of disapproved applicants and, periodically, a summary of disapproved applicants by reason for disapproval.

5. The approved application cards will be passed to the computer where they will be read and the information stored on a magnetic disk storage device. The application cards will then be filed in a permanent application card file. (From this point the cards will not be required except on special occasions.) This storage device will be used temporarily.

The participant's records, now stored on disk, will be sorted in numerical sequence by F.S. case number by the computer. The ID cards will be listed from the record stored on disk. The cash and total stam amounts will be divided

by 4 and one-fourth listed on each of the four lines on the ID card. In cases where there are remainders when making the above divisions the amount listed on the line for the 4th week will be adjusted by the amount of the remainder. (The computer will not prepare ID cards on those records with the ID card issued code.)

During the operation of writing the ID cards the entire record of each participant will be written on the F.S. personal data file (disk storage device) allowing space for entering future stamp purchases. The personal data file will carry all necessary information to print out a history of the food stamp participation by each participant. This history record on the disk pack, will be electronically checked each month. When a participant fails to purchase food stamps during any month he would not receive a new ID card, but would be advised to report to the food stamp office. This will be explained in more detail later in this report.

6. In order to get participant's signature it will be necessary that he come to the food stamp office, sign the initial ID card in front of the cashier when he makes his first stamp purchase. Future ID cards will be mailed as explained later.

7. The personal data file will be scanned once each month and the following operations performed:

(A) Search for expirations at end of the next month, punching out a skeleton application card on each. This skelton card will contain all information except reason disapproved, number in household, certification months and expiration date and basis of issue.

(B) Check utilization of program last month. If participant did not purchase stamps during the month, a message to him will be printed in space on ID card which is provided for printing cash required and stamps authorized.

(C) Print new monthly ID card which will be mailed to the participant with instructions that he bring the new ID card and the old card when he visits the stamp office to make the last purchase of stamps during the current month. The cashier would have the new ID card signed and pick up the old card.

(The new ID card and the notices will be mailed to the participant.)

8. The skeleton card which was created on participants requiring recertification will be used as a locator card to get information off the personal data file for partially printing recertification papers, (new application and new ID card.) It will be necessary for the caseworker to complete the application and the ID card after review for recertification.

9. The completed application for recertification will be passed to the punch operator who will complete the skeleton card by punching:

1. Reason disapproved.
2. Number in household.
3. Certification months and expiration date.
4. Basis of issue.

10. Update participant's record on personal data file. This operation would erase the entire record of the participant on the disk (personal data file) and replace it with the new certification record.

11. The participant visits the food stamp office and presents his ID card to the cashier along with cash to purchase his authorized food stamps. The cashier completes the entry on the cashier's issuance report, has the participant sign the report. He then checks signature on ID card with signature on cashier's issuance report. If the signatures are the same he will issue the stamps.

12. The issuance report will be used to balance the cashier's cash at the end of the day.

13. An issue record card will be punched from the cashier's issuance report. This card will contain the following information:

1. F.S. case No.
2. Date of purchase.
3. Dollar amount.
4. Stamp amount.

Verify the issue record cards by reading the information printed across the top of the card's back to the cashier's issuance report.

14. The issue records cards will be used to update the personal data file, which is on disk, with the history of stamp purchases. This operation should be done once each month and just prior to searching the file.

Mr. PEAKE. With this new procedure in effect we can greatly diminish the time it now takes to buy a food stamp; there need be no long

treks to one or more offices; there need be no standing in long lines. Caseworker efforts can be directed to handling exceptional cases—routine cases will be able, in a short while, to fend for themselves.

At this point, in our recommendations, and as you gentlemen know, not one new approach has been suggested. A limited search made by CAC, has uncovered counties in the South that already have mobile units; some of these mobile units take all files for a designated area, into that area, complete with caseworkers, cashiers, and security guards. Elsewhere, other mobile units, and this is better, limit their function strictly to the selling of stamps to participants who have received a card, or cards, in the mail authorizing them to purchase stamps. This is a system that we discovered over in Hinds County, Miss., where Jackson, Miss., is.

Some counties have cashier windows in banks or in the office of city clerks in outlying communities. In Mobile County, in our own State a degree of automation in accounting procedure is already in effect.

A simple conclusion is obvious. There is practically no readily available information on how any one county can pattern their system after a better system and there may be dozens of variations. I know there are dozens of variations in our area. A better exchange of information should be available between the States, and from within the Department of Agriculture itself. The Department should search out the best present system and let us all know about it. More importantly, we might also conclude—if our information is correct that our national average is in the order of 10 percent participation by the indigent—that no system has yet been devised that is really getting the job done. Thus, if we do all of the things we have talked about, data processing, mobile units, and so forth, it may still be doubtful that we will achieve much more than a modest increase in participation. We plan to do all these things in Jefferson County—such as we are allowed to do under present legislation—but we cannot escape the feeling that neither we, nor the food stamp program, will have realized the full potential of what this program is capable of accomplishing for the people for whom it is intended.

We, therefore, want to recommend an approach that bypasses all but a minimum use of the food stamp as we now know it. Food stamps themselves are actually a form of currency; it is not a big step to transform this type of currency into a food check. We suggest that certified recipients be given food checks, or food vouchers, and that these checks, or bundle of checks, be mailed to the certified participant at the beginning of each month. With automated techniques, a computer and a printout machine this poses no real problem. IRS does it, Social Security does it, and BankAmericard does it. We want to suggest that we bypass the food stamp cashier window, and the increasing need at present, for more and more cashier windows. We could do this by simply letting the participant go to a local, qualified grocer, present the stipulated cash he's got to put up—and this can be shown on his check—along with his food check and ID card, sign the check, and walk out with a sack of groceries. These checks, keypunched and annotated in any number of ways, deposited by the grocer, and then run back through the system's computer can keep up with all accounting information, and all the information that is necessary as to the individual and his participation.

Our exhibit D is a rough example of food check and also explains from exhibit C how this is just a simple step beyond what we have talked about as automation.

(Exhibit D follows:)

EXHIBIT D—ADDENDA

USE OF FOOD VOUCHERS IN LIEU OF FOOD STAMPS

The procedure outlined can be modified to use food vouchers in lieu of food stamps. The advantages are as follows:

1. Elimination of bulky food stamps, except for change.
2. Food vouchers can be used for electronic computer analysis to determine individual participant utilization of food stamp program.
3. Manual effort eliminated in cashier selling food stamps.
4. Electronic update of personal records of participation.

The disadvantages would be:

1. Need for a semipermanent personal identification card.
2. More computer time required to prepare four food vouchers in lieu of one identification card.

In each step in the procedure, wherever the food stamp identification card is mentioned, food vouchers would be substituted as follows:

As the ID card is being prepared, the total cash required and the total stamps to be purchased are electronically calculated into four equal parts, representing four weeks or four periods of stamp purchases. With the food voucher program, four individual food vouchers would be electronically prepared, each voucher representing one-fourth of the total month's authorization.

After the participant has been certified by the case worker, the participant, his authorized agent or proxy, will sign the personal identification card. The personal identification card will then be encased in plastic and given to the participant.

If the participant desires food vouchers immediately, they can be typed in the food stamp office and proper notations will be made, as with food stamps, indicating he has already received his first month's food vouchers. Otherwise, on a regular cycle basis, the food vouchers will be mailed to the participant.

When he goes to the market to redeem the food vouchers, he will select his merchandise and present the food voucher to pay for the merchandise.

The checkout clerk will total the merchandise and ask for the food voucher and the personal identification card. The participant will endorse the food voucher, and pay the amount of cash called for on the voucher. The checkout clerk will be responsible to see that the endorsement is valid.

If the participant has selected more merchandise than authorized by the voucher, the participant can pay the overage in additional cash.

If the merchandise does not come up to the total of the authorized amount, she will give up to 50¢ in loose stamps change. These stamps can be used any time during the certification period by merely presenting the stamps with his personal identification card.

Mr. PEAKE. The checks would be delivered at the beginning of each month and could be cashed only within that month. They would be in small enough amounts $5 or $10 total, cash plus bonus, to encourage participation by those to whom cash requirements are a stumbling block. We have given enough thought to this to know that it is a logical next step to use checks in a plan that includes use of automation, and we believe it to be the best next step in a program which is designed to get more and better food into the stomachs of hungry, or undernourished Americans.

If allowed to do so, we can put such a system in effect in Birmingham and Jefferson County in fairly short order. The system has had the backing, approval and cooperation of our city, county and State officials. Within Operation New Birmingham, and our Community Affairs Committee, we can tap the business ability of banks, insurance

companies, computer companies, and of organizational experts, but more than this is the desire, the alterted conscience, if you will, within the ranks of our leading citizens. In short, we have a full head of steam and are asking for a "go ahead."

Thank you again for giving us the chance, and the honor of appearing here today.

The CHAIRMAN. We are obliged to you and the other gentleman with you. We wonder, do the others of your group want to make any statement?

Mr. PEAKE. I think certainly if there are some questions about this, there will be some others who will want to answer them.

The CHAIRMAN. If not, do any of the members want to ask any questions?

Mr. ABERNETHY. Mr. Chairman, I do not want to ask a question but I certainly want to congratulate the businessmen of a fine city getting together and trying to do something about the intricacies of handling this problem in their community. I think it is commendable that those of you who do not fall in the food stamp category, busy businessmen, took the time and effort to try to eliminate the problems that result in the dissemination of the stamps.

We appreciate your presence. I wish to commend you for your efforts.

Mr. PEAKE. Thank you, sir.

The CHAIRMAN. Mr. Wampler?

Mr. ABERNETHY. May I say one other thing? Do you not think "Ole Miss" should have won that football game in Birmingham?

Mr. PEAKE. Yes, sir. I went to Auburn.

Mr. ABERNETHY. I also went to Alabama.

Mr. WAMPLER. Mr. Chairman, I would just like to add my word to what Congressman Abernethy has already said. I certainly think you gentlemen, those of you who have worked on this, should be commended. I think you have presented this committee a rather remarkable document, and many of us have felt for a long time that the mechanics of the food stamp program have actually caused it to not work as well as it should. I know this is true particularly in rural areas. Hardly a day passes that I do not get a letter from some constituent who does not understand why it is necessary to make a lengthy or in most cases a costly trip to a county seat to apply on a given day where the hours are limited, and they become rather frustrated and disgusted with the program, and I feel you have given us something worthy of a great deal of thought.

So, I want to congratulate you and your organization for this obvious effort that you put forth, and I feel sure that it will be very, very beneficial to the committee, and I hope in the Department of Agriculture they will take note of this work you have done because I feel here is where they could help disseminate as you so well point out; and suggest that where we have workable programs within the various States, that we make this known to the States and to the agencies that have the responsibility of administering this program.

Mr. PEAKE. Thank you, sir.

Mr. WAMPLER. I understand that in most States, the cost of administration of the food stamp program is borne by the State or locality. Is that true in Alabama?

Mr. PEAKE. I would like to ask Commissioner Tom Pinson——

Mr. PINSON. I am commissioner of public welfare in Jefferson County. We have had the food stamp program there since 1963, and it is financed locally by the county and some of the municipalities. But it is administered by the State of Alabama. We just pay the bill and they run the program.

We have realized the ineffectiveness of it ever since we have had it; but we had to have some sort of a program, and one office was all we were able to support and maintain for quite awhile.

When the Community Affairs Committee was organized and we got working together with all segments of the community—the businessmen, all minority groups, and everybody working together—this is a biracial committee—we have come up with the idea that if given an opportunity, we can expand this program and make it more accessible to the people of Jefferson County.

There are 1,124 square miles in Jefferson County and 35 municipalities, Birmingham being the largest and Bessemer the second. We opened a new office in Bessemer recently, and it is serving a lot of people there. We plan to put in a mobile unit very soon, but we still believe, as you said, the frustration and redtape involved of certifying a recipient, we still may not reach the number of people that we would like to.

I visited West Virginia, McDowell County, and studied the program when it was put in up there. I believe that was the pilot county in the United States. We would like an opportunity to put what we presented into effect in Jefferson County and see if we might not become a model for other counties in the United States to expedite this program and reach the people that it is intended to reach.

Mr. WAMPLER. I appreciate your statement. It seems to me that if we can standardize the implementation of the program through using the latest data-processing techniques, then it would result in substantial economies and at the same time reach more people.

I know that it is done in workmen's compensation and other types of programs that the States supply.

So, again, Mr. Chairman, I just want to commend you gentlemen who have worked hard to produce what, I think is a rather remarkable document for our consideration.

Thank you.

Mr. PINSON. If I might make this observation, the questions that Mr. Abernethy and Mr. Kleppe asked about strikers, we have had some few in Jefferson County that have been eligible for food stamps but there have been very few and we have discouraged it on a governmental level and the unions have also. We do not think that is fair. If a man has got a job, he ought to go to work and not ask to receive food stamps.

We have had very little abuse there and the standard criteria that was set up, $11,000 a year, a person could not qualify in Jefferson County with that amount of income regardless of the number in his family. It is very limited and there has been very little abuse regarding striking in the picture. And there has been very little abuse in the sales, redemption of the food stamps. We have only had one or two violators and most of those paid their money back that they received and were not prosecuted. I do not recall but one person who was even fined.

It is a fine program and it certainly is much better than the direct commodity distribution program. We had that there and we did away with it and put in the food stamp program and it is a much better program.

Thank you.

Mr. WAMPLER. Thank you.

The CHAIRMAN. Mr. Purcell?

Mr. PURCELL. Mr. Chairman, just like others have already said, I want to commend the city of Birmingham and your county in not just the work you are doing on food stamps but obviously, all the other problems that you are working on so very diligently. If every community in the country had the determination and approach which you obviously have, I think we would begin to solve our problems and I want to encourage you and congratulate you on the effort you are making.

The CHAIRMAN. Can the chairman make a statement for all the committee, that we all appreciate what you have done. We all appreciate your statement here and it is not going to be necessary for each member of the committee to say so. We do not have the time. I hope you will take judicial notice of the fact that every member of the committee is appreciative of your appearance.

Mr. Mathias?

Mr. MATHIAS. Mr. Chairman, I would like to ask one of the gentlemen here, has any one of you made a cost analysis on the rental of an IBM machine versus the way it is done now? Would this cost more than the way it has been done as far as the administration of it?

Mr. PEAKE. We feel right now it would cost a good deal less. We have not gone through to make the complete analysis on that. There are available to the county computers and printout machines that handle other things such as our drivers licenses and automobile tags. The Blue Cross people that I understand administer our medicare program have computer time.

We would have time on some computer without actually having to go buy one even though we went out and rented time from some private source. The size of the—and I am not a computer analyst at all but we have had these two men look into it. The size of the problem and the number of people that we—the maximum number of people that we could reach as a matter of computer time in handling a lot of these things maybe a couple of hours or something like that.

One of the biggest things we have is the number of hand cards back and forth within a food stamp office.

Mr. MATHIAS. Do you feel this new concept would save a lot of money over your present system?

Mr. PEAKE. I think it should and I believe that Mr. Hodges has pointed out that maybe our case worker time at that time could be devoted more to actually taking care of the cases and not so much paperwork.

Mr. KLEPPE. Mr. Chairman, I just have one suggestion I would like to make along the lines of Bob's question. That is, you are going to attempt to make Jefferson County a model and I think this is very commendable. Could I suggest to you while you are working on this—you indicated that you pay the bills.

Mr. PINSON. Yes.

Mr. KLEPPE. That you make a study or make a computation of what it costs. I think this would be most helpful and most beneficial to the committee and to the Department of Agriculture.

Mr. HODGES. I am Gerow Hodges. Speaking of costs there, it is our feeling that we can reduce the number of personnel if we follow this plan enough that we can more than pay for the cost of the computer by doing this. Of course, we just have some estimates that we are not sure of. We would rather not quote at this time. It is our feeling we can save enough by doing this.

Mr. KLEPPE. If you put those down on paper I think when you get done it will be very helpful.

Mr. HODGES. We will do that. We will be glad to.

The CHAIRMAN. Mr. Montgomery?

Mr. MONTGOMERY. Mr. Chairman, if one of the gentlemen on the panel could enlighten me—a number of bills have been introduced. Of the bills that have been introduced, do any of them clarify or do what you have recommended to this committee? I know they came out with a bill in the Senate Agriculture Committee that made a lot of changes on how food stamps would be issued. Have any of these provisions you recommend already been introduced in some bill?

Mr. PEAKE. I think most everything that we have suggested would be allowable under the Senate bill and we have only had a chance to just briefly look into that. I think that the idea of using food checks and bypassing food stamps, we might have to stretch some of the language in that bill.

Mr. MONTGOMERY. I also introduced a bill in the House and I took some of the provisions——

Mr. PEAKE. Yes, sir.

Mr. MONTGOMERY (continuing). In the Senate agriculture bill that was defeated on the floor that made it easier to get food stamps. You have answered my question in that you said all or most of what you recommended would be covered by the Senate agriculture bill.

Mr. PEAKE. Well, as I say, we are not questioning any of the bills and it looks like there is more—just a quick reading of the thing—there is more latitude to allow communities to do something different from the past legislation.

Mr. MONTGOMERY. I am only trying to—I am trying to find a way of——

Mr. PEAKE. I think specifically what we are asking, and I do not know whether this is the right place to ask it, maybe it is the Department of Agriculture, that we go ahead and start this food check system. As long as we are on the food stamps I think we are going to be somewhat hamstrung mainly because we have to set up a, first a place—we have to do all the certification and that sort of thing. Then we have got to have cashier windows somewhere where a person can take his eligibility, an ID card or whatever it is, buy stamps and then go to the grocery store.

I think it has been suggested in one of the bills that would allow people to buy stamps at a grocery store, and post offices, banks, that sort of thing. Our first thought was that, well, let us have the grocer or the qualified grocer be the banker for the stamps. But I think that is—that may be time consuming. If we could get to a check where the person's eligibility, his degree of participation, is all done in a print-

out way and let him get to the grocery store where he is going to get the groceries and buy the groceries with those checks and then get the checks in the size range that would be a sack of groceries type thing, whether it would be a $5 sack or $10 sack, because there has been reported here many times part of the problem is the large amount of money that people have got to put up at one time. So, we want to put the best effort we can on getting toward the food check system if we can.

The CHAIRMAN. Thank you, Mr. Montgomery.

The bells have rung but Mr. Miller wants to ask a question.

Mr. MILLER. I want to make sure that I completely understand exactly what we are talking about today. The participant in the stamp program would go to the welfare department and they would be investigated by a caseworker? The participant would in turn receive a certificate whereby he would be allowed X amount of stamps. He then would take that certificate to the bank and would purchase that amount of stamps. Then he would go to the grocery and spend those stamps.

Now, the step that you are talking about primarily is mailing tne stamps to the participant, but as I understand on page 2 of section C, you indicate that the participant would be sent a new ID card each month which he would turn back in to the caseworker, so it is necessary for him to at least make one trip to the welfare department, is that correct?

Mr. PEAKE. No. I do not think——

Mr. HODGES. First time, yes.

Mr. PEAKE. We were not clear. The degree of eligibility—if a person is eligible for a program for a year, then he would not have to be recertified during that period. We have other people that have to be certified every month. They have to be handled on a special-type basis. What we were trying to get at here is the bulk of the people who have long eligibility periods.

Does that answer your question?

Mr. MILLER. Yes. Let us assume that someone is certified for a year but he has some income 4 months after the time he is certified. How is this checked off?

Mr. HODGES. May I answer that? They are first—they have to go to the food stamp office to be certified the first time. After then we mail them the ID card and once the card is mailed, of course, they can go down and buy the stamps. We want to use the checks in lieu of doing that. They have to go down the first time.

Now, if their condition changes, they will have a questionnaire that will go with the ID card stating if your condition changes—I think there are three or four questions that are asked. Now, if he makes more income, and that would be one of the things, then he would have to contact the food stamp office again and see if he would be eligible or what change it would make if he was still eligible.

Mr. MILLER. Very good. Thank you.

One other question. We have two areas where students can receive food stamps and strikers can receive food stamps. What is your thinking on that? Should they be allowed to receive the food stamps?

Mr. PEAKE. We have heard some of the testimony up here and I do not think any of us want to get into the ideology of it. I think it is the mechanics. Maybe I would like to say that the Congress in its wisdom is going to get at that one.

The CHAIRMAN. You have an awful lot of confidence in us.

Mr. MILLER. Thank you.

The CHAIRMAN. Thank you, Mr. Miller.

We are very much obliged to you gentlemen. Every member does appreciate your suggestions. We are glad you came before us.

That concludes the questions. The committee will stand adjourned until 10 o'clock tomorrow morning.

(Whereupon, at 12:05 p.m., the hearing was recessed, to reconvene at 10 a.m., Thursday, October 30, 1969.)

FOOD STAMPS

THURSDAY, OCTOBER 30, 1969

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to recess, at 10 a.m., in room 1301, Longworth House Office Building, the Honorable W. R. Poage (chairman) presiding.

Present: Representatives Poage, O'Neal, de la Garza, Vigorito, Jones of North Carolina, Montgomery, Sisk, Alexander, Burlison of Missouri, Jones of Tennessee, Melcher, Belcher, Teague, Wampler, Miller, Mathias, Mayne, Zwach Kleppe Price, Myers, Sebelius, McKneally, Mizell, and Resident Commissioner Córdova.

Also present: Christine S. Gallagher, chief clerk; Hyde H. Murray, associate counsel; John A. Knebel, assistant counsel; and L. T. Easley, staff consultant.

The CHAIRMAN. The committee will please come to order.

We are met to resume consideration of several related bills which are before the committee today with special reference to food stamps.

Our first witness today is Mrs. Mildred J. Brooks, Home Economics Consultant to the District of Columbia Department of Public Welfare and president, District of Columbia Dietetic Association.

Mrs. Brooks, we will be glad to hear from you.

STATEMENT OF MRS. MILDRED J. BROOKS, HOME ECONOMICS CONSULTANT TO DISTRICT OF COLUMBIA DEPARTMENT OF PUBLIC WELFARE AND PRESIDENT, DISTRICT OF COLUMBIA DIETETIC ASSOCIATION; ACCOMPANIED BY MRS. CATHERINE TIM JENSEN, DISTRICT OF COLUMBIA DEPARTMENT OF PUBLIC WELFARE; AND MRS. THELMA RUTHERFORD, CHIEF, FOOD STAMP ADVISORY COMMITTEE

Mrs. BROOKS. Good morning, Mr. Chairman, members of the committee. On my right is Mrs. Timmie Jensen, the information specialist of the Department of Public Welfare, and on my left is Mrs. Thelma Rutherford, the chief of our Food Stamp Advisory Committee.

My name is Mildred J. Brooks and I serve as home economics consultant on the Director's staff of the District of Columbia Department of Public Welfare. One of my responsibilities is the educational aspect of the food stamp program. It has been my privilege and challenge to work with low-income families in the area of home economics for over 20 years as dietitian, home economist, teacher, nutritionist, and now, consultant. Professionally, my involvement is in the health

and welfare and legislative committees of the American Home Economics Association and in the District of Columbia Dietetic Association as President. I am not representing these organizations at this time.

It is also my pleasure this year to serve as a consultant to the White House Conference on Food, Nutrition, and Health on the panel related to vulnerable groups, which includes the District of Columbia.

In my experience, the food stamp program, even with its problems, has been the best tool in helping to alleviate hunger and malnutrition. However, it is now evident that this program has not been extended far enough.

In the District of Columbia we are reaching approximately one quarter of the estimated universe we should reach (40,000 out of a potential 160,000). I venture to say that this ratio could be extended to the entire Nation.

There are many improvements in the food stamp program which if made, would result in wider participation, such as (1) standardizing and simplifying the requirements for participation and (2) allowing enough stamps for an adequate low-cost nutritious diet. It is very difficult to plan a nutritionally adequate diet with extremely limited resources, that is, without the knowledge of food elements necessary for good health and lack of a sufficient quantity of food.

The McGovern bill which recently passed the Senate would grant a family of four $127.50 worth of food stamps per month, their contribution to the cost would be based on their income not to exceed 25 percent of that income.

Today, this would provide a nutritionally adequate diet. Without a built-in cost-of-living increase, there is no guarantee that the same sum will provide a nutritionally adequate diet in the near future. This is the figure now given by the Department of Agriculture for a low-cost, nutritionally adequate diet. If the cost of living continues to climb, this may not be true tomorrow.

We must always keep in mind that welfare or public assistance standards are definitely not the same as standards for nutritional adequacy.

(3) The food needs of persons at various stages of life should be considered. Teenagers require far greater quantities of nourishing food than middle-aged adults or smaller children. Contrary to popular opinion, the elderly need carefully balanced diets to prevent the debilitating ailments of old age.

(4) Special diets should also be considered in the food stamp program. Diabetic, heart, and ulcer patients require additional or special foods which cost more. The incidence of such illnesses among welfare clients is astoundingly high in relation to the rest of the population. Poor diets compound health problems. The resulting costs are considerably greater to society than a lower food stamp purchase price or a greater bonus.

Let me add here that there is a need for a greater interplay between medical and health experts and the food stamp program—or all Federal food programs for that matter.

(5) All stores affiliated with the food stamp program should pass public health sanitation inspection and be required to mark prices on their merchandise.

(6) The food stamp program should have a built-in educational component, federally required, with funds specifically earmarked for this purpose. Such a component is based on the assurance that the program would provide funds for a nutritionally adequate diet. You can't teach people to use what they don't have. The educational program should be one that relates directly to the people using food stamps, one that speaks their language—be it jive talk, Spanish, or Navajo.

Let us briefly consider the alternatives to an effective food stamp program. Needy citizens will continue to be restricted to an extremely low-cost diet, scarcely better than the one provided by surplus commodities. These diets, which lack vital nutrients, rob individuals of physicial vigor and limit their potentiality in economic and social contributions to our Nation. Poor physical and mental health are the boon companions that contribute greatly to an unstable, hostile society.

Also, serious evidence has been accumulated that malnutrition is a causative factor of mental retardation. Ample proof exists that infant malnutrition leads to countless physical problems.

The District of Columbia's Welfare Department is fortunate in having one home economics consultant and three staff home economists—two with foods and nutrition background—who work in the educational aspects of the food stamp program for the District. Very few welfare departments in the country employ home economists at this particular time. To augment the services of the welfare home economists, we cooperate with other agencies, such as: The District of Columbia Health Department, United Planning Organization, District of Columbia public schools, grocery chains and the nutrition education program at Federal City College.

Our educational activities consist of informal classes in consumer education, including money management and shopper's guides in grocery stores, participation in television programs, low-cost food demonstrations and preparation of educational material on best food buys which are distributed in our waiting rooms and in neighborhood centers.

This information reaches a very limited number of people because we are too few trying to reach too many.

For further clarification, let me say that I would like to see an effective food stamp program with an excellent nutrition education component. All welfare recipients and other low-income groups should have enough money to buy adequate food. But there is a real gap today in meeting this goal. The fact is that too many Americans are faced with hunger, now. People are inded starving, although they may be living on beans and pop. We must get to work on the problems of hunger now, with a realistic, relevant, and responsive food stamp program which will carry us a long way in removing this blot from the conscience of our Nation.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mrs. Brooks. We appreciate your statement.

Would your associates care to make a statement?

I know Mrs. Rutherford is from my hometown. I do not know if she cares to say anything.

Mrs. RUTHERFORD. This is an unexpected opportunity and pleasure. I had not expected to speak this morning, because I just came to give moral support to my good coworker. I do think this is wonderful that we can be here in the arena of our world today, because Congress is really the arena, and say things that will help to improve the food program of the Nation.

I would only want to add that I hope you will hurry and get some food programs out, get a good law out so that we can get to work and help to save our Nation from starvation. We know, those of us who are out in the community come across people who do not have money. There was somebody here on Tuesday who said, is it really true that there are people without income in our nation? It is true. We run into them. They have not a cent in the house. It does not mean that they do not— that they are always without a cent, but it means that they go for days without a cent so that they have to go around from neighbor to neighbor or from agency to agency begging for food. It should not be that way when we have barns full of wheat, corn and food all over the Nation stored, waiting to be used.

So if our committee gets us a good bill, maybe we can soon get to work feeding our Nation. Thank you.

The CHAIRMAN. Thank you Mrs. Rutherford. We are glad to hear from you.

Mrs. Jensen?

Mrs. BROOKS. She said no comment at this time.

The CHAIRMAN. Thank you all very much. I appreciate your statement.

Mr. ZWACH. Mr. Chairman, could I ask the folks a question or are they going to stay later?

The CHAIRMAN. I hope we can all stay later and get everybody questioned together. I found that order moves things a little faster.

Mr. ZWACH. I have questions and I will withhold them, if I may.

The CHAIRMAN. All right.

Dr. Rodney E. Leonard, the Children's Foundation for the District of Columbia. Dr. Leonard, we will be glad to hear from you.

STATEMENT OF ROBERT E. LEONARD, CONSULTANT, THE CHILDREN'S FOUNDATION, WASHINGTON, D.C.

Mr. LEONARD. Thank you, Mr. Chairman, members of this committee. Let me make a correction. I am not a doctor. I have a bachelor's degree and that is about it.

I am glad to back in this room again. I think I cut my eyeteeth on testimony before congressional committees here and I always felt that if you can break in here, you probably can do well before any committee in Congress. So I welcome the opportunity to present my views on food stamps as a former administrator of the agency where the food stamp program was housed. I am presently a consultant with the children's foundation, but the views I express here today are my own.

I am here to support the proposals to enlarge the food stamp program and to broaden its scope as a measure to reduce the impact of poverty; but I also am here to plead for the need to revive faith in the Congress, in the executive, in the process which we as citizens look to for the delivery of public services.

The food stamp program is today the core of the several programs to deliver food assistance to low-income families. Under the proposals which this committee is considering, it will become the family food assistance program.

As the program is presently constituted, it is less a family food assistance program and more an inadequate response to the conditions of poverty in which 20 million or more Americans exist today. Rather than demonstrate the aroused concern of 200 million people, this program is chilling evidence that if public services can be denied to some, they can be denied to all.

The program in concept reflects a national commitment to apply the embarrassingly evident abundance of food to problems which are rooted in the lack of food—to hunger and malnutrition.

In practice, it is something different.

We say we want to eliminate hunger and malnutrition, and then tell the poor to fill out complicated forms, wait endless hours, travel countless miles simply to be certified, to be told that they are eligible for food assistance.

When that is done, they must travel more miles, wait in more lines to receive an amount of purchasing power which will not buy enough food to maintain family health.

We even tell the poor they cannot buy just any food, but only what is grown within certain geographical boundaries.

Is it any wonder that the poor, and a growing number of concerned citizens, appear to question whether the institutions of Government can do what people believe should be done.

If freedom from hunger is the right of all men, and we produce enough food to feed all people, why are some people unable to get enough food in America? If the Congress believes that hunger should be eliminated, then why has it on a nearly biennial basis taken small steps to extend the life of the program for limited time periods? Is hunger going away in 2 years or 4 years?

It is not a cynical observation to say that large principles and the public interest are an agglomeration of small interests, and the legislative process is bumptious, lively trading of power for which high rhetoric is developed afterward to explain what happened. But it becomes in the public mind a cynical process when it appears to favor the production of foods without concern for their purpose. Thus, if it becomes the strategy in Congress to withhold action on hunger until action is taken simultaneously on commodity legislation, a citizen might reasonably interpret this as suggesting that growing food isn't important to cities and feeding people isn't important to the country.

Such a condition is ridiculous, but it appears we are verging in that direction. The Congress in agriculture has always been more responsive to the production side of the economy rather than the human side of society, as though both are always the same. Nor has the Executive done much to challenge this attitude. The power center in food always has rested closer to the economic interests of those who can afford to produce, market, process, or consume rather than with those who cannot.

The problem is not that the needs of the poor, dispirited, dispossessed, disillusioned or disenfranchised should be first, but that they

should be considered as equally important. It is the absence of concern, or the willingness to extend only token resource, pilot programs and promises, which troubles me.

The response it breeds is like an avalanche of hot lava flowing toward this committee and the Department of Agriculture. Your colleagues on the Hill criticize this committee in righteous tones to imply things would be different if they were on the committee; but then vacancies often are filled by assignment rather than by request. The Department, it is suggested, should be broken up between HEW and Interior and reduced to an agency concerned with the regional problems of crop and livestock production.

I am profoundly saddened by what I see and hear. I do not rejoice in the spectable of a committee and a Department with so proud a heritage being treated with such casual disrespect. At home, I have a collection of yearbooks of Agriculture which begins with the first published in 1862 and ends—with some gaps here and there—with the 1969 yearbook. These are not yearbooks, particularly for the first 80 years, so much as they are a unique history of America's transition from a developing economy to its dominant position in the world today. The present concern over food additives is simply a replay of the outcry in 1903 over the experiments conducted by Dr. Harvey W. Wiley, head of USDA's Bureau of Chemistry, which proved that additives then in vogue also were harmful to health. In 1903 Dr. Wiley wrote "expert testimony is often contradictory, and sometimes open to suspicion of bias." The same thing is being said today. If narcotics make news today, in 1870 the Department seriously proposed growing opium as a cash crop in Vermont and California. Snow surveys were being made 50 years ago by the Weather Bureau, then a USDA agency, as was the Bureau of Highways, which dutifully reported highway building and design over 70 years ago.

Isaac Newton, the first Commissioner of Agriculture, wrote in 1962:

> There has been no great and general advance in agricularue in modern times until the last 30 years. In 1828, the agriculture of Europe was not very different from the middle ages.

He said progress since then—

> has not been the result of routine farming, but of applied science—of classified knowledge.
>
> A great national department of agriculture, enjoying the sympathy and cooperation of the government * * * will most rapidly * * * develop and strengthen conditions of agricultural progress and augment the permanency of the Republic.
>
> The United States are, and must always remain, an agricultural nation.

He was eminently correct in his analysis, except for the last observation.

The success which this committee, the Congress and the Department helped to achieve in agriculture has astonished the world and, in the process, made it inevitable that the last observation would be proved false.

Similarly, this committee cannot, and must not remain, an agricultural committee.

It should be concerned with shaping, among other things, food policy for an urban Nation, and not farm policy for sectional interests. Included in that purpose are commodity programs framed in the need of

urban people for adequate nutrition which means not only the production but also the processing, distribution, and marketing of food. And it means consideration of steps which will be necessary to deliver adequate nutrition to those whose lack of income excludes them from the services of this vast and efficient system.

There is no need to delay further the extension of this service. Every element is there, except for the compassion which can give human dimension to the often impersonal, dehumanized institutions—both public and private—which we create.

That is why I urge this committee to exert its heritage of leadership and take immediate action on the proposals before you to substantially enlarge the scope of the food stamp program. Of all the proposals before you, the one which I would generally recommend is H.R. 13423, although I would strongly endorse the open end feature of H.R. 12430. The difference between H.R. 13423 and the administration bill H.R. 12222, is largely a question of speed, and I see no valid reason to accept the slower pace proposed by the administration. The difference between H.R. 13423 and the Senate bill centers on how the purchase price for stamps is established, on the variable purchase plan in the Senate bill, and the method of financing.

Determining the purchase price and setting up a variable purchase plan are both largely administrative questions. Both are exceedingly complicated and would require large administrative costs. I do not argue with the purpose of either. However, in programs to provide services rather than to regulate, the major objective should be to structure the program as simply as possible to preclude the buildup of a massive bureaucratic structure. I would prefer to see these provisions written in more general language, with specific administrative regulations developed which have the full confidence and approval of the bill's author. So far as the variable purchase plan goes, it would be better to require that no purchase price be charged. Studies made by the Department indicate that people spend more for food than the purchase price even those who are on the commodity distribution program spend an additional amount or equal to the purchase price, and in the food stamp program, and it is reasonable to assume that they will continue to spend their own funds for food.

I particularly endorse the provisions authorizing the purchase of soap and household sanitation items, the definition of households, the more flexible choices open to the secretary to initiate a program or take it over, the self-certification—why should filing a tax return be the only presumption of honesty? And the provision for CCC financing.

Thank you for your attention and consideration of my views. I will be happy to respond to your questions.

The CHAIRMAN. Thank you, Mr. Leonard.

I have scheduled Dr. Miles H. Robinson, who has just phoned in that he has been delayed and is on his way. I think maybe in fairness to everybody, we should go ahead with the questioning of witnesses who are here.

If you will return to the stand, Mrs. Brooks, I think we will allow any of the members who want to do so to ask questions of any of you.

Mr. Zwach wanted to ask questions.

Mr. ZWACH. Thank you, Mr. Chairman. This is specifically of Mrs. Brooks.

You state that there are in the District but 40,000 people who now receive the food stamps, but you believe there are 160,000 that are needy of the stamps. What's the population of the District? 700,000? 800,000?

Mrs. BROOKS. About $800,000, that is right.

Mr. ZWACH. So it would be about 20 percent of the District, roughly, that would be in need of the food stamps or in need of additional food? Is that roughly right?

Mrs. BROOKS. Yes, about 20 percent.

Mr. ZWACH. I worked so hard when I came for Federal City College, for the technical vocational school, for better schools for opportunity. Is this growing? Are more people getting jobs so that they can take care of themselves, or is there still a vast pool here of people who are not readily trained or have no jobs available?

Mrs. BROOKS. I think it is a little outside my area.

Mr. ZWACH. You are in the Welfare Department.

Mrs. BROOKS. Right, but I am a home economist, basically. I am in the community and I do get feedback, however, that there is this lack of job opportunity for all who really need jobs and also training. We have training programs, but they are more or less token—this is my personal view, I am sorry—on this.

Mr. ZWACH. Do you think those training programs are improving?

Mrs. BROOKS. I would say there is evidence that vocational programs——

Mr. ZWACH. Would the vocational programs yield good jobs?

Mrs. BROOKS. Yes, but it is such a limited quantity that sometimes I think it is lost in the real ocean of need.

Mr. ZWACH. One of the first bills I introduced when I came to Congress was to add 4–H and extension to Washington.

Mrs. BROOKS. I am delighted

Mr. ZWACH. Is that in full force?

Mrs. BROOKS. Well, I work in an advisory capacity to Federal City College and of course, they have now increased their course for what we call the nutrition aid programs. Is this what you are talking about?

Mr. ZWACH. Yes.

Mrs. BROOKS. However, we feel, I think, generally that this still does not meet the need, but it is a marvelous beginning.

Mr. ZWACH. Now, apparently, people need a great deal of training in proper nutrition.

Mrs. BROOKS. Right.

Mr. ZWACH. Would not it be sensible that this be done through home extension and through 4–H rather than add a tremendous staff now to the food stamp structure? Would not the public be better off if we give this in the area of real trained people who have expertise, nutritionists and dietitians, would it not be sensible to do that through the extension service and through the wonderful 4–H program that does so much, or should we add a bureaucracy to the food stamp program?

Mrs. BROOKS. I really do not think it would be a bureaucracy, because the need is so great and I do not think one service would be sufficient to tackle the program in the United States. I think it would be well to use agencies already set up, like the Welfare Department, for instance, for one area where we actually see the persons who need this kind of help more closely than some of the other areas. This was my concern about the Welfare Department. However, I think it

would be a great idea also to step up the 4–H and the nutrition aid program also in the District of Columbia. I do. But I think this is a multi—what should I say? We need a multifaceted approach to the whole problem of malnutrition and I would not say that we would put all our eggs in one basket. But there are certain areas such as welfare and even our poverty agencies that should be equipped to help people in this area, along with extension services.

Mr. ZWACH. Thank you.

The CHAIRMAN. Are there other questions.

Mr. O'Neal?

Mr. O'NEAL. Mr. Leonard, I have not always supported the food stamp idea, though I recognize its many advantages over some other ideas such as direct distribution of commodities and things of this kind. But what has always disturbed me is the fact that it might be so easy for this sort of thing to get out of hand, become a Frankenstein monster.

I do not know very many people who are satisfied with their lot in life because there are so many things that are matters of degree. For instance, hunger is a matter of degree, ability to work is a matter of degree, willingness to work is a matter of degree, convenience is a matter of degree, eligibility, the amount of money that this country can afford in this particular program—all these things are matters of degree and debatable. Are there any restraints at all that you would advocate? I did not see any in your statement.

Mr. LEONARD. Mr. Congressman, the restraint is not the basic—the basic question to me that is involved with a program like this is the realization that if the Nation has the capacity to abolish certain ills that we all can agree on are wrong, such as hunger or malnutrition, and either of these terms you can define very readily; I think the duty we have as citizens, as public servants, as human beings is to see whether we can take all of this magnificent outpouring of wealth and solve the very simple problems.

In the last 8 months since I left the Department, I have been spending a considerable amount of time looking at these programs in a way that I never really had time to before. In the process, it has struck me, and that is why I put it in the statement today, that the challenge that we face is not so much whether we are going to provide food services to low-income families, but it is the challenge, really, whether the system of government which we have developed here, which has proved itself to be so strong and able to meet any demands up until now, is being seriously challenged. Can this system provide a way to distribute the food?

It is not a question of whether we have it or do not have it. We have it.

Mr. O'NEAL. Would you agree with me that there are people who are hungry by your standards or my standards, but who put other things ahead of food, such as beer, whisky, cigarettes?

Mr. LEONARD. I think every person has a different psychological drive.

Mr. O'NEAL. Right.

Mr. LEONARD. You are going to find people who obviously have different value systems. Everybody in this room has a different value system. However, it is an obvious fact that the human body needs a certain amount of nutrition to survive and it is going to provide it one way or the other. There will be a minimum amount.

Mr. O'NEAL. Really, what caused me to ask the question is that I wondered if on page 2 you are suggesting that we open up the bill so that people might buy exotic imports? Is that what you meant? I refer to the third paragraph, when you say it is now restricted to geographic boundaries.

Mr. LEONARD. I am talking about the problem you run into along the seacoast areas of the United States, where, because of the way the commercial food distribution system has been organized, been set up, so that it supplies itself, you have a higher proportion of imported foods. Now, the purpose of the bill is to both feed people and to encourage increased consumption with this abundance of food. It seems to me you are striking out one of the purposes of your bill if you try to exclude imported foods simply because they are not produced here.

In terms of the total domestic consumption of food, imports are a relatively small portion of it.

Mr. O'NEAL. During the past week, especially, we have had a good many people speak of the apathy of these prospective recipients, not being interested enough in it to go wherever they need to go. Do you think that if the word were to get out that the Government was giving away a half pint of liquor at such and such an address on every Tuesday, there would be much apathy about that?

Mr. LEONARD. I suspect that, in toto, there would be as much apathy about that as there is in the food program. I do not think everybody in America——

Mr. O'NEAL. You do not think the word would get out?

Mr. LEONARD. I am saying in proportion to the total number of people who would appear for the half pint of whisky, I do not think there would be any greater or less apathetic a crowd that you would find than is involved in the food program.

Mr. O'NEAL. Do you think you would have about the same sort of disinterest in that as we have in the food stamps now?

Mr. LEONARD. Yes. I think on the basis of my experience with the food stamp program, you have to exert an enormous amount of effort to inform people as to what's going on within their own community. I think you would probably find this to be true in anything, even if you are going to give away money.

Mr. O'NEAL. I do not know if I have ever been hungry except temporarily. I have never been hungry for economic reasons, although I came very close to it during the Depression. But I have been hungry temporarily on a good many occasions. I just do not believe that if I were really hungry, if I were actually hungry, I would let inconvenience or distance or anything else stand in the way. If I were in a starving condition, I just do not believe I would be as apathetic as some of the descriptions that we have had here this week.

Now, have you ever been hungry?

Mr. LEONARD. Oh, yes. I was old enough during the Depression to recognize that there was not enough food around sometimes. I did not know why. I would agree with you, I think people will strike out in various ways if they are hungry to get enough food.

Mr. O'NEAL. Well, do you think that the apathy is related to the fact that these people are not as hungry as they would say they are sometimes?

Mr. LEONARD. No, you can look at some of the studies that have been made in various cities where you find the great proportion of people who are not on welfare but who are participating in the food stamp program are people who are fully employed; that is, they work; some of them have two jobs, not just one. What's obviously the problem there is that they are trying to live within the American system of values to work, but what they are able to earn by their labor is so small that they cannot feed their families.

Mr. O'NEAL. Do you approve of the idea now in the law that this can be used as an educational process to feed college students while they are getting an education, although they can afford the tuition and the room and all the other expenses that go with a college eduction?

Mr. LEONARD. When I went to Kansas State College, I went through it at about $40 a month and I wish that somebody had given me some assistance there.

Mr. O'NEAL. Yes, sir.

Mr. LEONARD. I think on a program like this, if we are going to be looking constantly for exceptions, we are going to be chasing ourselves forever. There are going to be some college kids that are going to be on this.

Mr. O'NEAL. Is this a program to feed the hungry and the starving or is it an educational program?

Mr. LEONARD. It is a program to feed the hungry, but it is a program that is operated on a guideline or on the standards of income.

Mr. O'NEAL. Well, can anybody be qualified as hungry if they spend their money on something else?

Mr. LEONARD. Not if the eligibility standards are based on income. There is an income eligibility level that you have to achieve here.

Mr. O'NEAL. I have no other questions.

The CHAIRMAN. Any other questions?

Mr. Kleppe?

Mr. KLEPPE. I would like to ask Mr. Leonard one question, along the line of questioning by Mr. O'Neal.

Mr. Leonard, we have a number of Government programs that seemingly are good programs and yet a lot of people that can qualify do not use them. It is quite obvious that we have that here in the food stamp program. Now, whether it is the fact that they cannot get into a line or whether they just do not know about it, or whether they just do not want to exert the effort to get food stamps, whatever it is, there are many, according to the testimony of Mrs. Brooks, anyway, right here in Washington, D.C., that are not being reached. My question is: Do you think it is a fair and proper expenditure of public funds under the guise of the food stamp program to use those funds to educate people or to advise people, through advertising media or however it might be? Do you think that is a proper application of funds under the food stamp program?

Mr. LEONARD. Yes. I think one of the most difficult things to understand about the operation of Federal programs, and it is one that I have come to only after a great deal of study and thought and torture, is that the food stamp program as we operated it in the Department, as it is being operated now, the welfare programs, all of the programs which deliver services that are essentially to the existence, to human existence, are administered more from the standpoint of are we spend-

ing the money safely, are we spending the money at the lowest cost per dollar expended? So that we have fallen into a habit here where we came up to Congress and we have reported on appropriations and we have said, we have spent this much money and it cost us this much money to spend it and we think we have held down our losses through fraud and other things to a very small minimum. Pretty soon you fall into this habit that you look upon the programs not in terms of the services they are delivering, but you look at them in terms of how effectively you are spending the money.

Mr. KLEPPE. This is the basis of my question. How effectively are we spending the money?

Mr. LEONARD. I do not think in terms of what the intentions of the programs are, we are doing the job we should do, because we are never asking, are we delivering the services to everyone who needs them.

Mr. KLEPPE. I think that is a little off the point I am getting at. Let me use an example.

Mr. LEONARD. I know what your point is, I think. Is it right to try to spend money to educate people to use the program? I think it is.

Mr. KLEPPE. I do not question the fact that we have need; not at all. Therefore, my question is, Should we use funds, is it necessary to use funds to educate or to advertise or to merchandise the fact that there is a food stamp program? If the need is there and real, then why do we have to spend money to advertise it?

The Job Corps is an example. I saw all kinds of television ads, radio ads, newspaper ads, telling kids to sign up for the Job Corps. If that program was in such need, if we had to have it so bad, we would have people scrambling for it and you would not have to advertise it. So I am wondering the same thing about the food stamp program.

Mr. LEONARD. If that is true, we do not need the farmer committee system for farm programs either.

Mr. KLEPPE. I do not think that is relevant.

Mr. LEONARD. It is, because the farmer committee system is there to explain the program, also to administer it, but to explain to the farmer that it is in his best interest to use it.

Mr. KLEPPE. I do not quite agree that that is the same example.

Mr. MYERS. I do not agree with that, either.

Mr. KLEPPE. I guess in answer to my question, you have said yes, you think it is a fair expenditure?

Mr. LEONARD. I think it is a necessary expenditure.

Mr. KLEPPE. Of appropriated food stamp funds, to advertise it so people know about it?

Mr. LEONARD. Yes. Communications is the secret of everything we do in this society today. If we cannot communicate it, we do not have it.

Mr. KLEPPE. Would you put any limitations on it?

Mr. LEONARD. I do not know. Obviously, you are not going to spend more to advertise the program than you are to provide benefits.

Mr. KLEPPE. I would not say obviously, because I think we have seen some examples where they have spent a lot. I am interested in those dollars going where they can do some good. That is for the real intent of the food stamp program. I take a dim view of spending advertising or merchandising dollars when we have so much need for those dollars in the framework of providing food for hungry and mal-

nourished people. This is the thrust of my question. I guess you have answered your position.

Mr. LEONARD. No, it is a reasonable question to ask and I think, really, the answer is there has to be a reasonable amount for it, it just can't be an exception.

Mr. KLEPPE. Let's see if we can end this up with one area of agreement. That area can be that at every level, we should attempt to get as much public service support through television, radio, newspaper, PTA, churches, whatever we have, because that is given freely of those people. Can we agree on that, that if the thrust goes in that direction, that can offset a lot of this expenditure for advertising, merchandising, what not? Can we agree on that, generally?

Mr. LEONARD. I think we can.

The CHAIRMAN. I do not know if anybody wants disagreement.

Mr. MYERS. I have one question.

What's the Children's Foundation, Mr. Leonard?

Mr. LEONARD. It is a new foundation that has been established to work in areas related to children, to try to encourage greater utilization of services that are available to children.

Mr. MYERS. I guess you cannot be against mothers and children, can you?

Mr. LEONARD. No, that is one of the advantages.

Mr. MYERS. How is it funded?

Mr. LEONARD. Private donations.

Mr. MYERS. From individuals?

Mr. LEONARD. Yes.

Mr. MYERS. How long have you been with this?

Mr. LEONARD. Since July.

Mr. MYERS. A short time ago, you said, "we in the Department."

Mr. LEONARD. I sometimes fall into that habit.

Mr. MYERS. What did you mean by that?

Mr. LEONARD. I worked in the Department for 8 years.

Mr. MYERS. What Department?

Mr. LEONARD. Of Agriculture.

Mr. MYERS. What section of that Department?

Mr. LEONARD. For 5 years, I was Secretary Freeman's press secretary. For 1 year, I was the Deputy Assistant Secretary for Consumer Marketing. For the last 14 months, I was the Administrator of Consumer Marketing Service.

Mr. MYERS. One question for Mrs. Brooks.

Some of the witnesses you had in here the other day used a figure of 100,000, some used 160,000. What's the basis for this figure? Are those people who would be eligible and not using food stamps?

How do you establish either of those figures?

Mrs. JENSEN. I think the figure in Mrs. Brooks' testimony is accurate. It is based on figures by the Mayor's Economic Development Committee and figures by private concerns regarding marketing surveys. In other words, how much money people have to spend. You know, there are private marketing magazines. These two figures jibe. The Mayor's figure is 42,000 at or about the poverty level which, multiplied by the average family of four, is 160,000. This coincides with the same figures developed by the private marketing concerns. You know, there are professional magazines for people who sell merchandise in the area.

Mr. MYERS. Now, the 40,000 figure you used, is that individuals or are those families? That is 40,000 people, but fewer families? Am I right in assuming this?

Mrs. BROOKS. That is right.

Mr. MYERS. In other words, maybe there are only 10,000 families participating in this.

Mrs. BROOKS. Right.

Mr. MYERS. Mrs. Jensen, you are working with public relations or public information?

Mrs. JENSEN. An information office for the Welfare Department.

Mr. MYERS. What specific programs do you have to make sure people do know about the food stamps?

Mrs. JENSEN. This in interesting, because I utilize the public service space; that is my job. I have several other areas besides food stamps. I work with the delinquency programs, the——

Mr. MYERS. But we are primarily concerned here with food stamps.

Mrs. JENSEN. I am the only person involved in promoting food stamps by using these public service outlets and coordinating the information about food stamps in the Department. It is not even a full-time job with me. I just wanted to say that we do have this, but——

Mr. MYERS. What type of public service? Give me a couple of examples.

Mrs. JENSEN. We prepare spot announcements which are used on radio and television. We have a newsletter for referral information people—in other words, public health nurses, all the private agencies in the city. We send them a food stamp newsletter telling them about our services, if we open a food stamp certification office, about our regulations, if there are any changes in regulation, so the people they come in contact with they can send to us well prepared so we can speed up our activity. Then we work with the community trying to get this information out, using other agencies.

Mr. MYERS. People who do not have any income probably do not have television or even radio, so they would not know of this.

Mrs. JENSEN. We do use community people through the poverty program, other agencies.

Mr. MYERS. Salvation Army or Red Cross?

Mrs. JENSEN. Yes.

Mr. MYERS. They have to eat someplace.

Mrs. JENSEN. We go to all of those workers, all the Salvation Army workers. We were there last week, explaining this program to them. We do this often because of the changes in the program. We are constantly speaking. Our office spoke to 18 Headstart parent groups. This again is a poverty area. They brought the parents in when the children were in Headstart and we tried to get to them with the food stamp message while we had them there with Headstart. So this is the kind of thing we do work constantly on with the other programs. We could not operate without the other programs.

Mr. MYERS. Thank you very much.

The CHAIRMAN. If there are no further questions, we are very much obliged to all of you people who participated on this panel.

Dr. Miles H. Robinson has come in.

We will be glad to hear from you, Dr. Robinson.

STATEMENT OF DR. MILES H. ROBINSON, PHYSICIAN, POTOMAC, MD.

Dr. ROBINSON. Mr. Chairman, members of the House Committee on Agriculture, ladies and gentlemen, I am grateful for this opportunity to appear before you.

I am Miles H. Robinson from Potomac, Md., a physician licensed to practice medicine and surgery in that State. I have been in general practice for nearly 30 years, taught physiology or pharmacology in Vanderbilt and University of Pennsylvania Medical Schools for 4 years, and while there my research work was published in the fields of nutrition, physiology, and pharmacology.

In the last 6 years, while still seeing a few patients, I have spent most of my time studying the relation between the health needs of the American people, the function and operation of Government health agencies, with special reference to the Food and Drug Administration, and private organizations such as the food and drug industries and organized medicine.

About 4 years of that time I was a medical consultant first on the staff of Senator Paul H. Douglas of Illinois, and then, more recently, on the staff of Senator Edward V. Long of Missouri, for both of whom my chief responsibility was an extensive investigation of the FDA. Three of my detailed reports, which were rather critical of the FDA, have been published in the Congressional Record in 1963, 1966, and 1968.

For the last 16 months, I have been representing an organization of about 13,000 consumers at the current FDA vitamin hearings, the record of which now stands at the fantastic number of 25,000 pages. The FDA attorney told us yesterday that he thinks we still have 6½ years to go. I suppose this demonstrates the difference between a Federal agency hearing and a congressional hearing, and I am very grateful that Congressmen do not live in the ivory towers of some Federal agencies.

May I say that I do not mean wholly to deprecate the FDA vitamin hearings. They are not entirely on the level of the FDA's 20-year performance on the cyclamates, those great deceivers of the human taste buds, which Secretary Finch has recently so admirably banned. On the contrary, many gems of information are coming out of the FDA vitamin hearings, of nature both administrative and nutritional, which answer many nutritional questions which bear directly on your concerns here, but which might try your patience if I said more about them at this point.

As I understand the deep concern of this committee, you recognize (1) that there is significant malnutrition in this country, as HEW's Dr. Arnold E. Schaefer and his national survey has proved; (2) that malnutrition is accompanied by debility and disease which is both cruel to the sufferers, and a serious economic loss to the Nation which impairs American strength and world competitive power; and (3) that it is essential to attack this problem efficiently and economically, lest we not only fail to solve the problem, but also bankrupt the Nation both financially, and morally by destroying initiative and encouraging bad habits in the very people we are trying to nourish and save.

The danger is real. In 1949, when I was practicing medicine in Washington State, the State almost went bankrupt in a great splurge of medical and other welfare handouts. A news item on this was published in the Seattle Times for April 7, 1953. Recently we have seen signs of this same great hazard in California and elsewhere under the medicaid and medicare programs.

The uncontrolled appetites of humanity for food, sex, chocolate candy, fast red automobiles, free medical care—which may or may not get to the root of the matter in every case—or large families the parents cannot support are practically insatiable. Appetites are a useful driving force like atomic energy. It is the lack of control of them which is dangerous.

In connection with people having more children than their abilities or circumstances enable them to support, there is a nutritional angle which should not be forgotten. A horse on fine pasture is said to be able to have a healthy colt every year, but even primitive people on the South Sea islands have taboos against having a child closer than about 3 years apart. They have no doubt shrewdly observed that it takes a mother time to rebuild her nutrition and her vitality, even on the best and most natural of foods. Maybe it is more difficult for nature to make a man than a horse. At least, we like to think that we are a more complicated product.

With respect to the uncontrolled appetite for food, what I have in mind is all the trashy food or nonfood on the market which people are urged to buy and do buy, as you can see if you look in the wheeled baskets at the checkout counters. These products are doctored up with pretty artificial colors, artificial sweeteners, and above all with sugar, all of which serves very well to conceal inferior flavor and quality and to entice people into eating what will or may be to their nutritional detriment. I think everyone would agree that this situation is worse than it was 50 years ago when I was a boy of 7.

When farmers produce high quality food, they are entitled to fair recognition and income for this achievement. On the other hand, the producers of inferior food gain an unfair advantage when food processors doctor up this inferior food with artificial sweeteners, risky artificial colors, sugar, MSG—monosodium glutamate—and so forth. And, of course, these additives are nutritionally undesirable, especially sugar.

If I could say just one more word on this matter of food which people will be tempted to buy if they have funds to buy whatever they please, I would like to mention the brave work of an eminent doctor in England, Dr. John Yudkin, and men like Dr. Richard Ahrens, professor of nutrition at the University of Maryland, and others. This work is finally bringing to the fore that a major factor causing our epidemic of heart attacks is probably our tremendous intake of sugar. My personal experience with patients has led me for years to believe that the role of sugar in the encouragement of infections and disease in general is one of the most neglected fields in medicine. Few have dared to challenge this great weakness of our modern civilization.

With regard to poor choice of available food, FDA's outside experts at the vitamin hearings have testified that they think about half the teenagers in the country are poorly fed, affluent as well as poor ones. If that is so, what assurance do we have that free money for the poor

will be spent wisely? There is not only a spendthrift hazard here, but a nutritional one. People who do not eat food high in vitamins are not likely for nutritional reasons to feel like working, especially poor people who have other reasons to feel discouraged. They are more likely to feel like sitting around, or venting the irritation which comes from a poor diet in bursts of irrational activity.

The scientific reason for what I say is that our great pioneers in nutrition, men like Dr. Tom Spies who wiped out rampant pellagra in the South, have proved that a relative lack of vitamins, especially the B vitamins, produces a very insidious apathy, malaise, and even mental imbalance. It is a great tragedy how often this is not recognized today, and that such people are often treated with stimulants, tranquilizers, or some brand of psychotherapy. It is interesting that a revolutionary new treatment of schizophrenia, which has been developed by Dr. Hoffer, an eminent psychiatrist in Canada, is based on massive doses of the B vitamin, niacin. I understand from him that there are over 10,000 people in this country on this treatment, and may I say that the reports are that it is highly successful. The question must now be asked, is this terrible disease which fills nearly one quarter of all hospital beds precipitated in an unknown number of cases by the chronic nutritional insult of niacin lack. Remember that in this country, the enrichment of cereal products with niacin is not mandatory, and practically all niacin is removed in the refining of flour.

Another important point which I think particularly applies to poor people is that once people get into a state of relative vitamin lack, ordinary doses of vitamins will not bring them up to par within a foreseeable time. It is a medical truism that at least 10 times the preventive dose is required to get out of the rut. If a person has been sufficiently scarred nutritionally, this may take a long time. It makes one think of diabetes, where the person is carried over the brink with his disease and may henceforth have to have a lot of outside insulin to keep him going. In any event, I believe it is the marginal person, perhaps without a history of first-class nutrition in his growing years, who is more inefficient with regard to vitamins and has to watch them more closely.

Turning now more specifically to what we should do to eliminate serious malnutrition among the poor; first, Dr. Schaefer's indispensable nutritional survey must be kept in funds and continued until we know at least as much about American nutrition as we already know about 32 foreign countries which have been our military allies, and the nutrition of which we have studied in great detail.

Second, we need to plan just what kind of foods to provide for people who have the misfortune to be malnourished and do not have the money to buy food. We need to do in this country what Dr. Kendall King, a respected colleague of Dr. Schaefer's, has done in Haiti. The brief and excellent report of this work is contained in the reprint from U.S. News & World Report, February 3, 1969, pages 84–85, copies of which I have available here and I believe have been distributed to members of the committee.

Malnutrition of children in Haiti is a widespread and deadly disease, which we now know has permanent bad effects on both body and mind, whether in Haiti or in this country. Dr. King studied the foods nat-

urally available in Haiti, and worked out a very simple diet composed of them, which he proved by animal experiments over a period of 2 years at the Virginia Polytechnic Institute was nutritionally first class before he tried it on people. Then centers financed by various U.S. charitable organizations such as CARE and the Mellon Family Mission were set up in Haiti where the mothers were taught how to cook and why to eat the foods recommended.

Dr. King's program in Haiti showed that frank clinical malnutrition in children can be eradicated there at a cost of 9 cents per day per child; and Dr. King informs me that if about 25 percent more of the same food per capita were available in Haiti, the children fed this would be perfectly nourished. Compare that with the billions that people are talking about that we should spend to do the job in our country.

With American agricultural resources, distribution facilities, and mass communication media aimed at a far more literate population, there is absolutely no reason why we cannot do the same thing in this country, and at a fraction of the billions of dollars it will cost to give poor people blank checks to spend for whatever their fancy dictates among the blandishments of our supermarkets.

If you feel I am making too strong a case for the nutritionally inadequate temptations in our grocery stores, may I read some excerpts from a letter written by Dr. Tore J. Mita, a Public Health Service nutritionist, which is the first thing which hits your eye in the current (September) issue of the prestigious American Journal of Clinical Nutrition. What he has to say drives home the point that many undesirable things can happen to the honest food produced by the American farmer with great skill and the sweat of his brow, before that food reaches the family which eats it. Dr. Mita writes as follows:

I am appalled at the substantial proliferation of neatly packaged, highly palatable food products on market shelves that either contribute a nutritional zero to the diet or an unfair share of nutrients in exchange for the consumer dollar * * * I deplore the fact that millions of economically and educationally disadvantaged consumers are unwittingly spending their scarce money for worthless food products, and nutritionists either continue to remain unconcerned or entertain hopeful illusions that people will eventually be educated into changing their food habits and choosing well-balanced diets * * *.

While manufacturers are convinced that a continuing stream of new food products is a key factor in their ability to stay ahead of competitors, it is my personal view that millions of unsuspecting consumers are also convinced that many of the "nonfoods" must be nutritious or surely nutritionists, physicians, and others would have expressed strong disapproval concerning the marketing of such products. It is also my personal view that a good deal of the burden of responsibility for correcting the poor food choices of our population must be shifted from the nutritionist and clearly placed on the shoulders of our food processing industry * * *.

I find it difficult to understand how we can allow "brave new foods" which are nothing more than a smorgasbord of chemicals, to be marketed without knowing something about their nutritional value to the consumer * * *.

The future of our country depends upon the health of its people. Correction of malnutrition among people in the United States will be expected to produce a major change in the national health picture and alleviate, to a considerable extent, the crushing economic burden on the population. The need for drastic action seems clear * * *.

If nutritionists continue to maintain their silence or an attitude of condonation, they will some day wake up to find, unlike Rip Van Winkle, that the scandalous nutrition situation in the United States not only exists, but more so.

If the food stamp program were worked out so as to restrict the availability of food for the poor to simple nutritious foods such as are working perfectly in Haiti at a cost of about 9 cents per child per day, and proportionately more for an adult, I suppose there would be a great hue and cry from starry-eyed liberals that our poor people would be deprived of their great and inalienable right to use their food stamps for soda pop or anything else that they want.

This is unreasonable. We have suffered enough from the permissive philosophy that the world owes us more than a living, owes us luxuries regardless of whether we or our parents have worked for them. My strongest argument is that if the simple, economical diet I have in mind is devised scientifically by people like Dr. King, I will personally be happy to eat it myself indefinitely as an example and proof that I am not recommending to a poor man something that I would not eat myself. It is probably only fair to tell you that I am quite likely already on that diet. I would also predict that the effects of a scientifically planned diet—plain food which in their best period made the ancient Greeks and Romans the magnificent men that they were—are such that even our millionaires might find it the latest stylist thing to adopt. After all, they are famous for liking to save money and get results. It is like the pretty college girl who nowadays wears flat, square-toed shoes. She knows what she is doing—it is comfortable and sensible.

So our task is to know the location and the extent of American malnutrition, which Dr. Schaefer is finding out for us. Then, we scientifically analyze the simplest and most economical foods available in this country which will eliminate malnutrition, just as the Haitian program is doing. Then provide this food to the poor and tell them why they should eat it and how to prepare it.

We come now finally to the problem of eligibility and control of the program. As you consider the program in Haiti, I think you will see that the element of control asserts itself to a considerable degree automatically as an inherent feature and as the program develops, provided that the program is absolutely honest, scientifically correct, and not contaminated by selfish interests trying to make exorbitant profits out of it, either financial or political.

For example, a big reason why the program works in Haiti, as you can read in that reprint that I brought in—is that the native, untutored mother has enhanced local status if she is known as a good mother to her children. So, here in America, we must teach mothers what a really well-nourished person free from the stigmata of malnutrition looks like. If you are interested, I have with me a splended little booklet, which is Teaching Aid No. 5 written by Drs. Sandstead, Carter, and Darby, from Vanderbilt University Medical School, published by the journal, Nutrition Today, and from which almost anyone can understand how to look for the subtle malnutrition which we need to eliminate. This little booklet should be in the hands of every doctor. I got it a week ago. It has been just now published. And unless the medical schools get busy, the public is likely to have this information before they do.

As it is now, most Americans do not know what a malnourished person looks like. May I say that at the vitamin hearings, we have had testimony from a number of eminent medical professors of medical

schools who agree that the average doctor is not familiar with vitamin deficiencies as a general rule. He knows what frank scurvy and similar far advanced conditions look like. But more subtle vitamin deficiencies have not been taught him in medical school.

We have had dinned into our ears by special interests such extravagant praise of what great people we are, that it has become less majestic to look in the horse's mouth and see what we really are nutritionally. Our draft rejection is way over 50 percent and has been going up steadily for years, while we have been going on in our own rather tranquilized way.

Dr. Howard A. Kelly, one of the four great doctors of Johns Hopkins' early days, said he owed his "real start in life to my mother, who began to teach me the Bible, standing at her knee as soon as I could dimly grasp the simple words, and before I could read." [1]

This is where we should begin the education of nutritional truth. It is a very sobering thought that we should have to look to the simple and often harried people of Haiti to learn how we should behave nutritionally.

My point about the inherent control of a really sound program is that once people have sound knowledge, know where they are going nutritionally and why, and can develop a pride of accomplishment like the admirable mothers of primitive Haiti, a great deal of control over the program is of a built-in nature. This way, you don't want, you don't buy, and you don't even want "for free" a dozen bottles of foodless soft drinks laced with deceptive sugar, pretty colors, and flavors that never grew on a farm. You have learned that such so-called foods do not produce glossy hair, rosy cheeks without pimples, bright eyes, and a lively step, no matter what the advertisements insinuate. We become infinitely less susceptible to the gluttony of gratifying mindless appetites, and digging our graves with our teeth.

We must realize that it is sheer idiocy, both financially, nutritionally, and morally from the standpoint of inculcating good habits, to make a gift to anybody, rich or poor, of just any kind of food which is sold in this country and which the uneducated or depraved whim of that person may lead him to want. That would be like offering a cut-down, welded-up, topless, drag racing automobile to a man who needs a quiet, clean, restful subway to go to work in all weathers, complete with a healthy walk and clean air to breathe at both ends of the trip.

What about eligibility? I am confident that social workers and local authorities, guided by Dr. Schaefer's findings and by other experts, can meet this challenge. If necessary, every prospective recipient for a food stamp can be examined by the mass survey methods used by Dr. Schaefer to see if he is malnourished. If so, that person can be given the basic diet immediately, pending further study of his situation, to determine why, or for how long, he cannot work and buy his own food. If he wants delicacies not in the basic diet, he can buy those with money he has earned himself. This is the way life should be, in nutrition or anything else.

A strong, self-reliant nation is not built by permissive, thoughtless programs which destroy initiative, encourage ignorance, and reward incompetence. This country has already been injured on many fronts

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[1] Dr. Kelly of Hopkins, Johns Hopkins Press, 1959, p. 9.

by inadequate, poorly planned programs, which every hard-working man of commonsense knows in his bones are ruinous. The world of the future is not going to have much place, and in fact never has had, for nations that build their programs on sand, rather than on rock. What makes America a wonderful and powerful country is the freedom it gives to our people to do for themselves, to try anything that does not hurt them or others, while at the same time controlling this freedom by requiring that the individual finance it himself as much as possible.

In other words, every man can be an enterpreneur, but not at his brother's expense. Thus, our freedom is selected and controlled. This is what our private enterprize has been and must continue to be. If now we foolishly proceed with giveaway programs and let every man be an entrepreneur at his brother's expense, we destroy half of our great system. We let loose the dogs of infinite abuse. We enrage the careful man who pays for his thoughtless and often shirking brothers. They in turn lose their initiative, and increasingly misunderstand and ignore the essential nature of our free enterprise system.

I would make one other point, if I may. There is a certain charisma about anyone connected with something so essential as food and health which I think we have to be on guard against. Food is man's first necessity to stay alive. For this reason, that function and those who administer it, from the cook in the kitchen who Kipling told us could start or stop a rebellion, to our doctors in the medical profession, they all carry a certain aura which engenders respect and often unthinking emotion. Medical men, nurses, cooks, school lunch executives do not mind this at all. In fact, we are enthusiastic. But my point is when you are talking about billions of dollars a year for a food stamp program, we should consider the danger of an emotional reliance on simply shoving food or money at people without adequate controls and on the assumption that any food can do the job.

Thank you very much for the opportunity to be heard today.

The CHAIRMAN. Dr. Robinson, we thank you very much. I think it is fair to say that you have said some of the things that many of us on the committee have thought should be said. We have listened here for days to many witnesses. Many of those who have testified have simply pointed out the unfortunate conditions that exist. I think the members of this committee are pretty well aware of these conditions. I think that all of the members of this committee are anxious to try to help improve them. But we do want to give some serious thought to whether what we are doing is actually solving the problems or simply making new problems. When we have sought to find out, when we have sought to ask questions, we have sometimes been pictured, either by witnesses or by the press, as being entirely unsympathetic with the needs of the people.

I think you are pointing to the crux of this thing: What we need to do is to improve the nutrition. But merely spending money may not have the most beneficial effect. Even though I have been, for a good many months, portrayed as the chief architect of the destruction of the rights of poor people, I still think that if we are going to spend substantial sums of money to help those poor people, it should help, and that those poor people, in turn, should help wherever they could.

There are a good many of us on the committee—I say a good many; I speak only for myself—who believe that we ought to require that people who receive Government help do what they can. Some of them can't do anything; many of them can't. We recognize that. But there are people, and they may be a very small percentage, who will not do what they can to help themselves. I think that when we talk about helping those people, we discourage those who have been helping themselves and it becomes a snowballing situation, because many people say, well, if somebody will give me this, why should I work for it? I have felt that there ought to be participation on the part of the individuals who are the beneficiaries of this program to the extent that they can participate in it.

Nobody is suggesting that we should take some bedridden grandmother and require her to go out and break rocks or anything of that kind. But we are suggesting that where there are people who can do work, I personally think it is much better that they do some work.

We had a witness here a day or two ago who said nobody ought to have to work, that it is demeaning to require that they work, and that this idea of providing made work was foolish. I would much prefer to do the same thing over and over—stack a pile of bricks on one side of the street and carry them across the road and stack them again, but do something. I think the individual would be a better citizen, and I think the rest of our citizenry would be better citizens because of having to do something that they can do.

I believe that you are giving us some thoughts as to what we have to do if we are going to honestly tell the public that we are trying to solve these problems. If we simply want to tell the public that we have made a great show and that we have appropriated a lot of money, we can do that without any serious problems on our part. We do not need to hold any hearings to do that. We could have done that a long time ago without any great frustration to ourselves.

But if we are honestly going to try to solves these problems, we have to get down to the sort of thing you have been talking about. I very much appreciate your statement.

Mr. O'Neal. Mr. Chairman?

The Chairman. Mr. O'Neal?

Mr. O'Neal. I would just like to say, Mr. Chairman, that you said you speak only for yourself, but you speak for me, too. I associate myself with your remarks. I agree with them wholeheartedly.

I would like to say to Dr. Robinson that I had to leave the room and answer a telephone call, but I was intrigued with what you said. I wonder if when I was gone, you ever revealed the contents of this 9-cents-a-day diet that you were on. Is it a secret, or did you reveal it?

Dr. Robinson. I brought in with me an excerpt from the U.S. World & News Report.

Mr. O'Neal. I have that. I have not read it.

Dr. Robinson. That contains exactly the information of what's in the diet. I do not mean to say I am on exactly the same diet myself, but I am on a simple diet.

Mr. O'Neal. You mean the whole diet is 9 cents a day, or just some particular ingredient that goes in it?

Dr. Robinson. That is a good question. The whole diet costs nine cents a day per child in Haiti.

Mr. O'Neal. Are you selling vitamins today or something else?

Dr. ROBINSON. I have no connection with the sellers of either vitamins or foods. I have written Dr. King to find out what scientific publications have been brought out about his work there, of which this report in the U.S. News & World Report, I take it, is a summary, and I believe an authoritative summary.

Mr. O'NEAL. You can tell us what you eat. You say you are on the diet. What do you eat for breakfast, lunch, and dinner?

Dr. ROBINSON. Just to orient the situation, let me first say that the diet in Haiti is corn and beans and a few vegetables grown in the gardens of these people—most of them have a little bit of land, an acre, maybe—a little milk, and a little meat and fruit. That is what they eat.

Mr. O'NEAL. You are eating more than 9 cents worth, are you not?

Dr. ROBINSON. Well, I certainly am. I do not live in Haiti, where the price of corn and beans is probably less. But you asked me what I eat.

I eat a great deal of home-ground grain and have been doing it for 20 years. We make all our own bread, with a modern oven that takes you about 15 minutes to throw it together and make it. Then you have what our ancestors ate for thousands and thousands of years. I recommend it. It is also very cheap, because the price of wheat is about 3 or 4 cents a pound and the price of crackle pops is about $1 a pound.

I drink a little milk. I have a nice vegetable garden and we do not buy any vegetables all summer. It is a hobby with us to raise our own vegetables and we can a lot of them and freeze a lot of them and grow lettuce all winter in a little box heated with an electric wire.

I eat apples, a little fruit, and I eat some meat, a very simple diet.

Mr. O'NEAL. When you say this diet in Haiti costs 9 cents a day, who is paying the 9 cents? Is the Government paying the 9 cents?

Dr. ROBINSON. If you read in that reprint there, you will see that these centers in Haiti, of which at the time this was written there were about 10 of them, are supported by CARE and American philanthropic organizations. It says in there, I believe, that it costs a couple of thousand dollars a year to run one center. Dr. King has informed me that in those centers the total cost of the food for one child per day was 9 cents.

Mr. O'NEAL. I see.

Dr. ROBINSON. The center feeds the children and also educates the mothers. Somebody is in charge of the center and tells them the advantages of this food and what it will do for their children and how to prepare it.

Mr. O'NEAL. Now, you said that you were on the diet. How long have you been on this diet?

Dr. ROBINSON. About 20 years for the most part.

I might say that the chief attraction of home-ground grain is to the gourmet, actually. It has a perfectly marvelous flavor. They are attracted to it more quickly than people who do it in order to be healthy.

Mr. O'NEAL. I suppose you would recommend wheat germ?

Dr. ROBINSON. Pretty good stuff. The farmers are very fond of using it for their livestock, because they like to have cattle with glossy hair and nice pink color in the dewlap, which are able to produce milk and be healthy.

Mr. O'NEAL. Are you retired?

Dr. ROBINSON. No, sir. As I said in my statement, I still see a few patients. But I have found life around the Hill here pretty exciting and I feel I can do a little more to help people on a broader scale.

Mr. O'NEAL. Are you on a salary of any kind from any organization?

Dr. ROBINSON. Yes, I am.

Mr. O'NEAL. You did not say that in your statement?

Dr. ROBINSON. Well, I am glad to tell you about it. I did not want to talk too much about myself.

I am paid a reasonable fee by this consumers organization I represent to look out for their interests and the interests of the American people at the current FDA vitamin hearings.

Mr. O'NEAL. What consumer organization is that?

Dr. ROBINSON. It is called the National Health Federation with offices in California, a rather militant organization that is dedicated to freedom of choice in matters of health and to pure, wholesome food for the American people.

Mr. O'NEAL. Are the vitamin people contributing to this?

Dr. ROBINSON. Well, they do not contribute to me. I imagine there are some health food stores that subscribe to the journal of this little organization. But I can tell you one of the nice things about it is that there are no strings attached. All I have to do is follow my conscience in the vitamin hearings and I do not have to do anything else whatever for the National Health Federation.

Mr. O'NEAL. Thank you.

The CHAIRMAN. Mr. Mayne?

Mr. MAYNE. Doctor, have you been down to Haiti yourself to see this operation?

Dr. ROBINSON. No, sir, I have not.

Mr. MAYNE. Would it be fair to say that substantially all you know about that is what appeared in this article you have given us from the U.S. News & World Report?

Dr. ROBINSON. Not quite. I spoke to Dr. Schafer after he testified at our hearings and asked him if Dr. Kendall King was a reputable man. He enthusiastically replied that he was. I gathered from him that this program has status among nutritionists in this country.

Mr. MAYNE. It would appear from reading the magazine article that these mothercraft centers are pretty much confined to very small villages; is that your impression?

Dr. ROBINSON. Yes, sir. That is where it started.

Mr. MAYNE. There has not been any effort of this program in the terrible slums in Port-au-Prince?

Dr. ROBINSON. That I do not know. I imagine that that would naturally be more difficult and a greater challenge. But it seems to me the principle could be applied perfectly well.

Mr. MAYNE. Thank you.

The CHAIRMAN. Mr. Myers.

Mr. MILLER. I have just one comment.

I did not get one of your reports, but I understand that there may be some here? Is that right?

Miss GALLAGHER. We did not have enough copies, but we will make you one.

Mr. MYERS. May I ask you one question? In your limited experience thus far, and it has gone about 6½ years, which does not seem very limited to me in the investigation of vitamins—would it be possible to supplement those people in the country who are supposed to be suffering from malnutrition, could we supplement their diets with vitamins and raise their nutrition through an adequate diet? I am talking about a vitamin pill.

Dr. ROBINSON. First, let me say my experience and interest with vitamins is not 6½ years.

Mr. MYERS. I understood you to say that.

Dr. ROBINSON. That is just my experience in working with the Senators here and in connection with my activities here in Washington involving Federal agencies. I have been interested in nutrition ever since I started out in practice in 1940. It has been my chief interest.

Mr. MYERS. Would the pill, a vitamin type, suffice to raise the nutrition of these people?

Dr. ROBINSON. Well, I think vitamin pills help. The position of people like Dr. Schaefer and others is that they want to concentrate on food primarily. I think they are right.

For example, in the milling of grain, all of the B vitamins are taken out. This is a very serious matter. In the last 3 or 4 years, we have learned, for example, that folic acid, which is a B vitamin and taken out of grain and not put back in the enrichment program, is now thought to be the most widespread vitamin deficiency we have. The lack of this vitamin in the last few years has been shown to be an important cause of, for example, premature abortion, separation of the placenta, bleeding during pregnancy, and is thought even, a lack of it, to double the malformation chances for the unborn child.

Now, in addition—well, I mentioned about the use of niacin in schizophrenia. The point is that we have to make sure the food is as nutritious as possible.

Mr. MYERS. Yes, Doctor, but this one simple question—if they cannot get the food today and possibly a pill might be cheaper than to go any other route, can we adequately supplement their diet through the use of vitamin pills?

Dr. ROBINSON. Vitamin pills may improve their diet, but our first thought in nutrition should be wholesome food, which can be cheap enough.

Mr. MYERS. Okay. Thank you.

The CHAIRMAN. Are there any other questions?

(No response.)

The CHAIRMAN. If not, Dr. Robinson, we are very much obliged to you.

The committee will go into executive session.

(Whereupon, at 11:50 a.m., the committee went into executive session.)

FOOD STAMPS

FRIDAY, OCTOBER 31, 1969

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to recess at 10:05 a.m., in room 1301, Longworth House Office Building, the Honorable W. R. Poage (the chairman) presiding.

Present: Representatives Poage, Purcell, Foley, Vigorito, Montgomery, Alexander, Burlison, Jones of Tennessee, Melcher, Teague, Mathias, Mayne, Zwach, Kleppe, Myers, Sebelius, Mizell, and Resident Commissioner Córdova.

Also present: Christine S. Gallagher, chief clerk; Hyde H. Murray, associate counsel; John A. Knebel, assistant counsel; and L. T. Easley, staff consultant.

The CHAIRMAN. The committee will please come to order.

Mr. Steiger, you are the first witness this morning.

The committee is considering general farm and food stamp legislation, and this week is giving particular consideration to the food stamp sections.

We will be glad to hear from you in connection with food stamps.

STATEMENT OF HON. WILLIAM A. STEIGER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WISCONSIN

Mr. STEIGER. Thank you, Mr. Chairman. I have a statement. It is not terribly long. I think it is available for the members of the committee.

The CHAIRMAN. We can do as you like on this. We would be glad to insert the statement in the record if you care to, or if you care to make an oral statement and have it in the record, we will do it either way.

Mr. STEIGER. What I think would be perhaps best for the committee and save you time, would be to have the prepared statement put in the record but let me highlight certain portions of it.

The CHAIRMAN. We will be glad to do that.

(The prepared statement of Mr. Seiger for inclusion in the record at this point follows:)

STATEMENT OF HON. WILLIAM A. STEIGER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WISCONSIN

Mr. Chairman, I want to thank you and your committee for giving me the opportunity to appear before you this morning.

As you know I have joined in cosponsoring the Nixon Administration food stamp proposal, as well as the bill introduced by Congressman Biester to au-

thorize elderly persons to exchange food stamps for meals prepared and served by private nonprofit organizations.

Before beginning my testimony on proposals to improve our existing food stamp program, I would like to commend the committee for reporting favorably an increase in the authorization level for food stamps for fiscal year 1970 to $610 million. It is my understanding that the bill will come before the House under suspension of the rules next Wednesday. Its passage will be a credit to the committee.

Realizing that it was the House Agriculture Committee which originated the first food stamp legislation, I know that each of you has a real interest in seeing that the program reaches its goals.

I participated quite actively in hearings before the Education and Labor Committee last year on the proposal to establish a Commission on Hunger and Malnutrition. While it was clear that we could not give 100 percent accurate figures on how many people in America are hungry or how many Americans are malnourished, testimony there and before other committees in the House and in the other body clearly revealed that our efforts to date have not been sufficient in meeting the problem.

There are at least two areas of concern which face the committee. One is what constitutes an adequate diet and how much will it cost to achieve this diet for all Americans. The second is more a question of administration. Are some of the present procedures too cumbersome—perhaps so cumbersome that we are thwarted in reaching our goal of feeding those in need, those who are unable to help themselves?

Certainly there are limits to what the Government can spend. We all recognize this. But we also know we cannot afford to neglect our responsibilities to our fellow Americans. And so we must carefully analyze what program can do the best job, what method can do it most efficiently and effectively, and what sum is an adequate and reasonable amount to spend. Simply making enormous amounts of money available will not in and of itself get the job done. If the most nutritious foods don't reach the people who need them, then all the money in the world can't help; on the other hand if the level of funding is so low that an adequate program cannot be undertaken, then we are in fact holding out a false promise of help to those who too often have known false promise.

President Nixon as you know has proposed that the Secretary of Agriculture establish national standards of eligibility. That would go a long way toward equalizing the opportunity for all those who need food. Congressman Foley of your committee has suggested that these standards be established on a regional basis taking into account variances in the cost of living in different regions, and this may be an area that you are exploring. In addition to national standards, the President has proposed that a family not have to pay more than 30 percent of its income for food. The Senate-passed bill as you know sets 25 percent as the limit. I know the committee will study all suggestions carefully, but I believe a standard of this kind is most certainly needed. And I also believe that until the President's welfare proposal is fully operational, we should provide free food stamps to all who cannot afford to purchase them. Again the Secretary of Agriculture has recommended a level of less than $30 a month for a family of four, while the Senate has recomended $64 a month for the same size family. These are all qualitative decisions. And they are of the utmost importance in achieving our goals. While I do not feel I am able to make a judgment on which level of assistance is best, I hope that the testimony presented to the committee in the course of its deliberations will permit you to make these decisions. I urge the committee to give careful attention to these three items.

The other kind of changes which are necessary in the food stamp program are more administrative, and they are perhaps easier to make. If, for example, a family cannot raise enough money to purchase its complete food stamp allotment once a month, and yet this is the only time the stamps can be purchased, then we are defeating the purpose of the program.

Or if stamps are available only between certain hours on say a Monday, and a person who is eligible for the program has a job from which he cannot be absent, then the program is not accomplishing its objectives.

Or if the stamps are available only if a person picks them up in person, and an eligible person is disabled or sick, then too the aims of the program are being thwarted.

It seems desirable and logical to me: (1) to make stamps available more frequently; (2) to make them available in partial allotments; (3) to make them available at times when those in need can get them; and (4) to make them avail-

able by mail or through a social worker or other qualified intermediary so that those unable to obtain stamps in person could still benefit from the program.

A welfare official in my district raised the problem of one member of the family spending the entire welfare check, before any other member could purchase food stamps. If the food stamp allotment were deducted from the welfare check at the request of the family, then the stamps could be mailed with the check and could be spent only on certified items.

To date, a most important segment of our population has been excluded from the food stamp program. I hope the committee will give careful consideration to this group—our senior citizens who do not have cooking facilities in their homes or apartments, and who cannot support themselves adequately or feed themselves nutritiously. This is where the legislation introduced by my distinguished colleague, Edward G. Biester, will be extremely valuable. Under this legislation nonprofit, charitable organizations would be authorized to accept food stamps in exchange for cooked meals prepared either for home delivery or for consumption in community dining halls. I see no reason why these citizens, who are often among the most isolated and needy in the community, should be denied the benefits of the Food Stamp Act.

I also urge the committee to give careful attention to authorizing the Secretary of Agriculture to carry out a food stamp program in an area where the need is demonstrated, and where State and local action is not forthcoming, or to make it mandatory for a State to conduct programs in all of its political subdivisions by a certain date, preferably June 30, 1970, or 1971 if some special problems exist. And finally I also urge the committee to permit unspent funds under the program to continue to remain available until expended and not, as at present, revert to the Treasury at the end of the fiscal year.

In conclusion, I would like to emphasize that the food stamp program today cannot be considered in isolation from President Nixon's other proposals for helping our Nation's poor. Although, for example, the family assistance proposals do not come under the jurisdiction of this distinguished committee, both the food stamp program and the family assistance proposals are designed to provide assistance to the poorest of the poor. They are both available to the working poor. In each, the incentive to work is preserved. In each, assistance is reduced on a gradual basis as income rises. Through the proposed comprehensive manpower training program, opportunities for job training and placement will be available. And as you know the President has stated that all employable persons who choose to accept family assistance payments will be required to register for work or job training; they will be required to accept that work or training, provided suitable jobs are available either locally or if transportation is provided. Day-care centers would be provided for children whenever necessary to enable a parent to gain training or work, but of course mothers of pre-school children would not be required to accept work.

We cannot consider each Government program in isolation from the rest, and yet we must aim to make each as effective as possible. It may be some time before the President's proposals are enacted and in operation, thus we cannot withhold improvement in the food stamp program. Hunger is an everyday problem. Malnutrition can damage a young child's ability to ever live a fully productive life. We cannot afford to wait.

I know the committee will give careful attention to all the proposals before it, and I look forward to your recommending important improvements in the food stamp program. I also believe, Mr. Chairman, that legislation relating to food stamps should be reported promptly so that the House can act.

Mr. STEIGER. The question of food stamp legislation, which this committee has had the responsibility for, and in which it has taken initiative in the past, is one about which there has been some controversy. I recognize there are two basic problems, one in terms of the quantity, that is the question of what is an adequate diet, and then secondly how one goes about administering an effective food stamp program.

We all recognize that there are limits to what the Government can spend, and I think we also recognize that there are those in this country who have not enjoyed the benefits of an adequate diet or a nutritious diet.

As a member of the Committee on Education and Labor, I spent some weeks in listening to the testimony that related to hunger and malnutrition. I do not know that anybody can accurately estimate how many people there are who are hungry or who clearly do not enjoy a nutritious diet. But there are those who are hungry and it is for that reason that I have asked to appear before you today.

In the statement, Mr. Chairman and members of the committee, I have gone through some parts of this program which I think are important. I do want to make it clear that I have joined Mrs. May in introducing the May-Nixon food stamp proposal and I have also joined with Congressman Biester in the legislation which would enable the meals-on-wheels concept to be utilized in the food stamp area, and in the statement I have touched on some of the kinds of problems which I think deserve the consideration of this committee.

Lastly, Mr. Chairman, may I say that I hope that the action that we will take next Wednesday, in passing the authorizing legislation which you have kicked out and for which you deserve credit, will soon be followed by further action to expand and improve the present food stamp legislation.

I would like to see the Congress act in this session if possible on something more than just the question of how much ought to be authorized to be available for food stamp legislation. I would like to see us take action over a comprehensive food stamp proposal.

I recognize full well that we cannot consider food stamps in isolation, that we must talk about the President's proposals for welfare reform, food stamps, hunger, nutrition, job training, for these things all fit together in what I think is a very complete and very comprehensive package aimed at helping those in our society least able to help themselves.

With that, Mr. Chairman, I will be happy to respond to any questions that any members of the committee may have.

The CHAIRMAN. Are there any questions of Mr. Steiger?

Mr. FOLEY. Mr. Chairman, I want to compliment the gentleman from Wisconsin on his interesting presentation, and on his leadership in introducing food stamp legislation and also legislation to provide food for the elderly and those who are handicapped.

I share with the gentleman the view that the welfare reform proposals are compatible with the food stamp program and indeed make a total package. It is true, however, is it not, that it may be necessary to revise the food stamp program if Congress undertakes to enact the President's welfare reform proposals, to the extent that free food stamps would not be necessary or at least not utilized if every family were assured the minimum incomes proposed in the program.

Mr. STEIGER. I do not think there is any question, I would respond to the distinguished gentleman from Washington, that we will need to revise the program. I said in my statement that I prefer that free food stamps be available until such time as the administration's welfare proposal is fully operational.

It would be shortsighted not to take that action. When the family assistance program is fully operational, then clearly food stamps are not going to be required on a free basis.

Mr. FOLEY. Thank you very much.

The CHAIRMAN. Are there any other questions?

Mr. KLEPPE. Mr. Chairman. Congressman Steiger, I just briefly went over your statement, and it seems to me that you have given this a considerable amount of thought and attention, and I suspect you did a great deal of this before you became a cosponsor of the administration bill. I was pleased to note your comment regarding the resolution which comes up next Wednesday, because from the committee's standpoint we think that this is a legitimate move at this time, and I was pleased with your comments on this.

Let me just ask you, if I could, one specific question about change in the food stamp authorization. This has to do with strikers. I have asked this of other witnesses and I would like to ask it of you, because I have a specific example in my district.

I have an oil refinery and they went on strike and they were out for 10 days, and a number of the employees were making between $8,000 and $9,000 a year. Do you believe that they should legitimately qualify for food stamps?

Mr. STEIGER. Mr. Kleppe, I should have checked the record, but I am more than willing to bet that I supported the Teague amendment at the time that the Congress considered this question. I do not believe food stamps should be available to strikers, but I am less persuaded on the question of not making them available to students. I have very mixed feelings about the student question. On the question of strikers, it seems to me that there is a need for clean hands on the part of the Government.

If you are going to enable someone who has an economic grievance against a private company to take advantage of a fundamentally Government-sponsored food program, which conceivably then could prolong a strike because the economics of it make it possible for him to do so, then in a sense or at least in my mind, the Government is deciding to take sides one versus the other. I do not think that is appropriate.

Mr. KLEPPE. Bill, I want to compliment you on your thought on this subject, because it is a very important one. It is one which we have spent a lot of time on, and we certainly have a responsibility to pursue. Thank you.

The CHAIRMAN. Thank you, Mr. Kleppe.

Mr. KLEPPE. Thank you.

The CHAIRMAN. Mr. Teague?

Mr. TEAGUE. Thank you very much, Mr. Steiger, for what you have given us today. I think in all probability in one form or another you will have a chance to vote on the Teague amendment this year.

The CHAIRMAN. Mr. Mayne.

Mr. MAYNE. Congressman, your testimony is certainly very helpful to us. I am particularly interested in what your views would be in a little more detail on food stamps for students, because I know that you are one of the Congressmen who has spent a good deal of time traveling to the various campuses of the country to see what the conditions are there.

There are still, believe it or not, people who are going to college, and graduate school, whose tuition and all expenses are being paid for by their parents. Now what about a student who has no income, but who has all of his expenses, tuition, board and room, his and his wife's and children's expenses all being paid for by the old man. Should that person qualify for food stamps?

Mr. STEIGER. Mr. Mayne, taking the examples that you have given, my answer would be no. My dilemma is this, and I know that Mr. Montgomery, who testified before the committee, raised this point. He said perhaps this is one way to decide the problem—if a young person were eligible for food stamps before becoming a student, he or she ought to remain eligible. That is one way to handle it, because that student has a very legitimate point.

I am more concerned about the graduate student than I am about the undergraduate, because clearly there are examples of a graduate student with a fellowship or a graduate scholarship which pays him $1,500 to $2,000 as a stipend, who may be married, and whose wife may also work or may have a graduate scholarship also, but their total income is not very great, and they are not being supported by their parents. It seems to me they ought to be eligible for food stamps just as any other person in our society is eligible within the income limitations; but if their parents are paying their way for whatever amount, tuition, books, room, board, then I do not think they should be eligible. I do not know what we do to write a law to make this distinction or whether we leave it up to the Secretary by regulation to provide for a means of doing this.

Mr. MAYNE. As I understand the criteria now, they are that you cannot have income over a certain amount or liquid assets over a certain amount, and I am sure that there are many students who would qualify in that respect who, however, some from substantial families or have their expenses being paid for them either by their families or by the Government through some Government program or other, so that it would seem to me inherently unfair to tax the workingman to subsidize that student's food bill, and similarly, if a student had been able to buy a new automobile, it would seem to me that that, although not a liquid asset, ought to be taken into consideration as to whether he would be eligible. Would you agree with that?

Mr. STEIGER. I would, Mr. Mayne. As you know, of course, under the present Internal Revenue Code, that is not counted as income, those things that you have discussed and enumerated. I suppose, for the purposes of food stamps, one could find a way to count that as income, and therefore make the owners ineligible. I would, however, support you in terms of trying to make sure that if they are eligible, it is on a legitimate basis of need, and that there are not others helping them. I frankly do not know how you do it.

Mr. MAYNE. Thank you.

The CHAIRMAN. Mr. Burlison?

Mr. BURLISON. In your colloquy with the gentleman from Washington, I believe you indicated that it was your feeling that after the President's welfare program becomes fully operative, that the food stamp program would no longer be necessary?

Mr. STEIGER. No, sir, that free food stamp would not be. The President's welfare proposal and food stamps to me are very complementary.

Mr. BURLISON. I misunderstood you. Thank you.

The CHAIRMAN. Any other questions? If not, we are very much obliged to you, Mr. Steiger. We appreciate your coming before the committee and giving us your suggestions.

Mr. STEIGER. Thank you, Mr. Chairman, very much.

The CHAIRMAN. We have a former member of our committee with us. We are always glad to see him back. I wish he would come back before us more often, Congressman Matsunaga of Hawaii.

We will be glad to hear from you.

STATEMENT OF HON. SPARK M. MATSUNAGA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF HAWAII

Mr. MATSUNAGA. Thank you, Mr. Chairman and members of the committee for this opportunity of appearing before you and expressing my views with respect to legislation which would amend or extend the food stamp program.

H.R. 14401, a bill that I cosponsored, would authorize elderly persons to exchange food stamps under certain circumstances for nutritious meals prepared by private nonprofit organizations. As a former member of the Committee on Agriculture, I take great pride in the fact that I played a role, however small, in the enactment of the Food Stamp Act of 1964, and appreciate this opportunity to help expand the benefits of that original act.

I believe we all recognize the role the food stamp program has played in providing a more equitable share of our food abundance to low-income families. In my home State of Hawaii, for example, since the food stamp program was inaugurated in April 1966, its benefits have been extended to over 2,000 families. This worthy program has assisted eligible needy families in many other parts of the Nation, and we must insure its continuance.

Unfortunately, under the present law, persons who meet age, residency, and income requirements are not eligible for food stamp benefits unless they have cooking facilities in their households. The effect of this requirement is to discriminate against elderly people who lack cooking facilities in their homes. Others who may be the unwitting subjects of discrimination are those who suffer from chronic illness or physical disability which makes it impossible for them to market for and prepare food. These indigent and helpless citizens are in great need of assistance, and surely they are among the most logical beneficiaries of the program.

Under the provisions of H.R. 14401, food stamps would be issued only to those aged individuals who would be the direct beneficiaries of this amendment, thus controlling the possibility of abuse. The Secretary of Agriculture would be authorized to designate specific churches and other nonprofit charitable organizations to accept food stamps from those beneficiaries in exchange for prepared meals. These organizations would be subject to regulations promulgated and administered by the Secretary of Agriculture.

Mr. Chairman, I believe the enactment of H.R. 14401 is necessary to insure that the benefits provided by the program will reach all intended beneficiaries. In our land of plenty, there is no reason why our Nation's food abundance should not be utilized to the maximum extent practicable to safeguard the health and well-being of our Nation's needy, who today face the scourge of malnutrition.

In age, as well as in youth, needy Americans must be provided with a better balanced and more nutritious diet if we are to continue to take rightful pride in the greatness of this Nation of ours.

Mr. Chairman and members of the committee, with your kind permission I also wish at this time to express my support for H.R. 12430, a bill introduced by the distinguished chairman, Mr. Poage.

The bill would provide for an open-end authorization of funds to finance the food stamp program and would also make permanent the Food and Agriculture Act of 1965. This bill would allow the House Appropriations Committee to determine the amount required to fund the program annually, after receiving estimates from the Department of Agriculture as to how much it could wisely spend each fiscal year in administering the program.

This would give the Appropriations Committee necessary flexibility in providing funds for the food stamp program, while at the same time making permanent what I consider to be the best program thus far instituted to provide needy, low-income families with a balanced diet.

I am fully cognizant of the objections which are voiced against any "open-ended" authorization, but I am also confident that the very nature of the food stamp program, wherein the beneficiaries themselves must provide the basic funds for the purchase of food stamps, will prevent abuse.

The almost instant success of the food stamp program goes to prove that it is not only an effective instrument in the war on poverty, but that it is also blessed with the beneficent spirit of America. To continue to neglect our needy, aged individuals because of an inadvertent technicality in the 1964 Food Stamp Act is inexcusable.

I urge the committee's favorable report on both H.R. 14401 and H.R. 12430.

Thank you very much.

The CHAIRMAN. Thank you, Mr. Matsunaga.

Are there any questions?

Mr. MATHIAS. Mr. Chairman, I have one question of the Congressman.

Sparkie, on your second page you recommend that food stamps be given or provided to people who lack cooking facilities in their homes?

Mr. MATSUNAGA. Yes.

Mr. MATHIAS. You have had the program since 1966 in Hawaii. What have these people been eating for the last 3 years if they have not had cooking facilities? How do they pay for their food? How do they do it? What has happened in the past?

Mr. MATSUNAGA. We have many of these individuals whom I mentioned in nursing homes, so-called nursing homes for the aged, and also we have homes for the aged where cooking facilities are provided. We have several homes where the elderly who are capable of paying for their keep do live, and although many of them are even in wheelchairs, and I visited some of them, because of the kitchen and cafeteria facilities provided they are able to have their meals regularly, but there are many who are unable to pay for the meals that are provided in these homes.

Mr. MATHIAS. The old people who are in nursing homes, they are provided for right now, but what about the people who are not in nursing homes that do not have cooking facilities? What has happened to them in the last 3 years? Are they starving to death? Are they dying, how do they eat?

Mr. MATSUNAGA. They are suffering from malnutrition, of course, and some of them are being provided for by welfare. Social workers call upon them from time to time with prepared food, and then of course they depend upon relatives and neighbors.

I think this program is intended also to help those who not only are suffering from lack of suitable income themselves, but who must take care of the elderly just as in the case of medicare, wherein we found that there were many families who had to sacrifice the education of their children because they had to care for their elderly parents.

Here again we find many children of these elderly citizens who have their own children, and who are suffering from low income, and who need to take care of their elderly parents, and as a consequence even sacrifice the education of their own children. This is the type of situation which we would like to correct by a bill such as this.

Mr. MATHIAS. Sparkie, you know that some nursing homes, even though they are considered nonprofit, there are salaries involved, maintenance and so forth. Now, you would exchange a food stamp for a meal, you are paying for a service in there, and in some cases, in modern, very expensive nursing homes, service is quite high, the percentage is quite high, so actually the food stamp would be paying for services, not only just a small amount for the food itself, but a great deal of services?

Mr. MATSUNAGA. That is correct, but then just as today when a housewife goes to a supermarket and takes out prepared, precooked foods such as a TV dinner, the service is included in the price of the food which the housewife purchases. That is today considered a part of the cost of food. In the case of disabled elderly and those who have no cooking facilities at home, the important thing is that they will be provided with the necessary food to prevent malnutrition.

Mr. MATHIAS. Sparkie, if they are crippled or in wheelchairs, wouldn't it be quite difficult for them to go three times a day to a church or some place where they had meals, where they could exchange food stamps for a meal?

Mr. MATSUNAGA. I suppose, because of the nature of the organizations which will be authorized to serve these meals, we can expect that a member of the church, a member of the charitable organization, will seek out those who are unable to go to the cafeteria regularly, and get volunteers to provide the necessary service to these indigents?

Mr MATHIAS. How many people do you think need this service in Hawaii, or just say Honolulu, for example?

Mr. MATSUNAGA. I have no real estimate, and it would be a pure guess on my part. If the gentleman would wish, I will make an effort to provide such a figure.

Mr. MATHIAS. You have 3,000 now.

Mr. MATSUNAGA. 2,000 families.

Mr. MATHIAS. Would it be double that do you think, another 3,000 ultimately?

Mr. MATSUNAGA. I do not believe so.

Mr. MATHIAS. How many, would you say, 1,000?

Mr. MATSUNAGA. There might be about a thousand I would say.

Mr. MATHIAS. Do you think a thousand volunteers would every day, three times a day, go to somebody's house?

Mr. MATSUNAGA. Well, not necessarily a thousand would be in wheelchairs. They will be able to make it. Perhaps wheelchair cases and the extra services would involve maybe half a dozen, and certainly we would be able to get half a dozen volunteers a day. I know of many

charitable organizations which have ladies especially, like the Red Cross, for example, who spend hours every day on a voluntary basis. Volunteers at mealtime for an hour, or a half hour per day, I am sure this could be raised.

Mr. MATHIAS. Would it be cheaper in the long run to buy them a small stove and put it in their homes? You are paying for a lot of service, and the money you would save by buying them a stove, a nice stove in the house, would be a lot cheaper in the long run than paying for services year after year after year.

Do you think that is logical?

Mr. MATSUNAGA. In certain instances perhaps this might be the logical thing to do, but in the case of indigents, where the individual concerned is of such age that even providing cooking facilities would do no good, we would still have to revert to providing prepared meals.

Mr. MATHIAS. My point is what have they been doing for the last 3 years in Hawaii? Are they dying?

Mr. MATSUNAGA. Well, they are suffering from malnutrition, as I said earlier, and they are dependent upon those who cannot afford to continue to provide for the elderly, the indigent, without making sacrifices in other areas, such as education and care of their own children.

Mr. MATHIAS. Thank you very much.

The CHAIRMAN. Are there any further questions? If not, Mr. Matsunaga, we very much appreciate your attendance here. We are glad to have you back.

Mr. MATSUNAGA. Thank you very much.

The CHAIRMAN. It is nice to have you come around any time.

Mr. MATSUNAGA. Thank you, Mr. Chairman, thank you very much.

The CHAIRMAN. The next witness is Mr. Stephen Kurzman, of Washington, D.C., representing the Urban Coalition Action Council. He is accompanied by John Lagomarcino, deputy executive director of the Urban Coalition Action Council.

We will be glad to hear from you.

STATEMENT OF STEPHEN KURZMAN, SPECIAL COUNSEL TO THE URBAN COALITION ACTION COUNCIL; ACCOMPANIED BY JOHN P. LAGOMARCINO, DEPUTY EXECUTIVE DIRECTOR OF THE URBAN COALITION ACTION COUNCIL

Mr. LAGOMARCINO. My name is John Lagomarcino and I am the deputy executive director of the Urban Coalition Action Council.

The Urban Coalition Action Council brings together various leaders in American life who do not normally collaborate on national issues but who share an overriding concern about the problems of our country and particularly the cities. Its chairman is John W. Gardner, the former Secretary of the Department of Health, Education, and Welfare.

Some of the segments of our Nation represented on the policy council of the Action Council are business, labor, State and local government, religious and minority groups. A list of the policy council members is attached to our testimony.

The Action Council very much appreciates the opportunity to testify today on a subject of great concern, not only to our urban areas but to the country as a whole. We support enlargement and improvement

of programs to combat hunger and malnutrition generally, and the food stamp program particularly. As an organization whose principal concern is the betterment of urban life, we surely cannot ignore the tragic anomaly of the existence of large numbers of underfed and grossly malnourished citizens living in the midst of a staggeringly prosperous economy.

Mr. Kurzman and I are here today as spokesmen for an organization that is proof that reasonable people of divergent viewpoints can come together and act in concert on important and complex public issues. The desire for progress and improvement is a great motivating force in working toward solutions of the many problems vexing our society. That desire for progress remains a driving force in the Action Council today.

We believe that same desire for progress exists in this committee today. It is manifest in the hearings it has held last week, as well as this, and the great attention given these hearings by the committee members. It is manifest also in the recent committee action increasing the fiscal 1970 food stamp authorization figure.

But we feel much more needs to be done. To discuss this in more detail, I wish to introduce Mr. Stephen Kurzman, a special consultant to the Action Council and the former deputy director for operations of the National Advisory Commission on Civil Disorders. Mr. Kurzman was minority counsel to the Senate Committee on Labor and Public Welfare and is currently in the private practice of law.

Thank you, Mr. Chairman.

The CHAIRMAN. The attachment to your statement will be inserted in the record at this point.

(The attachment referred to follows:)

MEMBERS OF THE POLICY COUNCIL OF THE URBAN COALITION ACTION COUNCIL

Mr. John W. Gardner, chairman
Mr. Andrew Heiskell, cochairman
Mr. A. Philip Randolph, cochairman
Mr. I. W. Abel
Hon. Ivan Allen, Jr.
Mr. Joseph H. Allen
Mr. Arnold Aronson
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Hon. Daniel J. Evans
Dr. Arthur Flemming
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Mr. Herman E. Gallegos
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The Most Reverend George H. Guilfoyle
Mrs. Fred R. Harris
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Hon. Richard J. Hughes
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Mr. James Rouse
Mr. Theodore Schlesinger
Dr. Mark R. Shedd
Mr. Asa T. Spaulding
Hon. Carl B. Stokes
Mr. David Sullivan
Hon. James H. J. Tate
Mr. John Wheeler
Mr. Roy Wilkins
Rev. Andrew J. Young, Jr.
Mr. Whitney M. Young, Jr.

The CHAIRMAN. Thank you, Mr. Lagomarcino.

Mr. KURZMAN. Thank you.

Mr. Chairman and members of this committee, my name is Stephen Kurzman, and I am appearing on behalf of the Urban Coalition Action Council. We appreciate the opportunity to appear before this committee on the critical question of domestic food programs and their impact on continuing hunger and malnutrition in the United States. Our basic thrust here today is to urge you to act promptly and favorably on S. 2547, the Senate-passed food stamp bill and to go forward, beyond that measure, to consider a broad range of further objectives.

The documentation is overwhelming at this point that, despite unprecedented prosperity and despite a number of well-intentioned food programs, hunger and malnutrition do continue to exist in this country. A partial listing of this documentation includes the following:

Hearings, Senate Subcommittee on Employment, Manpower, and Poverty, April 1967.

Hunger U.S.A., Citizens Board of Inquiry Into Hunger and Malnutrition in the United States, 1968.

"Hunger in America," CBS documentary, produced by Martin Carr, May 1968.

"Hunger and Malnutrition," hearings before Senate Subcommittee on Employment, Manpower, and Poverty, May and June 1968.

"Nutrition and Human Needs," hearings, Senate Select Committee on Nutrition and Human Needs, 12 volumes, 1968–69.

"The Food Gap: Poverty and Malnutrition in the United States," committee print, Senate Select Committee on Nutrition and Human Needs, August 1969.

Report, Subcommittee on Food and Nutrition, President's Urban Affairs Council, March 1969.

Report of Dr. Arnold Shaefer, Director, National Nutrition Survey, U.S. Public Health Service.

"Poverty, Malnutrition, and Federal Funding Assistance Programs, a Statistical Summary," committee print, Senate Select Committee on Nutrition and Human Needs, September 1969.

The findings in all these studies and all these reports have electrified the Nation. Dr. Arnold Shaefer, Director, National Nutrition Survey, U.S. Public Health Service, has testified before this committee that preliminary data from his survey indicated, "Malnutrition is a health problem in the United States, and our preliminary findings clearly indicate that there is malnutrition in an unexpectedly large portion of the sampled population." Shockingly, Dr. Shaefer's survey also uncovered seven cases of marasmus and kwashiakor which we did not believe existed in this rich country. The Subcommittee on Food and Nutrition of the President's Urban Affairs Council estimated that half of all infants from poor families in the United States are likely to suffer from undernutrition and that there is no significant proportion of the poor who do not suffer from undernutrition. Moreover, it estimated that half of the poor in the Southern States and a fifth of the poor in non-Southern States suffer from malnutrition, and that "scattered evidence indicates 5 to 10 million (persons) are suffering from severe hunger and malnutrition."

Despite the crying need, documented in all of the forums cited above and beginning over 2 years ago, our current food programs are still not reaching three-fourths of the poor, many of whom suffer extreme poverty. At present, the direct distribution program is operating in 1,187 counties and serving approximately 3.1 million individual recipients. Under this program, 22 commodities are made available to the States with a retail value of $15 per person per month. These commodities have less than adequate amounts for energy and vitamin A according to the National Research Council's recommended dietary allowances. Moreover, the average number of commodities distributed in the States is 18, which means that even those poor persons participating in this Federal food program are being denied an adequate diet.

The food stamp program provides a bonus for food purchases which varies with the income and family size of the recipient, with an average bonus of $6.73 per person per month in food purchasing power. Three million two hundred thousand persons participate in this program. The program provides only 60 percent of the minimum needs of those in extreme poverty who participate. Both programs fall far below the Department of Agriculture's own economy food plan, which calls for $25 per person per month or $1,200 per year for a family of four—an amount USDA admits can be utilized by only the most ingenious of the poor to gain a balanced diet. Moreover, there remain approximately 470 counties and independent cities with no food programs at all, and these areas include about 8 percent of the poor. In areas where food programs do operate, fewer than one-third of the poor are being reached—approximately 6 million of the 20 million persons living in families receiving less than $3,000 annual income.

The Census Bureau estimates that 907,000 families have an income of less than $1,000, $200 less than the $1,200 rockbottom USDA requirement for food alone per year. Another 1.7 million families have incomes under $2,000. It is safe to assume that many members of these families are going hungry. A family of four with income of $2,000 would have to spend 60 percent of its income on food in order to meet USDA's economy plan standards. Clearly, with the costs of clothing, shelter, medicine, utilities and other fixed necessary expenses, people in such circumstances cannot eat adequately. After all, the average American spends only 17.4 percent of his income for food.

Nor are poor children being reached by the school lunch program. There are 32.5 million schoolchildren who do not have access to school lunches. The House Committee on Education and Labor says 3.25 million of these children need free lunches and another 19.5 million need reduced-price lunches.

In sum, current family food programs offer little assistance and fail to reach the great majority of the poor. Fourteen million of the poor consume food not meeting recommended dietary allowances and 8 million more are on diets with less than two-thirds of the recommended allowances for one or more essential nutrients. Nor are our welfare programs reaching them. Only 10.2 million of the country's 25.4 million persons living below the poverty line receive any form of welfare assistance. The family assistance program proposed by President Nixon will, we hope, help to remedy this situation, but at the $1,600 per year

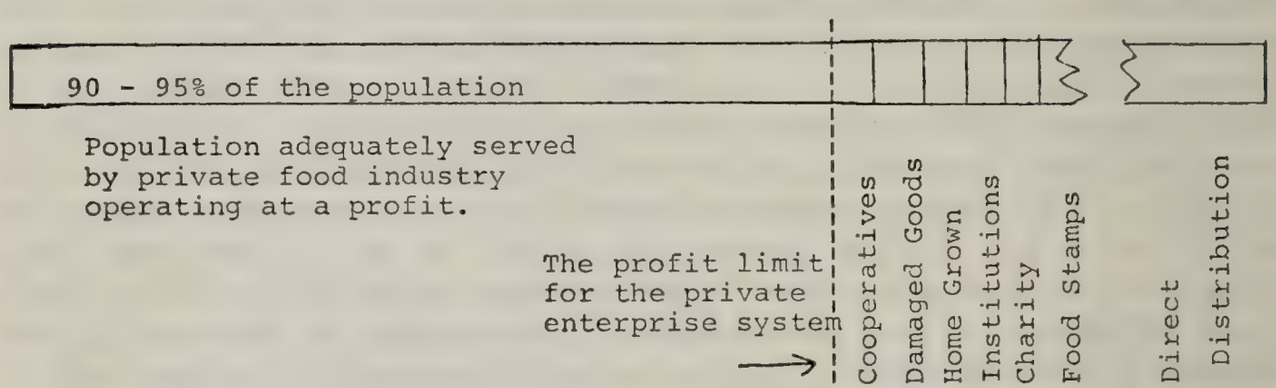
level which has been proposed for a family of four, it is clear that improved and expanded food programs will remain an urgent need for many of these families.

A graphic way of illustrating what all these studies and hearings show was presented by a witness before the Senate Agriculture Committee last May. Mr. Robert Choate, who is an expert in this field and currently a consultant to the White House Conference on Food and Nutrition, introduced the following bar graph.

I would ask the chairman please to insert this graph in the record at this point.

The CHAIRMAN. Without objection we will insert the graph in the record.

(The diagram referred to follows:)



Mr. KURZMAN. What this shows is that the private food industry adequately serves some 90 to 95 percent of the population of the Nation. The remaining 5 to 10 percent still must eat but lack the cash to do so adequately. We find a limit in the profit to be obtained from the food-buying population beyond which the private food companies cannot readily go. As Mr. Choate pointed out, we have developed a number of alternatives to provide for this 5 to 10 percent, but they only reach a portion of the need. We have cooperatives, soup kitchens, charity feeding houses, homegrown foods are encouraged, occasional sales of damaged goods are made at a loss. Governmental food programs have to fill the remaining gap. The largest, as we discussed, are the food stamp and direct distribution commodities programs. But as the graph illustrates, a substantial gap remains.

What that food gap means in human terms extends far beyond the jurisdictional lines of this or any other single committee of the Congress. Hunger and malnutrition are in many instances the underlying causes of illness and public health problems, of inability to learn and educational problems, of unemployment, underemployment, and a loss of productivity. With its action on improving and expanding Federal programs that fill the food gap, this committee can have a profound effect on the whole range of related problems which would otherwise be left to piecemeal consideration by other committees. Conversely, inaction by this committee would create pressure upon the other committees to consider the impact of food deficiencies on the problems with which they must deal.

We urge this committee to devise a strategy for closing the food and nutrition gap. We recommend a series of objectives which we believe should be sought by that strategy. A substantial step toward

these objectives would be taken by enactment, with some adjustments, of S. 2547, the food stamp bill passed on September 24, 1969 by a substantial bipartisan majority of Senators.

The Senate-passed bill was introduced by a bipartisan group including nine of the 13 members of the Select Committee on Nutrition and Human Needs, which had held hearings throughout the country over a 10-month period. Its sponsors were Senators McGovern, Javits, Percy, Cook, Hollings, Pell, Yarborough, Mondale, Kennedy, Hart, Spong, and Goodell.

The following are the long-range objectives we believe the committee should address itself to:

1. Nutrition Education and Information: There is a great need to improve knowledge among the poor, as well as among many families who are not poor, of healthful nutritional practices, of how to obtain nutritious foods and maintain a wholesome and balanced diet. S. 2547 makes a start in this direction in section 1(10), which would afford participants:

> Such instruction and counseling as will best assure that they are able to use their increased purchasing power to obtain those nutritious foods most likely to insure that they receive a nutritionally adequate diet.

This is an effort which should not, in our view, be limited only to food stamp recipients or only to agencies concerned with food stamps. For example, HEW and OEO programs and the agencies and institutions they fund should also be enlisted in these efforts, along with the Cooperative Extension Service.

2. Nutrition research: More precise knowledge is needed about the extent, incidence, and location of malnutrition on a continuing basis. For example, HEW's national nutrition survey should be expanded so that its sample is adequate, its data are fully analyzed, and food program effectiveness is monitored and evaluated. Special consideration should be given to the particular nutritional needs of the rural poor, migrants, Eskimos, Indians, and the elderly. S. 2547 does not deal with this subject.

3. Outreach: A full range of supportive services is needed at the local level to reach more of the Nation's urban, rural, and migrant poor with existing food assistance programs. In his May 6 message to the Congress, President Nixon pointed to OEO's "unique outreach among the poor themselves." S. 2547 would expand availability of food stamps by permitting certain private nonprofit institutions, including mobile food services which provide meals to older persons, to accept food stamps (section 1(1) and 1(16)). It would spread awareness of the program by authorizing the giving of instruction and counseling mentioned above at schools, retail food stores, in homes and, through voluntary cooperation, in Federal, State, local or private agencies which carry out informational and educational programs for consumers, and particularly through the National School Lunch Program and its extension (section 1(10)).

The cumbersome precertification procedure would be amended so that an affidavit is sufficient, subject to subsequent disqualification for fraud (secs. 1(12) and 1(17)); this parallels the technique long authorized for the Federal income tax system. It goes beyond it, by the way, by requiring an affidavit. Issuance of stamps and collection of payments for them would be facilitated by authorizing use of post

offices, banks, credit unions, the mails and other agencies. (secs. 1(11) and 1(14)(3)). Under limited circumstances, where the Secretary of Agriculture determines there is a need and no food stamp program exists, USDA would be authorized to administer a food stamp program through a private nonprofit organization or a Federal, State or county agency approved by the Secretary. In line with President Nixon's reference to OEO's outreach capabilities, we would hope that OEO would be given a substantial role in providing the services necessary to fuller participation of the poor in all food assistance programs—not solely the food stamp program.

4. Private enterprise: A principal advantage of the food stamp program is that it utilizes the private food distribution system rather than creating another distribution system as required by other types of food assistance programs, particularly commodity distribution. S. 2547 would permit more of the poor to be reached by the private system by improving the current payment and value schedules, which require payment in advance, on a rigid monthly basis, of up to 47 percent of income to participate in the program. Free food stamps would be issued to families earning less than one-half of the amount determined by the Secretary of Agriculture to be necessary to purchase a nutritionally adequate diet, at this time approximately $60 per month for a family of four, or $720 a year. In no event would more than 25 percent of a household's income be charged for stamps; again, this is still higher than the 17.4 percent of income paid for food by the average family. State eligibility requirements, which now range from $1,920 to $4,140 for a family of four and bear no relation to geographic differentials in food prices, would be replaced by a more equitable national minimum standard of $4,000 adjusted to take regional variations into account.

As important as these changes would be, a number of other programs should also be initiated to enlist the private sector more fully in the distribution and education processes. Current governmental efforts with food companies to provide foreign developing nations with enriched and fortified foods should be extended to this country as well. Production, processing, and distribution by small food businesses in low-income areas should be encouraged by the Small Business Administration, the Department of Commerce, and OEO, especially with the aid of local development corporations. As the President's May 6 message recommended, "an advisory committee of major food processing and food distribution companies" should be established.

5. Maternal and child nutrition: As the President stated and as Dr. Shaefer emphasized in his testimony before this committee, malnutrition during pregnancy and in the infant and young child can cause physical and mental retardation. The President called for special package and pilot voucher programs by HEW, and these should be authorized by legislation. Participation in free or reduced-price school lunch programs should be increased by establishing national eligibility and funding standards for local school districts so that all needy children, less than half of whom now benefit from these funds, can participate. Similar emphasis on poor children should be mandated upon the special milk program. Private food companies should bring their expertise in processing and distribution to low-income-area schools

which lack adequate facilities for preparation of meals. Again, S. 2547 does not cover these subjects.

6. Direct commodity distribution: New direction should be given to commodity distribution so that it supplements food stamp and school feeding programs. Together these programs should insure that low-income families have available to them a range of foods necessary for a nutritious and well-balanced diet. National standards of eligibility, cash payments to States, grants to public and private agencies and use of section 32 funds for purchase of nutritional foods not otherwise available under Federal food programs, should be authorized. USDA should assist State and local agencies in outreach efforts to insure maximum participation of low-income families, and distribution should be facilitated, in conjunction with OEO, HEW, and HUD, through neighborhood centers. S. 2547 makes one important advance in this direction by permitting a combination of food stamp and commodity programs under certain narrowly defined circumstances (section 1(7)).

The objectives we have outlined are not ours alone, by any means. Most were identified and recommended to the President by the Food and Nutrition Subcommittee of the Urban Affairs Council. Many were embodied in the President's May 6 message. Many are embodied in bills already introduced in both Houses of Congress, such as S. 2789, introduced by Senator Javits and a bipartisan group of cosponsors; S. 1864, by Senator Talmadge; H.R. 13423, the Foley-Green bill; and H.R. 12222, the administration bill introduced by Congresswoman May.

We recognize that these objectives will incur additional cost to the U.S. Treasury; for food stamps alone, $1.25 billion in the current fiscal year instead of $750 million under the current projections, and a similar $500 million difference in fiscal years 1971 and 1972. But as Senator Hollings stated on the Senate floor when S. 2547 was passed, "This is no time to holler 'chaos' and 'the end of the world is coming' over the expenditure of $500 million in the next fiscal year," particularly when compared with expenditures for other purposes. It has been estimated that the objectives other than those relating to food stamps would cost approximately $415 million in the first year. Again, matched against other expenditures, including some $3 billion in agricultural subsidies annually, this does not appear to require a major wrenching of national priorities. The comprehensive approach to food assistance we recommend is well worth the additional cost and may well cost less than the loss of productivity and wasted lives caused by hunger and malnutrition.

For the record we would like to offer a number of editorials, local news stories, and columns from newspapers, both large and small, in many parts of the Nation in recent months. These indicate a growing national awareness and concern about food shortages and deficiencies and the need for expanded and improved food programs.

Thank you, Mr. Chairman. That concludes my prepared statement.

The Chairman. The editorials you mentioned may be filed with the committee.

(The editorials referred to by Mr. Kurzman may be found in the committee files.)

Mr. Kurzman. Thank you, Mr. Chairman.

The CHAIRMAN. Are there questions?

Mr. TEAGUE. Just one, Mr. Chairman.

What are these diseases marasmus and kwashiakor? Do you think you can discuss them in mixed company here?

Mr. KURZMAN. If I were a medical expert, Congressman Teague, I would be happy to. I cannot testify as such. However, it is my understanding that these are infirmities, both physical and mental, which are severe, long-term, permanent, and crippling, and that they have been found in many of the underdeveloped countries. They are the result medically, as I understand it, of food deficiencies and shortages, a lack of quantity and quality, which we never expected to find in this country. That is why finding any cases of them in the United States, as Dr. Shaefer found, was such an immense shock.

Mr. TEAGUE. Thank you.

The CHAIRMAN. Mr. Purcell?

Mr. PURCELL. First I want to thank you for the amount of information and energy that you and your organization have shown in working with this problem. I do not know whether I have a question or just a comment. I think we all agree that trying to educate the people about nutrition is probably the most significant step in this whole operation. I know of some instances, for example, where food stores have put on displays in the supermarket of the kinds of foods you use to fix the end product and it is very good. Then you run into difficulty on using butter. Some doctor shows up and complains that is going to give people fat around the heart or whatever you get from eating butter.

Mr. TEAGUE. Cholesterol.

Mr. PURCELL. I am not old enough or fat enough to have that. And then the use of milk even gets complaints. I do not know whether I am asking you a question or just wanting company in my misery, but would there be some way that with a nationwide organization that you work with we can eventually work with the medical people to not be as picayunish as I think they often get. The people we are talking about have got a long way to go to get very sick from overeating, which is what the rest of us worry about, and this is just a problem that I think we run into when you get out in the public trying to do what appears to be a good educational job. I might conclude by saying do you have any thought on it?

Mr. KURZMAN. I guess I have two partial answers, Congressman Purcell. I would say in the first place that we have taken note in our statement of the fact that inadequate dietary choices are a problem not only for the poor—where inadequate choice is also compounded by the lack of adequate resources and the lack of educational opportunity and sophistication in dealing with products that are presented on the shelves—but also with the overwhelming majority of the American population which is not poor and which should have the necessary sophistication. I would tend to agree, from my own knowledge on the subject, that there has not been any great effort—which is one of the things we are backing here—to pull together the available information on which the medical experts would agree, and put that together with the tremendously efficient food distribution and advertising programs of the food industry, so that what we do know and what is agreed upon by the experts is at least brought to the attention of the public, both the poor and the nonpoor.

The second part of my answer is that I would hope the forthcoming White House Conference on Food and Nutrition, to be held early next month, will bring together a very impressive array of experts in this field and will be able to come up with the kind of consensus on certain basics about diet which could then be forwarded by the food industry, and by Government in cooperation with it.

Mr. PURCELL. Thank you. That is all I have.

The CHAIRMAN. Thank you, Mr. Purcell.

Mr. Mayne?

Mr. MAYNE. Mr. Kurzman, your credentials on problems of the city, as stated by Mr. Lagomarcino, are very impressive. I note that you were on the staff of the Senate Committee on Labor and Public Welfare and the National Advisory Commission on Civil Disorders, and are now engaged in the private practice of law. Where are you practicing law?

Mr. KURZMAN. In my own firm here in Washington, Congressman.

Mr. MAYNE. Just your name?

Mr. KURZMAN. No, sir, the name of the firm is Kurzman & Goldfarb.

Mr. MAYNE. When we get onto the matter of agriculture, I notice that on the final page in the next-to-the-last paragraph of your testimony, you made some reference to $3 billion in agricultural subsidies. Was it your intention to criticize this expenditure?

Mr. KURZMAN. No, merely to use it as a comparative measure, Congressman Mayne, of what we are talking about in the food stamp and other food assistance programs.

Mr. MAYNE. Then does the Urban Coalition Action Council have a position on agricultural subsidies? I do not know whether it has taken a position or not.

Mr. KURZMAN. I will defer to Mr. Lagomarcino.

Mr. LAGOMARCINO. If I may respond, Mr. Mayne, the answer to that is, "No, it does not."

Mr. MAYNE. I perhaps had gotten the wrong impression from that particular sentence. I thought that perhaps it was expressing opposition to the concept of agricultural subsidies, and I am relieved and pleased to find that that is not the case.

Mr. LAGOMARCINO. No, sir, we did not intend to make that point at all in this statement.

Mr. MAYNE. Thank you.

The CHAIRMAN. Mr. Melcher?

Mr. MELCHER. Mr. Kurzman, just the sentence preceding the reference to the $3 billion in agricultural subsidies. You have the figure of $415 million. What is this figure referring to, sir?

Mr. KURZMAN. We have listed, Congressman, some six objectives, as we have called them, and have tried to identify the extent to which these objectives are reached or would be reached by the food stamp program as amended by the Senate-passed bill. That leaves untouched a fairly large portion of the objectives we think ought to be sought by the Congress. That $415 million figure is an estimate of what those remaining objectives would cost, reached in these ways. It is a very crude and rough approximation.

Mr. MELCHER. $415 million?

Mr. KURZMAN. In the first fiscal year.

Mr. MELCHER. In addition to what would be covered by the Senate bill, is that right?

Mr. KURZMAN. Yes, that is correct.

Mr. MELCHER. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Montgomery?

Mr. MONTGOMERY. Thank you, Mr. Chairman.

I direct my question to either one of the gentlemen.

I think we are generally in agreement that the mechanics of securing food stamps could be improved. I know in the bill I have introduced there are mechanics that would make it easier for a participant to obtain food stamps. Also the Senate bill on food stamps makes it easier to get food stamps. My question is did the McGovern bill have the same mechanics in it pertaining to making food stamps easier for people to receive, as the Agriculture Committee bill?

Mr. KURZMAN. I think the answer to that, sir, is that the bill that was substituted on the Senate floor goes even further than the committee-reported bill in the direction of facilitating the distribution of food stamps. The committee bill attempted to do it, and I think that the substitute bill does it better.

Mr. MONTGOMERY. Does it better. Did it take some of the recommendations in the Agriculture Committee bill, and are they implemented in the McGovern bill?

Mr. KURZMAN. Yes, indeed, sir.

Mr. MONTGOMERY. My last question, and I have asked other witnesses who have testified on the McGovern bill, I have asked them this question, and it has been of concern to the witnesses. I do not think they realize that the bill went this far. Under the McGovern bill, and I have been told this by the Department of Agriculture, it is possible in some cases that a family of seven with the breadwinner earning $11,000 a year would be eligible for food stamps.

This seems excessive to me, and I would like your comments on that.

Mr. KURZMAN. I think the Senate bill leaves very much in the hands of the Secretary of Agriculture and the States the setting of eligibility standards, both maximum and minimum. It leaves to the State agencies the setting of standards in the first instance, and it imposes upon the Secretary the obligation to set the maximum and minimum standards, but it says that the minimum shall in no case be less than $4,000 per year for a family of four. It also sets as a goal the minimum level in income a household must have, in order to purchase a nutritionally adequate diet for the members of such household and be financially able to meet the other normal living expenses of a household. That is the way section 5(a) of the act would read under section 1(8) of the Senate-passed bill.

It seems to me, sir, that what that is doing is leaving to the Secretary of Agriculture the determination of what is necessary for those purposes. Our estimates are built upon a presumption that the eligibility range is not going to go very much higher than the range the States now have set. As I mentioned, for a family for four they range from about $1,900 to about $4,100 for a family of four. Now for a family of seven I do not know quite where the States go, but I would personally be quite surprised if it went to $11,000.

Mr. MONTGOMERY. I was quite surprised, too. That is why I brought the question up. The Department has made some study on the McGovern bill, and this is a figure that was given to me, that in some cases now, this would not be the order, that this possibly could happen?

Mr. KURZMAN. As I say, Congressman, I think what could have to happen, under the formula of the Senate-passed bill, is that the Secretary of Agriculture would have to decide that that was a minimum level of income a household must have in order to purchase a nutritionally adequate diet and meet its other household expenses. I do not think that the Secretary of Agriculture is likely to.

Mr. MONTGOMERY. As I understand it, if he wanted to get to the minimum, really take care of some low-income people, where the formula is drawn up, this would end up requiring seven people with an $11,000 income trying to protect the lower income, he would be exposing people making $11,000 to receive food stamps?

Mr. KURZMAN. As I say, sir, as I read these provisions, they are very, very flexible, and they afford the Secretary of Agriculture the opportunity to set incremental levels per additional members of the family very much at his discretion. It seems to me there is nothing fixed or necessary about the formula which would lead to any conclusion about the maximum amount of income that would still entitle a family to purchase food stamps.

Mr. MONTGOMERY. Thank you.

The CHAIRMAN. Thank you, Mr. Montgomery.

Let us go off the record for a moment.

(Discussion off the record.)

The CHAIRMAN. Back on the record.

Mr. Foley?

Mr. FOLEY. Mr. Kurzman, I agree very largely with your testimony, and I want to compliment you on it. While the question raised by the gentleman from Mississippi comes with reference to many programs—rent supplements and others—is it not true that the incremental value of food stamps for large families, as they approach higher incomes, would be very small in many cases?

Mr. KURZMAN. I would assume so, yes.

Mr. FOLEY. I am sure you have seen graduated eligibility charts, which indicate that families may have a bonus eligibility of $5 a month or $7.50 a month. As this is graduated off it trails off, while we can say technically that these families are eligible, as a practical matter it is very doubtful that such a family would go to the trouble of being certified for food stamps for so small a portion of value. Is that not correct?

Mr. KURZMAN. That is correct, Congressman.

Mr. FOLEY. Thus it is not a matter of a family receiving great, huge bonuses of food, but merely its being on the outer edge of eligibility, where the value of the food bonus would be very small indeed?

Mr. KURZMAN. Yes, and I would add that the Secretary could state that the incremental amount would decrease as the family size increases, if he feels that that was a reasonable way of handling it, particularly as the gross income of the family increased.

Mr. FOLEY. Could the Secretary also make a judgment that the value of the stamps would be so small for a family like that that he could arbitrarily set a level of cutoff?

Mr. KURZMAN. Exactly. There are several different variables, all all of which could avoid any arbitrary abuses.

Mr. FOLEY. Thank you.

The CHAIRMAN. Mr. Myers?

Mr. MYERS. Mr. Chairman, I have a couple of questions for Mr. Kurzman.

I quite agree with much of your statement, too. However, I feel that, like many others who have appeared as witnesses, you have oversimplified solutions.

First, it seems to me that you and most of the witnesses have made an assumption that the food stamps have solved problems, that they have solved the nutrition and hunger problem of families, and if only we would grant more money and more stamps to the program we could reach more people.

Now, I have some serious reservations about just how much food stamps have accomplished in solving nutritional problems, and to me I think the problem of nutrition is greater than the hunger problem in our country.

I use a personal case here. My wife volunteers once a week as a teacher in a school here in Washington for handicapped children, and just yesterday a little boy who was almost completely blind came to her with 30 cents, and he said, "Mrs. Myers, I want to buy lunch. Help me buy lunch," but he said, "this amount of money also has to buy breakfast tomorrow morning for my brother and me."

My wife said, "Why doesn't your mother prepare breakfast?"

And he said, "She has to go to work before I go to school."

Now, I know nothing about the family. I am making an assumption and I should not do this, I realize, but it appears that there is money in the family and possibly even food stamps. Yet we all know that this little boy and his brother cannot receive adequate nutrition or even satisfy their hunger on 30 cents for two meals.

Has your Urban Coalition Action Council ever appraised families to see what kind of a job the stamp program is doing or if it is doing any job at all?

Mr. KURZMAN. I think, Congressman, what we are relying on here is a great deal of testimony which has been given in all the forums that we have listed, in all these reports, which indicates in sum that food stamps are an effective way of increasing the purchasing power of the many people who receive them. I realize that is a very limited statement, and I think we agree that food stamps alone do not solve the problem, nor would merely increasing the number of food stamps or even the availability of them.

That is really a principal purpose of our testimony today, to say that we would like this committee to address itself to the other things which are very critically necessary, along with food stamps, and along with commodity is distribution and school lunch programs, and child nutrition programs and free milk and all the rest. We are really talking about a package of social services for people who will not be able to achieve an adequate diet if you only add additional purchasing power.

Now, some portion of that population may well be able to achieve an adequate diet, if you simply increase their purchasing power.

Mr. MYERS. There will be some benefit of course, but is it measurable? Is it significant for the amount of money it is costing or may there not be better ways of solving the problem? That is my question.

Mr. KURZMAN. Like all those trying to solve these problems, we would be happy to hear of other alternatives. Right at the moment the ones we have listed seem to be the only ones around; that is, to supple-

ment their income by way of food stamps or welfare payments or other cash assistance, or to supplement their food directly by direct distribution, either through commodity distribution, school lunch or the milk programs. But what I think you are really talking about, Congressman, is what we are saying in regard to the need to involve agencies with which the Department of Agriculture does not necessarily or automatically deal. That is, there are now tremendous outreach capabilities. The example you mentioned might be one which an agency here in the District of Columbia funded by, let us say, OEO might be able to handle. They might be able to do something for that boy which the Department of Agriculture in mailing food stamps under the Senate-passed bill could not do alone. That is why we are urging that you consider that as part of what you do with food stamps.

Mr. MYERS. I certainly cannot take exception with your statement. However, that which motivates that mother or the family is not there, and I am not sure we can write any legislation that is going to motivate that mother short of some Federal agency coming down and sticking a spoon in that child's mouth, and I do not think any of us want that. You suggest nutrition education as one of your long-range objectives?

Mr. KURZMAN. Yes, indeed.

Mr. MYERS. And I completely agree with this. I think every member of this committee at various times has supported this attitude. When we talk about compulsory education as contingent upon or as a requirement to receive stamps or even work, I have noticed in the last week we talk about these requirements, especially education as being part of the problem, I have seen the people who testified previously about more money shake their heads "no."

And as long as those people think they do not need more education, we cannot legislate it, I do not believe.

This is one of the shocking things. Now, we all want to help people, but how in the world do you do it, if they do not know they need it? If all they want is more money in their pocket and more food stamps, and do not realize this—I am not critical of some people even though it may be their own fault, because the innocent children are involved here, but we have also heard about work requirements and some people are violently opposed to the word "work" as being a requirement to receive these if they are physically able to work.

However, it seems to me that what you are saying here to help the needy children, if we give stamps to able-bodied men who chose not to work for any reason whatsoever, if they are on strike or any other reason, or college students who are in college because they want to be, not because they must be, I think we are defeating the very purpose here in trying to help needy people. Would you agree with this or not, that we are just shotgunning it and pouring food stamps and money on these people?

Mr. KURZMAN. In the last instance let me say, Congressman, that the point about strikers and students is not a point which is raised particularly by the Senate bill in any respect. In other words, I think if that is a problem, it is a problem with the food stamp program generally and probably with the commodity distribution program as well.

Mr. MYERS. I think they have probably purposely evaded it.

Mr. KURZMAN. I would say from our point of view with good reason. That is, those programs should not be used as weapons in other battles.

Mr. MYERS. One way or the other, either side. Categorically do you think then anybody should receive them as long as they do not have income, even though they are able to work?

Mr. KURZMAN. I think hunger is the issue here, and this is not. Let me put it this way: I think it is not a function of a food stamp program or any of these food assistance programs to help solve the general problems of welfare or the general problems of labor-management relations or the general problems of student unrest.

What we are trying to do with these programs is to zero in on hungry people. I tend to agree with you—and that is the thrust of our statement—that we are not doing that at present. We are trying to devise a way to do that, but the reason we are not doing it is not that we are giving it to people who do not want to work or strikers or rioting students. I do not think that is the cause of the failure of these programs.

Mr. MYERS. One last remark.

I cannot speak for anybody else but I do not think strikers should receive it and I am not attempting to break strikes by denying these people, but I think if a person wants to go on strike, they should be economically able to defend their position and not the taxpayers of the United States. It is just as bad one way to break a strike as it is to break it the other way to the advantage of the other party. It seems to me if you deny it on the premise that this is breaking a strike, then it is exactly the same analogy here. It can be used to continue the strike and break the other party, so for this purpose I do not think this was the intent of the food stamp or any other social welfare program. It is to help people to help themselves, because they are not able to do it, and the person that is able to work, and if they chose to go to college instead of going to work, then they either should work in college—I certainly worked in college for my meals.

I think kids should go to school but I also think they ought to know how they got it, and if we make it too easy, I just think that we are destroying the very principle that you speak about here, about the businessman, labor and all working together.

I think these things are being abused, and I think we are shotgunning today, if I may use that term, instead of rifling, and I think if we continue this way we are destroying the intent of the programs.

Thank you.

The CHAIRMAN. Are there any other questions?

Following up a little on what you were saying, I do not intend to prolong this, but I would like to ask our witness a question.

You said as I recall that the issue here is hunger. Weren't those your words?

Mr. KURZMAN. Yes, indeed, sir.

The CHAIRMAN. And I think that is a rather fundamental issue. Mankind throughout time has been trying to deal with hunger. That is primarily the crux of the difference between the Communist system and the private capital system—which one will induce people to meet their requirements, and hunger is the basic problem that they have to meet.

Many of us believe that the Communist system does not meet it as well as our private enterprise system. Now, our system meets it only to the extent that there is inducement to work. That is all there is to the private enterprise and property system. If there is no advantage in working, no advantage in saving, no advantage in being a constructive member of society, then the private property system will not work.

I think it does work. I think it has worked throughout the years. I think that we have some pretty good authority for the statement that "He who will not work let him not eat." I think that has been pretty sound philosophy for the last 2,000 years at least.

I cannot see how any program that provides a man a reward without any work on his part is going to solve the hunger problem.

You can feed such a man, but basically society cannot feed him alone. If everybody gets in his category and is convinced that it is just as profitable to sit in the shade, and eat the manna that his neighbor brings to him, as it is to get out and work, then everybody is going to get in the shade. Now, aren't you ignoring the fundamentals of hunger? The fundamental way to get rid of hunger is for people to work, so that they themselves can provide for their livelihood.

I am not saying that three-fourths of our population will not work. I am not trying to say that any group of people will not work. I am simply saying that there are people in the United States and all over the world who will not work unless they get hungry, and there are unfortunately a whole lot of such people. Their number is bound to get greater if we reward them for indolence. That is not saying that we ought to deny any disabled person full aid, that is not saying that we ought to cut off aid for some mother, some child, some crippled person, some old person.

That is not saying that at all. But it is saying that there are people who are perfectly able-bodied and perfectly able to work, and if we give them assistance without requiring anything of them in return, their numbers will greatly increase. Do you disagree with me? Do you think we can just continue to make it as profitable to sit under the tree as it is to work, and expect to find as many people working as we have today?

Mr. KURZMAN. I am afraid, Mr. Chairman, that we disagree on very basic premises. I think there is very little evidence that any significant proportion of those who receive food stamps or any other kind of food assistance are choosing to do so as to elect not to work.

The CHAIRMAN. I think that when you make that statement you prove that you never lived in an area where there were a great many people who sit under the tree, and that you are entirely out of touch with a large segment of American life, and life everywhere.

It is not only true in America, it is true anywhere in the world. We all know that there are a number of such people. The percentage is not great. It has been pointed out the percentage is not great, but there are a great many such people.

Mr. KURZMAN. Mr. Chairman, may I add one comment on that? The statistics on income which the Internal Revenue Service and the Census Bureau provide indicate that, in addition to the approximately 2 million people who are unemployed, we have something like 6.5 million people who work full time, 40 hours a week, 52 weeks a year,

and still earn less than the national poverty standard of $3,300 for a family of four. I think that is a complete answer. We are not talking about people who do not choose to work. We are talking in many cases of people who actually do work full time.

The CHAIRMAN. I do not understand at all. Do you just mean that there are certain people who do not have the ability to earn a substantial amount, and therefore do not earn? What has that to do with the man who sits under the tree and refuses to work?

The fact is that there are people who are working, even though they are not getting as much as we would like to see them get, and even though in many cases they are incapable of making as much as someone else. Some of those people that you are talking about are disabled. I have known lots of people who had handicaps and worked, and worked hard, and my hat is off to them.

I respect them. I have known lots of people who had no education, and because of their lack of education could not earn much, but they worked hard. I think the private property system encourages it. I think that some of those people who you are talking about would not work under the Communists.

I just wonder if we are proposing to break down our system of incentives. You have to have some kind of system of incentives, don't you?

Mr. KURZMAN. Yes, indeed, Mr. Chairman. In fact, we would like to improve those incentives. We would like to make a lot of people who now do not have adequate diets educable and capable of learning the skills that are necessary for today's more and more sophisticated job world. We would like more of those people to be able to work, and that is why we think they should have food, particularly young people.

The CHAIRMAN. That is not the question I asked. I was talking about a system of incentives, something that will encourage people to work. People do not work for nothing. To go back even further than 2,000 years, go back somewhere in the dim past—the Book that most all of us accept, says, "By the sweat of thy brow shalt thou eat bread."

Now I think that is true. I think it was true when old Adam was kicked out, and I think it is still true. "By the sweat of thy brow," that means work as I understand it. That is the way I understand it. If you expect to get the good things of life, work for them.

Now, I have not any objection to helping the individual who needs help, and I do not want you to go away from here and say that Bob Poage said that he would not help some poor widow and her kids. He never said anything of the kind. But he has said that he was not going to help some deadbeat who is sitting down at the pool hall waiting for his wife and kids to go out and see what the neighbors brought in.

If you ask me to help that fellow have a better life down at the pool hall, why I am just not interested in helping him. I am interested in helping his family, but I am not interested in helping that bird who could work just as well as I can. Are you?

Mr. KURZMAN. You have given a very unappealing example.

The CHAIRMAN. I asked you a question.

Mr. KURZMAN. I do not think that is the issue here, Mr. Chairman.

The CHAIRMAN. I do not care whether it is the issue or not. How do you feel about it?

Mr. KURZMAN. Let me say this. I do not think that the average $6.75 a month that recipients of food stamps are now getting out of the

general treasury constitutes an overwhelming incentive to spend your life in a pool hall. I do not think that could conceivably be the construction in terms of the amount of money we are talking about, even if the program were expanded. That is not the issue here, it seems to me, Mr. Chairman. The issue is how to get the food to the people who need it, and I think there is a good deal of agreement on that point.

The CHAIRMAN. It is $7.72 right now and there is $340 million. We spent $220 million last year, didn't we, and you have suggested that we should pass a bill here that involves $2.5 billion annually within the next 2 years, so it is not $6.70 you are talking about. It is a great deal more than that.

Mr. KURZMAN. Mr. Chairman, may I interject——

The CHAIRMAN. Probably 30 times that much.

Mr. KURZMAN. That $2.5 billion spread over the number of people who ought to be included—people who fit your definition of those who are needy who are not now being served—will probably not come out to very much more than $6.73 a person. We are talking about tiny percentages, relatively small percentages of those you and I would agree ought to be served by this program who are not now being served by it. We are saying, "Let's spend the money to reach the others who deserve to be served."

The CHAIRMAN. The point I am making is I have not understood why you and others who have appeared before this committee, who have a legitimate and proper concern for the needy are also so concerned about maintaining a bunch of drones.

Are there any further questions?

(No response.)

The CHAIRMAN. If not, we are very much obliged to you, gentlemen. We appreciate the opportunity to discuss these things with you.

Mr. KURZMAN. Thank you, Mr. Chairman.

Mr. LAGOMARCINO. Thank you, Mr. Chairman.

(The following letters and statements were also submitted to the committee:)

STATEMENT OF HON. DANIEL E. BUTTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. BUTTON of New York. Mr. Chairman, as a cosponsor of one of the bills, now before the House Committee on Agriculture, concerning the continuation, on a permanent basis, and improvement of the Food Stamp Act of 1964, I present the following statement of support.

With the sixties, there came to America a new sense of social consciousness which revealed the great fallacies surrounding America's domestic scene. One of the most shocking revelations brought to light, to the embarrassment of a nation so abundant with wealth, was the extent that hunger exists in the lives of millions of its adults and children. So in this sense of embarrassment and guilt, the Food Stamp Act of 1964 (which is due to expire in December of 1970) was passed. According, however, to the findings submitted August 1969, to the U.S. Senate by its Select Committee on Nutrition and Human Needs, the food stamp program is not effectively meeting the needs of the poor. Furthermore, its inadequacies cannot be met by increased appropriations alone.

The aim of the food stamp program, to help low-income persons obtain adequate diets by increasing their food-purchasing power, is good it itself. However, the means employed to bring about the end are totally ineffective in eliminating poverty-related hunger and malnutrition. The standards for eligibility for the program have no recognizable relationship to need. Because of the basis used in some States for determining eligibility, hnudreds of families whose incomes are slightly above the poverty level, but still cannot afford to feed their families

properly, are denied eligibility to the program. As long as we allow these conditions to continue, I believe we are allowing hunger and malnutrition to flourish in America.

The improvement of the food stamp program would not only be in aid of the poor, but it would aid in the preservation of the future brainpower of the country. Evidence shows that hunger and malnutrition clearly contribute to the lack of intellectual growth and learning capacity, as well as physical capabilities, among low-income families. As Dr. Charles Lowe, Chairman of the Committee on Nutrition of the American, stated:

> "When malnutrition is coupled with the constellation of adverse environmental factors that are characteristic of life in poverty, it is clear that intellectual growth will be jeopardized * * *. There is no evidence that feeding people makes them smart, but it is indisputable that hunger makes them dull."

In fact, a study made between 1965 and 1967, by Drs. H. Peter Chase and Harold P. Martin, of the Department of Pediatrics, University of Colorado Medical Center, establishes a direct correlation between undernutrition in infancy and stunted physical and mental development in preschool years.

The lack of mental and physical growth is only one of the disadvantages hunger and malnutrition impose on our society; disease and high rates of morality soon appear. Hunger and malnutrition also burden the economy of the Nation. The Bureau of the Budget estimates that if poverty-related hunger were eliminated a threefold return on our taxpayers' investment would result. Work productivity and capacity would also increase if hunger were eliminated.

How can an improved food stamp program aid in the elimination of poverty-related hunger and malnutrition? First, by removing the strict and unrealistic eligibility requirements, a great number of the poor and near-poor will be able to get the stamps. Second, by reviewing the present schedule of food stamp purchase prices, as it is now we discriminate against the poorest families. The less a family monthly income is, the fewer food stamps he is allowed to purchase.

Since the poor and the welfare administrators, alike, feel the food stamp program should be our principal food assistance program—because it permits the participants to a freedom of choice in the selection of their food—I feel we should direct our attention toward betterment of this program. The Food Stamp Act, when passed in 1964, was a notable achievement, but we must bring it into the realm of reality, we cannot sit back and rest, as yet.

STATEMENT OF HON. SILVIO O. CONTE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS

Mr. Chairman, I appreciate this opportunity to testify today in support of comprenhensive food stamp legislation.

This committee is to be commended for its recent action in reporting out a resolution nearly doubling the authorization for food stamps for the current fiscal year. I am hopeful that the resolution can be brought up under suspension of the rules. I intend to support the resolution, and I am confident that the required two-thirds support of our colleagues will be forthcoming.

But, while the passage of this resolution will represent an important first step demonstrating this body's good faith and determination to work toward eradicating hunger and malnutrition, it remains only a first step.

It is essential that we proceed to prompt consideration and passage of comprehensive food stamp legislation. Mr. Chairman, I commend you for scheduling this latest series of hearings devoted exclusively to food stamp legislation. I am hopeful that they will provide the necessary expertise on which your committee can forge sound legislation.

For there can be no doubt that the problem of hunger and malnutrition is widespread. It is by no means a strictly regional problem. My own State of Massachusetts is certainly in need of a greater effort on both State and Federal levels. Only this week, a Massachusetts Welfare Department official stated there are "upward of 700,000 persons in the Commonwealth living on incomes that do not permit them an adequate diet."

As you know, the Senate has recently adopted, by a vote of 78 to 14, the most comprehensive food stamp legislation ever passed in either body. In his recent message to Congress, the President said this about the Senate effort and our responsibility in the House:

"The Senate has shown a willingness to join in this commitment and has acted with dispatch. I urge the House to move so as not to prolong any further the day when this ancient curse of malnutrition and hunger is eliminated in this most modern of nations."

As a Republican, I am, of course, proud that our President has made this commitment. But I am fully aware that the only chance for passage of sound food stamp legislation is predicated on a truly bipartisan effort.

I am pleased to have joined the distinguished lady from Washington, Mrs. May, in cosponsoring the administration bill. But I intend to examine—as I know this committee is examining—the features of the McGovern-Javits Senate-passed bill, as well as the so-called Foley-Green bill. Such an examination will enable us to select the best features of these bills in drafting final legislation.

There are, indeed, many complex issues to be examined. While I am, as yet, not wedded to any one of these proposals, I have given a good deal of consideration to the main features that, I believe, any sound bill should include. I want to discuss each of these matters, briefly, with you today.

Taking as our goal—one I believe we all share—that of providing a nutritionally adequate diet for all Americans, I believe any sound legislation should provide for: (1) Easier access to food stamps by those who need them; (2) uniform national eligibility standards; and (3) a sensible funding procedure.

EXPANDING ACCESS TO FOOD STAMPS

At present, the food stamp purchaser must pay up to 50 percent of his income to participate in the program. Each of the three major bills—Nixon-May, Javits-McGovern, and Foley-Green—recognize that this situation must be changed. All rightly provide, at differing levels of income, for free food stamps for those most in need.

While the Administration bill places a maximum price on stamps at 30 percent of income and would follow the economy food plan of $100 a month for a family of four, the other two bills, with slight variations set the maximum at 25 percent of income and would apply the low-cost food plan figure of $125 a month.

In line with my desire to promote a bipartisan bill, I think it would be useful for the committee to consider a compromise formula which might retain the administration 30-percent figure, but accept the Senate-passed standard of $125 a month.

The problem of providing easier access to food stamps is more than a matter of income eligibility. We must also consider where and how the stamps are distributed. I think the proposals to permit distribution through post offices deserve serious consideration, but would agree with other critics who suggest that the Senate bill's inclusion of grocery stores may present a dangerous incentive to fraud by discounting for cash.

The manner of distribution is no less important. I am pleased that all three bills would permit the deduction of stamp costs from welfare checks.

The frequency of distribution is also of vital importance to people trying to manage meager budgets that make it difficult to purchase monthly. I suggest that weekly coupon issuance should be permitted.

Raising income levels and providing for simpler distribution does nothing to extend coverage to every class of those in need. The present bill does not provide for many economically eligible persons over 65, who are not able, or lack the facilities, to cook their own meals.

I am pleased to have been one of the 70 cosponsors of the Biester bill, H.R. 14386, which is included in both the Senate and the Foley-Green bills. The provision should be included in the legislation reported out by this committee.

There is growing support for the position that any new program should foster the phasing out of commodity distribution programs for food stamps. I know that you, Mr. Chairman, have favored this, and I share your view. The essential feature of all three bills in this respect, that the two programs can be run simultaneously during a transition period, should be adopted.

Finally, the extension of food stamp programs requires major emphasis on an educational outreach program. I know this committee's concern for this vital matter, having read the testimony at your hearings last April on the Human Nutrition Act of 1969. While the Nixon-May approach, requiring all potentially eligible households to be informed of the program, represents improvement, I recommend that the more affirmative approach of the other two bills be adopted.

UNIFORM NATIONAL ELIGIBILITY STANDARDS

There can be no real doubt at this point of the compelling need for uniform national eligibility standards. The present variation in eligibility in each of the 43 States (and the District) which have food stamp programs is intolerable. As Secretary Hardin himself testified last July before this Committee, "Nutritional needs do not rise and fall with State welfare standards, and they do not recognize or respect State boundary lines."

Even the original Senate committee bill favored national minimum and maximum standards set by the Secretary of Agriculture. A House-passed bill should do no less.

Closely intertwined with the eligibility question is the matter of certification. As this is now left exclusively in the hands of the States, it should be no surprise that again there is great variance.

In most cases, however, certification is a lengthy and burdensome interview—investigation procedure, involving considerable cost.

While the President in his message last May called for "prompter and simpler certification," the administration bill is silent on the point. I believe that certification should be permitted solely by written affidavit. This is what the Internal Revenue Service has been doing for years.

As you know, certification by declaration is nothing new to the food stamp program. Many states have initiated the practice with good results. The State of Maine has found that its certification costs have been reduced to one-fourth, and the time involved has been reduced from an average of 45 days to 10 days.

We cannot, of course, ignore the problem of fraud, which will always tempt a few. While the present law makes it a crime to knowingly acquire stamps in an unauthorized way, the committee may wish to follow the Foley-Green approach and create an additional offense for knowingly making a false affidavit with enforcement made the responsibility of the Inspector General.

While the present act provides no mechanism for appealing denials of certification, both the Nixon-May and the Foley-Green bills would inaugurate a fair hearing procedure which should be adopted in some form.

SCOPE AND METHOD OF FUNDING

The common feature of all three bills with respect to funding is their recognition that a massive increase in spending will be required. I am pleased that you too, Mr. Chairman, appear to have recognized this in your bill which would authorize the appropriation of such funds as may be necessary.

While all of us must appreciate the restraints on spending which today's inflationary spiral demands, I know of no area of concern that deserves a higher priority than the need to put an end to hunger and malnutrition.

While I remain undecided as to what levels of funding are appropriate, I think the approach of the Foley-Green bill deserves serious consideration. Under this approach, the Commodity Credit Corporation would assume the same responsibility for financing food stamps it now assumes for stabilizing and protecting farm incomes. It has always seemed ironic to me, as I noted in my testimony before this committee last July, that this unique "backdoor-financing" procedure permits giant farm subsidies but is not available to feed hungry children.

The most important advantage of the CCC approach, of course, is that it would eliminate the need for pre-appropriation which now artificially curtails natural program expansion.

CONCLUSION

These points I have discussed, Mr. Chairman, by no means exhaust the areas of concern to this committee. But I am hopeful that they have raised most of the major questions you must consider.

In closing, I want to reiterate that it is imperative for this committee to act promptly on this vital legislation. Secretary Hardin himself made this clear in his testimony of July 15, when he pointed out that, while the farm program does not expire until after the 1970 crop, "it is essential, indeed it is crucial, that the Congress enact legislation which will permit us to improve the food and nutritional needs of this Nation's poor today." The cost of further delay to a hungry child or a malnourished pregnant woman is simply unacceptable.

I understand, Mr. Chairman, that you and others feel it is necessary to hold on to food stamp legislation, in order to secure passage of a farm bill.

My own view is that a sound new farm program can be passed without holding this food stamp legislation hostage.

And, furthermore, there is a real danger that the strategy could backfire, and produce nothing better than a poor version of each bill.

I earnestly entreat you, Mr. Chairman, and the members of this committee to enable this body to match the commitment that the other body and our President have made.

You now have an ample record on which to hammer out a sound bill. Your colleagues, and the nation at large, call upon you to act promptly and decisively.

Thank you.

STATEMENT OF HON. LAWRENCE COUGHLIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. Chairman, I testify in favor of H.R. 14387 which would amend the Food Stamp Act of 1964 to authorize persons age 65 or over to exchange food stamps under certain circumstances for meals prepared and served by private nonprofit organizations.

I sponsored this measure, because I believe it is a just and reasonable extension of the Food Stamp Act. I do not feel the intent of this act was to penalize senior citizens who do not have cooking facilities or who are so incapacitated that they cannot shop and prepare food.

The economic pressures upon our elderly are so great that it would be an injustice to permit the present wording of the act to prevent those who need food from obtaining it, because of physical handicaps, illness or lack of cooking facilities.

This amendment would authorize senior citizens to exchange food stamps—under specified circumstances—for meals prepared and served by nonprofit organizations. The Secretary of Agriculture, in accordance with carefully prescribed regulations under this administration, would be empowered to designate church and other nonprofit organizations of a charitable nature to accept food stamps in exchange for prepared meals.

In the case of our elderly, I do not expect an abuse of this right to obtain meals from nonprofit organizations. To the contrary, I hope that the regulations would be so administered that those who need to take advantage of this service would be encouraged to do so and not to be frustrated and discouraged.

In addition to the all-important humanitarian considerations, I feel this change in the act would help enrich the lives of many elderly by allowing them to congregate with others in community dining halls. The life to the spirit is almost as crucial as food for the stomach.

This assistance would be helpful especially to senior citizens who are physically handicapped or chronically ill, and who otherwise could not afford meals. They could obtain home-delivered meals from religious and other nonprofit groups if permitted to use stamps for this purpose.

In advocating this amendment, I recognize the stopgap nature of the proposed change.

Abundant testimony before this distingushed committee has shown that food stamps are not reaching those who need them the most. Whether it is one of four eligible families enrolled in the plan in a specific county or only one of eight eligible families enrolled in another county, the story throughout the country is all too familiar. The people who need food stamp aid are not receiving it.

That we have failed in helping meet the needs of the poor is disappointing but not surprising. Our entire approach to welfare—or assistance, if you will—has been based on erroneous assumptions and self-defeating regulations.

The President has suggested a new approach to welfare. In this program, I find the first glimmerings of hope that we may provide the needy the help they require while affording the incentive to lift themselves from the mire of poverty.

The family assistance part of the President's program is vital. While it may develop its own failings, it certainly offers more hope than our present system.

But, for our older citizens, the promise of tomorrow cannot wait for the reality of today.

I feel the amendment to the Food Stamp Act, while a short range proposition, is a must if we are to try to meet our obligations to our senior citizens. I urge adoption of H.R. 14387 and thank the chairman and the committee for the opportunity to present this testimony.

STATEMENT OF HON. SAMUEL N. FRIEDEL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MARYLAND

Mr. Chairman and other distinguished members of this important committee, as one of the cosponsors of H.R. 14388, I urge that this very much needed measure, and other identical bills be favorably considered by this committee.

Congress enacted the Food Stamp Act of 1964, in order to promote the general welfare so that the Nation's abundance of food could be utilized to the maximum extent practicable in order to safeguard the health and well-being of the Nation's population and raise levels of nutrition among low-income households. Congress passed this law because we realized that more than 5 million Americans live in family groups whose yearly income is less than the total amount they must have for food alone—less than the equivalent of $1,200 a year for a family of four. The Department of Agriculture states this is the minimum cost of an "emergency economy" diet. Some 1.3 million of our fellow Americans have no cash income at all. The Office of Economic Opportunity estimates that 561,000 are unrelated individuals.

The food stamp program has been expanded in scope from time to time in order to make it more effective. The act itself has been amended, but more has to be done. Under the present law, persons who otherwise meet age, residency, and income requirements, are not eligible for food stamps if they do not have any facilities to cook. Also, many unfortunate men and women are incapacitated physically or are infirm, weak and sick, and therefore; they cannot possibly go to a store or food market and buy groceries and provisions; nor are they able to cook for themselves. It necessarily follows that if they have no one to do these things for them, then such handicapped or ill persons are, in effect, denied, the use of food stamps.

To remedy that situation, H.R. 14388, H.R. 14387, H.R. 14389, and H.R. 14390, were introduced to extend the benefits of the food stamp program to the elderly who are now denied eligibility for the reason they are physically unable to cook or otherwise obtain food and prepare it. This proposed legislation would authorize nonprofit, charitable organizations to accept food stamps in exchange for cooked meals prepared either for home delivery or for use in a common dining room for the benefit of elderly persons.

I invite the attention of this committee to the fact that the food stamp program itself is not something new. A food stamp plan was operated by the Department of Agriculture between 1939 and 1943 under the authority of section 32 of Public Law 320 of the 74th Congress. In September 1959, a food stamp program was explicitly authorized by Public Law 86–341, for the period ending January 31, 1962. Since then, as was pointed out, this humanitarian program was expanded to aid and assist that segment of the population most in want. Currently the program is in operation in 1,489 areas throughout the country. On October 21, 1969, just a few days ago, Assistant Secretary of Agriculture Richard E. Lyng, designated 57 additional areas in seven States to begin a food stamp program, which will embrace 52 counties and five independent cities.

I am firmingly convinced that the food stamp program is the most effective approach to improving the diets of poor families. However, the program needs to reach even more needy people with poverty-induced hunger. In these times of rich economic achievement, the basic goal of having enough to eat still remains, for too many of our fellow Americans, a promise rather than a reality. The bills now pending before this committee would do much to show compassion for our less fortunate citizens.

I, therefore, strongly urge and recommend favorable action for this legislation.

STATEMENT OF HON. SEYMOUR HALPERN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. Chairman, members of the committee, I am grateful to be given this opportunity to testify before you on H.R. 12222, a bill to amend the Food Stamp Act of 1964, as amended, a bill which I am proud to join the gracious Congresswoman from Washington—and many other esteemed colleagues—in cosponsoring.

The need for change in the structure and goals of the food stamp program has been well established during the last year and a half. Observers charged that the program failed to reach everyone in need, and, when it did reach them, the aid it provided was not always an adequate protection against malnutrition. Unhappily, these charges were borne out by the facts. The present administra-

tion, as soon as it took office, clearly recognized the urgency of the situation: as a result in February, the Department of Agriculture instituted the distribution of free food stamps in some of the poorest counties of South Carolina. In April the President issued a message on hunger and malnutrition which included far-reaching proposals for revision of the food stamp program. (These proposals are incorporated into H.R. 12222, and I will soon be discussing them in detail.) Then, in June, the President appointed Dr. Jean Mayer of Harvard University as special consultant to organize the White House Conference on Food, Nutrition, and Health.

All of these actions demonstrate the administration's concern about the undeniable and intolerable presence of malnutrition in the United States. They reveal, too, the administration's determination to solve this problem. We in the Congress are thus entrusted by the President and the people of this Nation with a great task: to aid in the complete elimination of poverty-related hunger and malnutrition in America by reworking the food stamp program.

I believe that H.R. 12222 represents the best way of revising the food stamp program to make it more suited to the needs of more low-income people. It is, first of all, a responsible bill, and one that has been carefully thought through. It incorporates not only the President's proposals, as I indicated, but also the provisions of a food stamp bill earlier introduced by Mrs. May. As a result, the provisions of H.R. 12222 have been designed with care to solve specific problems. We can be quite certain of the effects, both direct and indirect, this bill will have on the food stamp program and the problems of poverty-related malnutrition. It is a sober, judicious, and well-considered bill. It is also a bill that is bound to be highly effective.

I think these points will become evident as we examine the provisions of the bill in greater detail. It begins by revising the Food Stamp Act's statement of purpose from that of merely "raising levels of nutrition" to that of enabling poor households "to purchase a nutritionally adequate diet." It also states the congressional finding that lack of purchasing power among low-income people contributes to hunger and malnutrition. In amending the Food Stamp Act in this particular way, H.R. 12222 makes a definite promise and sets a specific goal. If we look a little further along, we can see how it proposes to achieve that goal and to make good on that promise.

H.R. 12222 next recognizes that the concurrent operation of the food stamp and commodity distribution programs in the same location can be of great benefit under certain circumstances. Those circumstances are: during emergencies caused by natural disasters (at the request of the State agency operating food programs) during the transition period from the operation of the commodity distribution program to the food stamp program, and—again at the request of the State agency—for longer than the transition period if the State pays the full cost of handling and issuing the commodities within the State. I believe that these provisions strike an ideal balance between Federal and local responsibilities, and also between flexibility to meet the needs of the malnourished poor and the restrictions necessary to insure effective administration of the program. This admirable balance is reflected in other sections of the bill. For example, the Departments of Agriculture and Health, Education, and Welfare are required to set national income standards for eligibility in the food stamp program so that the present situation of conflicting and often inadequate standards that vary from one State to the next can be eliminated. H.R. 12222 also provides that the total coupon allotment issued to each participating household is equal to the cost of a nutritionally adequate diet, as determined by the Agriculture Department. Under no condition would households be charged more than 30 percent of their income for their coupon allotment, and families with little or no income—under the Federal eligibility standards—will receive free food coupons. This last provision, of course, is central to any attempt to rid the Nation of poverty-related hunger and malnutrition. The well-received and well-executed example of free food stamps being distributed by the Department of Agriculture in certain areas of South Carolina, provides us with assurance that this section would be workable, popular, and effective. That it is also necessary has by now been established without doubt.

Certain new requirements are added to the Food Stamp Act by H.R. 12222 and I would be remiss if I didn't mention them. First, households receiving public assistance would be allowed to authorize the withholding of coupon purchase charges from their welfare checks. The State agency could then automatically mail the monthly coupon allotment to the public assistance households, thus eliminating any unnecessary inconvenience for the households. Also, the States

would be required by H.R. 12222 to assume a positive responsibility to inform low-income people about the food stamp program and to encourage them to participate. Local Office of Economic Opportunity agencies, for example, could be used for these outreach activities. The bill also requires each State to provide for the operation of either the food stamp or commodity distribution programs in each of its political subdivisions by the end of fiscal year 1970, or fiscal 1971, under certain circumstances. Appropriations up to $315 million are authorized for fiscal 1969 and up to $610 million for 1970.

This Nation has recently been awakened to the fact that hunger and malnutrition persist in America, the proverbial land of plenty. The Nation's citizens and its leader have responded to the situation with the willingness to change it. We in the Congress have thus been shown a need for change and been given a clear mandate to make that change. Let us respond to this challenge with generosity but with responsibility as well. Let us amend the food stamp program to provide all needy households with the ability to purchase nutritionally adequate diets, but let us make certain this action is taken through the States. Let us see that the food stamp program is able to be flexible in its responses to people's needs but let us also put it on a firm legislative basis. These goals can often be difficult to reconcile in one piece of legislation, but I believe that H.R. 12222 does so. It is for these reasons that I respectfully urge the committee's consideration of a bill I am proud to cosponsor.

STATEMENT OF HON. MARGARET M. HECKLER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS

Mr. Chairman and Mr. Belcher, members of the committee:

I welcome this opportunity to express to the committee my interest in H.R. 14388, which I am cosponsoring, and the similar bills which would amend the Food Stamp Act of 1964 so that elderly persons under certain circumstances can exchange food stamps for meals prepared and served by nonprofit organizations.

In addition, I want to commend the distinguished chairman for his efforts to insure the continuation of the food stamp program, which would otherwise expire on December 31, 1970. It is an indisputable fact that there is a serious hunger problem in our Nation, apart from the special problem of elderly persons who for reasons of illness or physical disability are unable to shop for or prepare meals, and it is essential that the food stamp program be continued in the light of the rather large contribution it has made to the overall effort to help those who cannot help themselves.

In broad outline, the hunger problem of the elderly is indeed a special problem because another element is introduced—which is the aging process, the slowing down of the body and mind, with the increased risk that excessive activity can be injurious or fatal.

It additionally provides to elderly citizens, who are eligible to take advantage of such facilities, the right to exchange food stamps for food at commissaries operated by the Department of Defense at various military installations.

The plight of this segment of the elderly population was similarly recognized in the Senate when it enacted a Food Stamp bill which contains the identical provisions I have described.

Since existing law is inequitable in only partially addressing itself to the hunger problem of the elderly, I urge the committee in its wisdom to accomplish what has been left undone.

As just one example, the risk of heart attack is intensified in the later years. Thus, it is meaningless to concern ourselves with the fact that some elderly persons are healthier than others—healthy enough that they are not confined in bed or institutions but able to go out, buy food and prepare it. We should hardly subject them to unnecessary risks if there is an alternative open to them which means that they need not endanger their lives.

Present law is hardly comprehensible in stating that elderly persons, who are otherwise qualified by age, residency and income, cannot get food stamps if they do not have cooking facilities at home. Obviously, this begs the question: How do we help the kitchenless man, who are also physically handicapped or bedridden and who do not have friends or relatives to shop and cook for them?

Religious or nonprofit organizations have created programs to bring meals to these afflicted persons or to transport them to dining places. Thus, our society has found a partial answer.

But again this begs the question: Many cannot afford the cost of such services. Why deny them food stamps to buy such services?

I do not believe the point of this legislation needs to be belabored. This legislation allows the Secretary of Agriculture, under prescribed regulations, to designate specific charitable organizations to accept food stamps for prepared meals.

STATEMENT OF HON. GEORGE MCGOVERN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF SOUTH DAKOTA

Mr. Chairman, I appreciate this opportunity to appear before your committee. I hope that I can convey to you what I deeply believe to be the most urgent need for legislative action by the Congress this year. I speak not only as chairman of the Senate Select Committee on Nutrition and Human Needs, but as a member of Congress from a farm state, as a former member of this Committee and a member, for nearly 7 years, of the Senate Committee on Agriculture.

While that may be a short period in the annals of congressional seniority, I think it has brought to me a perspective as chairman of a committee investigating hunger in America which I might not have otherwise had. I hope as a result, my testimony will be helpful to your deliberations on both farm and food program legislation.

For I believe that the economic outlook for agriculture, particularly the plight of the family farmer, is no less important to the future of our country than the need to assure that 15 million poor Americans who seriously risk suffering from hunger and malnutrition have enough to eat. The future of our farm families and the fact that hunger exists in this country are not unrelated, for the outlook for one may soon add to the reality of the other if the needs of all Americans who are economically deprived are not met.

But that is not to say that the existence of hunger and malnutrition is otherwise related to our agriculture programs or policies. Hunger does not exist in this country because we try to insure that the farmer receives a decent price for his produce. The American farmer has enough problems without being made the scapegoat for hunger. By the same token, however, the hungry children of this country should not have to await passage of farm legislation before they receive enough to eat.

The fact is that hunger exists because 5.1 million Americans, or 20 percent of the poor, live in families whose yearly income is less than the amount of money the family needs for food alone. These 5.1 million poor Americans cannot even begin to meet the basic necessities of life.

The fact is that another 9.3 million poor live in families with incomes less than the equivalent of $2,400 for a family of four. To feed themselves adequately they would have to spend more than half that income for food alone.

These 14.4 million hard-core poor Americans risk hunger and malnutrition daily simply because they are poor.

Another 10.6 million Americans with incomes between $2,400 and $3,600 per year also lack the resources to purchase an adequate diet.

The food stamp and commodity distribution programs combined serve only a fifth of our 25 million poor. These programs have never succeeded in reaching a significant portion of those in need of help. They have not succeeded for two reasons. First, because we have never provided sufficient funds to enable the food stamp program to reach those in need; and, second, because the food stamp and commodity distribution programs are so in need of legislative and administrative reform that Federal, State and local administrators could not effectively dispense their benefits if the programs were funded at a level to assure the elimination of hunger and malnutrition.

It is time, Mr. Chairman and members of the committee, that we face up to the basic question involved in the passage of food stamp legislation: the question of the purpose of this program. If we want a food supplement program which helps a little, but which makes no pretense of being able to end poverty related malnutrition, then there is really no point in amending the existing legislation at all. We now have a modest, nonnational program which goes into half of our counties, reaches about one-fifth of the poor in those counties, and provides them with less than they need in food stamp benefits.

But that is not satisfactory when children go to school without breakfast, cannot afford lunch at school and get a few hundred starchy calories for supper.

The Senate responded a few weeks ago to the rapidly growing sentiment in this country, which demands that poverty related hunger be stopped now. I hope the House of Representatives will do no less.

If we seriously expect to make the food stamp program into an effective vehicle for the elimination of poverty-related hunger in America, we must write a program which meets at least three basic commonsense criteria. We must write a program which provides the poor family with enough food stamps to insure that it is really able to purchase a nutritious diet; which provides these stamps at a price which the family can afford; and which offers these stamps through an administrative system which insures that all who qualify for stamps actually receive them.

I believe that on each of these three key points S. 2547 offers the kind of reform which we must have if we are to make this the year when we finally begin to move effectively against hunger.

On the first point, the provision of enough stamps to a poor family to insure that it is able to purchase an adequate diet, there has been some debate on the actual cost of such a diet. The administration has sought to provide a family of four with a monthly stamp allotment of only $100. Yet according to the Department of Agriculture, and I quote, "less than 10 percent of the families spending $100 per month on food, as recommended by the economy diet plan, are actually able to achieve a nutritious diet." Thus, the Department continues, "the public assistance agency that is interested in the nutritional well being of its clientele will recommend a money allowance for food considerably higher than the $100 cost level of the economy plan."

To speak of ending hunger with a program which the Agriculture Department itself admits provides only enough stamps to adequately feed one of every 10 poor families is simple fraud.

The Senate bill provides a more adequate, though still modest, stamp allotment—one equal in value to the $125 per month low-cost diet which USDA recommends for those "interested in the nutritional well being" of the poor. I believe that the Congress is interested in the nutritional well being of the poor and will adopt the adequate "low-cost" stamp allotment.

The second major provision required of a realistic food stamp program is that it offer stamps at a price which the poor can fairly be expected to pay. What is this price?

Some 1.3 million Americans have no cash income at all. OEO estimates that 561,000 are unrelated individuals: 770,000 live in families of varying size.

To require that families with no income pay for their stamps will simply write out of the program 1.3 million poor who have no cash income, on the false assumption that the poor need some incentive to save their money for food and learn to budget their food dollar.

As I have stated, more than 5 million poor people have incomes lower than the amount they must have for food alone—less than the equivalent of $125 a month for a family of four. Food is the first necessity of life which they need desperately. Food is what they buy with the money they have left over—if they have any left—after they pay to keep from being evicted by the landlord, to keep their lights from being shut off, and to keep from freezing in winter. It is cruel to ask such a family to choose between food and medicine and other necessities and call that choice an education in effective budgeting.

We have given free food to poor families for decades under the commodity donation program. Yet we don't call that program welfare. Instead, we use the rationalization that we need to dispose of the surplus our farmers produce. We provide free education for American families whether they are poor or rich. We provide income supplements in the form of public assistance, based, theoretically, on a family's minimum basic living expenses, including food, and we do not ask the poor to pay into those programs on a "let's not give something for nothing" rationalization. The food stamp program is the only Federal poverty program that requires the poor to pay an admission fee—a token fee except for those who cannot pay a fee, designed to put us safely on record against "the dole."

We should have the compassion and decency to waive that admission fee for those whose incomes and standards of living are so low that they are in a state of hopeless poverty. A family whose income forces it into a perpetual state of hunger and malnutrition should receive its food stamps free.

One of the most important provisions of S. 2547 will provide free stamps to such families—families whose entire monthly income is less than $60.

Another important provision of the Senate passed measure stipulates that no poor family be asked to pay over 25 percent of its total income for stamps. Since

the average American family spends only 17 percent of its income for food, I can see no reason for asking the poor to spend over 25 percent of their tiny incomes for their food.

The third critical requirement of a decent stamp program is that it provide administration and regulations which help the needy family to participate, rather than hindering or even prohibiting its participation.

The present food stamp program is part and parcel of the welfare system which President Nixon branded a "colossal failure." In order to reform that system and provide what he called "elementary justice," the President proposed that applicants for assistance should be certified by simple personal self-declaration and that any family earning less than about $4,000 per year should be eligible. Both of these very important reforms, reforms which would replace costly, humiliating eligibility investigations with simple, effective spot checks, and would substitute an adequate national eligibility standard for the present inequity of wildly varying state-by-state standards, are made by S. 2547.

Also written into S. 2547 is a workable guarantee that every county in the Nation will have a food stamp program by 1971. Since it is widely agreed that the food stamp program is our best food program, and since it is obviously unfair to offer the poor either no program at all, or an inadequate substitute for the food stamp program, the Senate bill provides appropriate authority for the Secretary to operate stamp programs as a last resort to insure that we will finally have a real national program by 1971.

Each of these administrative and regulatory reforms—national eligibility standards, self-certification, and national proggram coverage—have been accepted as vital to a workable welfare system. They are equally vital to that stepchild of the welfare system, the food stamp program. Without these reforms it will make little difference whether our food stamp program offers the poor family a chance to east properly, for few families will be able to cut through the existing administrative mess to take advantage of that chance.

The final, and in the last analysis decisive, prerequisite to any real effort to end hunger is the provision of enough money to do the job. The only honest statement which can be made about the annual cost of an adequate food stamp program is that this cost cannot be accurately estimated. By juggling "guesstimates" of future participation and unemployment rates, one can obtain whatever cost estimate suits his purpose. I will not engage in such guessing games with respect to S. 2547. How much the entire program might cost depends entirely on factors which neither I, USDA, nor anyone else can predict.

The only way to absolutely guarantee an adequate food stamp program is to provide the sort of financial flexibility which we already guarantee to our farmers through the back-door funding scheme operated by the Commodity Credit Corporation, and to our school children through the open-ended authorization. S. 2547 does not contain this sort of financing, but the bills introduced by two distinguished members of your committee to provide flexible financing mechanisms. While I fully agree with the cosponsors of S. 2547 that the authorization levels which it contains, $1.25, $2, and $2.5 billion over the next three fiscal years, represent the most far reaching commitment of resources to the battle against hunger ever considered by the Congress, I think that this section is one in which the House could take the lead with a more flexible provision.

In addition to the changes which I have mentioned, S. 2547 makes a number of other improvements. All are important. All meet needs exposed in long days of hearings before your committee, before the Senate Agriculture Committee, and before the Select Committee on Nutrition. All would amend the food stamp program so as to insure that it becomes at last what we have long promised it to be—a strong first line of defense against the hunger which afflicts our poor.

There are some issues that cannot be compromised. Ending the hunger of America's poorest families is one such issue. The Congress has the opportunity now to enact the first program which can offer real hope to the very poorest families in America—families which for years have watched helplessly while their children followed the same dismal cycle that has ruined their own lives. This cycle leads from infant malnutrition through adult dependency to total despair. It must be broken. In the words of Dr. Charles Lowe, "the most readily accessible step is also the most critical. Were we to insure that the infants, children and pregnant mothers of this country receive adequate nutrition, we could interrupt the cycle and remodel the future."

"Interrupt the cycle and remodel the future." It sounds too simple to resolve the seemingly insoluble problems we face. Yet, as is often the case with what

seems insoluble, it may be the simple but basic approach, rather than the complex remedy, that provides the ultimate solution.

I hope that the House will join with the Senate in taking this simple, basic approach to ending poverty by moving quickly to adopt the kind of strong, expanded food stamp program which will finally win the long battle against hunger in America.

STATEMENT OF HON. WILLIAM S. MOORHEAD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. Chairman, recently I was proud to join with 78 other Members of the House of Representatives in sponsoring bills H.R. 14387 through H.R. 14390, legislation to amend the Food Stamp Act of 1964, as amended, to provide for certain elderly persons to share fully in the benefits of the food stamp program. This measure would allow needy senior citizens to exchange food stamps for meals prepared by nonprofit organizations either for home delivery or for consumption in community dining halls.

Presently, people who do not have cooking facilities in their households are not entitled to receive food stamps, no matter how great their need. And their need—especially when they are elderly—may be very great, indeed. From 30 to 40 percent of Americans over 65 are classified as poor or near poor. It is in this age group that hunger and malnutrition are problems of exceptional severity, and here too, where being bed ridden or chronically ill and unable to shop for and prepare food is commonplace. I believe that we must not ignore the plight of such persons. We must not allow them to continue to be barred from participation in the food stamp program—which in effect is what the present law does—but rather must make sure that a nutritious diet is available to them through the food stamp program.

H.R. 14388 and its companion bills would authorize needy elderly people to exchange food stamps for meals prepared and served by private nonprofit institutions. Included in these are boarding houses or schools that provide meals to aged people who are not living in such institutions and private nonprofit organizations that prepare and deliver meals to aged persons in their homes. Under rules and regulations prescribed and administered by the Secretary of Agriculture, such institutions and organizations would be specifically designated by him to accept food stamps from the elderly participants in exchange for meals. The eligible institutions and organizations would thus be able to purchase food with the aid of the stamps and would then serve it to the participants, but the stamps themselves would be issued directly and only to the individual participants.

This amendment would have many welcome results. For example, it would utilize the cooperation of charities and similar nonprofit organizations and institutions, thereby giving those worthy endeavors some indirect encouragement. At the same time, it would in no way dilute or alter the basic intent of the food stamp program, which is to provide needy individuals with the means to obtain adequate diets. Finally and centrally, it would enable thousands of needy citizens who are isolated by age and illness to partake in their fair and necessary share of America's abundance.

STATEMENT OF HON. ARNOLD OLSEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MONTANA

Mr. Chairman, I appreciate the opportunity to submit at this time a statement in favor of H.R. 14389 which would permit the elderly, in certain cases, to exchange food stamps for prepared meals served by private nonprofit organizations.

I believe that the plight of the poor and hungry in this Nation is compounded in the case of our senior citizens by the present restrictions on the food stamp program. Under the present law, persons who otherwise meet age, residency, and income requirements are not eligible for the program if they do not have cooking facilities in their households.

It is said to observe that many of our elderly poor are often forced, because of a less than adequate income, to live alone in single hotel rooms or boarding houses which are without cooking facilities. It is tragic that such circumstances should, in effect, deny their eligibility for relief through the food stamp program.

Besides the economic value of this bill to the elderly, there is also a social advantage. I believe that many elderly people who are physically fit but who do not have kitchen facilities in their domicile, would find their lives more reward-

ing if the use of food stamps were to make it possible for them to join others in community dining halls. Although there are some cities which have instituted senior citizen centers, the cost of administering such centers has become exorbitant. The food stamp program could supplement these volunteer efforts.

The bill would also allow food stamps to be used as payment for home-delivered meals to the elderly, physically handicapped, and chronically ill persons who cannot shop or prepare food themselves and have no one to do these things for them. Although these individuals qualify in every other respect for food stamps, they are, in effect, being denied eligibility because of their infirmity. This situation must be reversed.

The proposed legislation would authorize the Secretary of Agriculture, under regulations carefully proscribed and administered by him, to designate specific church and other nonprofit groups of a bona fide charitable nature to accept food stamps in exchange for prepared meals.

I feel that the needs of the elderly, who must often struggle to survive on small retirement income, have been too often overlooked in the past. Our senior citizens have unique problems which should be taken into consideration when proposing welfare legislation. We must not allow their very distress to become the reason for their disqualification under the food stamp program.

Thank you.

STATEMENT OF HON. CLAUDE PEPPER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. Chairman and members of the committee, I am honored to have this opportunity to present to you my views on the Food Stamp Act amendment which is contained in H.R. 14387, and three companion bills, and which has been sponsored by a total of 79 Members of the House of Representatives.

This measure would allow low-income elderly people to exchange food stamps for cooked meals prepared by certain designated nonprofit institutions. Many of our senior citizens are effectively prevented from taking part in the food stamp program as it is presently constituted because of a lack of cooking facilities in their households. And yet it is among precisely this group that food stamps are desperately needed. Rates of malnutrition, poverty, and illnesses which confine their victims permanently to bed are extremely high among Americans aged 65 and over. However, elderly people who suffer from all three of these conditions are ineligible for food stamps if they do not have a kitchen in their residence. We are thus faced with a situation in which those with perhaps the greatest need for food assistance are unable to obtain any at all. The legislation proposed by H.R. 14387 and its companion measures would remedy this intolerable situation.

This bill would authorize the Secretary of Agriculture, under rules and regulations prescribed and administered by him, to designate certain private nonprofit institutions to accept food stamps from elderly program participants in exchange for prepared meals. The institutions could be schools or boarding houses that prepare and serve meals in community dining halls to elderly people who do not live in institutions, or they could be private nonprofit organizations that prepare and deliver meals to elderly people in their homes. The low-income senior citizens eligible for food stamps under this proposal would be those without cooking facilities in their living quarters and those who are bedridden or physically handicapped to the extent that they are unable to prepare meals for themselves. The first mentioned participants would receive their meals in the community dining halls while the second, of course, would receive theirs through home delivery. The food stamps would be issued directly to the individual participants and not to the institutions, thereby preserving the original intent and modus operandi of the food stamp program.

This amendment was made part of the food stamp bill recently passed by the Senate; I urge its inclusion in any legislation this committee sees fit to report. I believe it to be our duty to come to the aid of the elderly poor who are unable to provide themselves with nutritious meals, and I am convinced that this amendment presents the most desirable way to achieve that goal. It requires no substantive changes in the way the food stamp program is administered; it indirectly encourages charities and similar organizations to provide certain aged people with a necessary service; and it allows an exceptionally needy segment of American citizenry to obtain an adequate diet. Our low-income senior citizens deserve no less.

Thank you.

STATEMENT OF HON. DONALD W. RIEGLE, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. Chairman, I wish to testify in support of my bill, H.R. 14389—a bill that would amend the Food Stamp Act of 1954 to permit elderly persons to exchange food stamps, under certain explicit circumstances, for meals prepared and served by nonprofit organizations.

Under present law, we are providing food stamps to thousands of poor people thus enabling them to increase their food consumption, improve their nutrition, and use their limited earnings for other necessities like clothing, shelter, and household needs. By doing so, we are attempting to help end poverty in America. But there is still a clearly defined group of people in the United States who are becoming more poverty stricken—a group whose needs cannot, and should not, be ignored. These are our senior citizens living on fixed incomes who, very often, are unable to generate additional income to meet rising living costs.

Quite often these people who have worked hard all their lives, sacrificed for the needs and future happiness of their children, and saved in anticipation of their old age and retirement days. Yet, through no fault of their own, inflation, illness, or other unforeseen events have, in many cases, wiped out their limited savings and they are left to live on limited pensions and social security which are not adequate to provide for their daily needs and rising medical costs.

Our present food stamp program can assist those who are able to get out of the house, go to the market, and come home to cook their own meals. But what of those individuals who are physically handicapped or have a chronic illness which makes it impossible to shop or prepare food? What happens to those who do not have adequate cooking facilities in their homes? Must they be forced to depend upon their children with households of their own to manage, or upon busy neighbors, to find someone willing to volunteer to shop and cook for them?

It is truly ironic that at a time of unprecedented economic prosperity and achievement, the basic goal of "enough to eat" for all our citizens continues to be a promise rather than a living reality. Certainly, with all the resources available to us we can find a way to help eldery people in these circumstance.

I submit that my bill, H.R. 14389, would meet the needs of this group of people. Briefly, it would authorize the Secretary of Agriculture, under regulations carefully outlined and administered by him, to designate specific church and other nonprofit organizations of a bona fide charitable nature, to accept food stamps in exchange for prepared meals.

This proposal would assist two clearly defined groups of senior citizens. The first are those physically handicapped or chronically ill who could not get out of the house to buy adequate amounts of food. Home-delivered, food stamp paid-for meals would go a long way toward alleviating their problem. The second group is made up of those who are physically fit and meet all age, residency and income requirements but who are not eligible for food stamps because they do not have cooking facilities in their homes. I think they might find their lives more rewarding if the use of food stamps would enable them to join others in community dining halls. Of course, like the first group mentioned above, they would also be greatly assisted by having prepared meals delivered to their homes if they are bedridden or confined to their homes.

The challenges of finding creative ways to help our senior Americans enrich their lives and improve their economic situation are great. In my own district in Michigan, the Mott Foundation does have a "Mobile Meals" program where three meals a day are delivered to anyone who is incapacitated. The going rate for three hot meals is $2 a day. The Mott Foundation discounts this price to $1.25 for anyone on Government assistance. However, the cost is not reduced for senior citizens whose income, very often, is just as limited as the income of those on public assistance. Certainly, this bill would have an immediate beneficial effect in my own area where this type of program is already working. The Mott Foundation mobile meal system could serve as a successful, workable prototype for similar programs throughout our country where thousands of people could be helped through an expanded food stamp program, as envisioned by my bill.

Therefore, Mr. Chairman, I urge your committee to adopt H.R. 14389 and bring it to the House floor for passage.

STATEMENT OF HON. FRANK THOMPSON, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Mr. Chairman, I want to thank you for this opportunity to express my support for legislation that would expand the food stamp program for the benefit of our

senior citizens. H.R. 14389 is an uncomplicated bill. It would amend the Food Stamp Act to authorize the Secretary of Agriculture to designate church and other nonprofit corporations to accept food stamps in exchange for prepared meals. These meals would be made available to elderly persons who are physically handicapped or are otherwise incapacitated to the extent they cannot shop or prepare their own food and have no one at hand to do these things for them.

I realize this marks a new departure for the program, but I think we should keep the overall goal of the program in mind. That goal is to get food to those who are in need of it and who otherwise would go hungry. I feel confident that the Department of Agriculture can forge the necessary administrative rules to prevent any potential abuses that might intrude. Therefore, I strongly urge the committee to report favorably H.R. 14389.

Thank you.

STATEMENT OF HON. CHARLES W. WHALEN, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. Chairman, H.R. 14390 amends the Food Stamp Act of 1964 by authorizing the Secretary of Agriculture, under regulations carefully prescribed and administered by him, to designate private nonprofit organizations to accept food stamps from elderly persons in exchange for prepared meals.

The term "private nonprofit organizations" includes specific church and other nonprofit bona fide charitable organizations. Included also are boarding houses or schools which provide meals to persons of 65 years of age or over who are not residing in an institution or boarding house. Other groups authorized to accept food stamps would be private nonprofit organizations that prepare and deliver meals to persons of 65 years or over in their homes and commissaries operated by the Department of Defense if the participating household otherwise is eligible under regulations of the Department of Defense to utilize the services of such commissaries.

As you know, under present law, persons who otherwise meet requirements are not eligible for food stamps if they lack cooking facilities in their households. Because of this regulation, physically handicapped or chronically ill indviduals who find it impossible to shop or prepare their own meals, in effect, are denied use of food stamps. Our bill is an effort to overcome this discrimination.

Mr. Chairman, it is a sad commentary that administrative restrictions of this sort contribute to, rather than solve, the dietary problems of many less fortunate Americans.

I believe that H.R. 14390 coincides with the intent of the present law to eliminate hunger. Without this change, that goal will continue to be frustrated. Therefore, as a cosponsor of this legislation, I urge its inclusion in the committee's bill, extending the food stamp program.

STATEMENT OF RAYMOND E. JENNISON, PRESIDENT, AMERICAN CORN MILLERS FEDERATION AND EXECUTIVE DIRECTOR, CORN MILLERS EXPORT INSTITUTE

Mr. Chairman and members of the committee, my name is Raymond E. Jennison and I am the president of the American Corn Millers Federation and executive dircetor of the Corn Millers Export Institute. I am grateful for this opportunity to appear before you to discuss our recommendations with respect to changes in the farm program and proposals to meet the problems of hunger and malnutrition in the United States.

Each year our industry grinds over 100 million bushels of corn for a wide variety of food and industrial uses. This represents over $125 million in cash to the American corn farmer. Our mills are located in every State of the continental United States. The American Corn Millers Federation is composed of mills which account for a major portion of the corn products milled by the dry process in the United States.

Corn, "the backbone of American agriculture," has more extensive and diversified uses than any other grain.

It is our largest single crop. It is highly regarded as a low cost animal feed; as a delicious and nutritious food in many forms; and its unique physical and chemical proprieties adapt it to an infinite and ever expanding array of industrial uses.

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Dry corn mills are located in every State.

They produce flour, meal, grits, flakes, and oil for a wide variety of food uses.

In addition, they manufacture an impressive list of products for industrial use, such as core binders for foundries, adhesives and binders for paper and paper board manufacturers, and for manufacturers of gypsum board and other building materials. Also diluents and binders for explosives manufacturers, drilling materials for the oil industry, flocculants and binders for the metallurgical industries and many more.

I have seen a study prepared by the USDA which indicates that some 1.2 million man-years of employment were needed for the corn production and marketing operations in 1967. This was 1.6 percent of total U.S. civilian employment. This figure includes employment in processing, transportation, storage and distribution of corn and its products along with labor requirements in corn production and in the supplying industries such as fertilizer and machinery.

Certainly, by any standards among crops, corn production is the giant—the greatest in both bushel and dollar value. Since the dollar value approximates $5 billion, it is greater than the value of any of the next two crops combined. In the marketing year coming to a close at the end of this month, USDA has estimated that farmers will receive about $2.5 billion from sales.

Our agricultural productive capability in the United States is one of our greatest assets—unmatched anywhere in the world. This gives us the means to really close any nutrition gap that now exists for any American. Our objective must be to obliterate hunger and malnutrition in the United States.

Researchers tell us that malnutrition is a silent crippler—adversely affecting the work performance of the individual, and even the ability to learn. Thus, good nutrition becomes a key element in efforts to lift persons from a life of poverty and ignorance—and in many cases off the welfare rolls. Not only does keeping people in a hunger status result in inefficiencies, it has overtones of questionable morality to the Nation.

Certainly, USDA should be commended for its fine dedicated personnel—men and women who are administering the several programs which are helping feed millions of our fellow Americans. We have seen their work in the school lunch program, the school milk program, the commodity distribution program, the pilot breakfast program, the food stamp program, and so forth. As one examines the background and constant search for improvements, one cannot help but feel proud of the achievements and we are glad that milled corn products are an important part of these feeding programs.

We are here today to suggest improvements in the program to eradicate hunger and malnutrition.

One of the items that I would like to discuss today is CSM, which the July 1967 issue of *Today's Health*, published by the American Medical Association characterized as "one of the newest weapons in the Food for Peace program's effort to combat malnutrition."

This product was the result of a close working relationship between private industry, USDA technicians, and AID officials. About 1 billion pounds have been shipped to about 100 developing countries where there is a desperate need for proteins. This protein-rich food has made and is making a major contribution to nutrition wherever utilized. This high-protein formulated food consists of gelatinized corn meal (64 percent), defatted soybean flour (24 percent) nonfat dry milk (5 percent), and soy oil (5 percent), to which minerals and vitamins (2 percent) have been added and can be used by any age group.

Blended Food Product-Formula No. 2 (the technical name for CSM) is a complete precooked food which requires only a minimum of preparation. The cost has been going down and is now less than 8 cents per pound packaged and delivered to ocean ports—and the industry has been able to produce the product in large amounts.

Three and one-half ounces, when made into a gruel or porridge, will supply a child with one-third to one-half or more of the necessary daily nutrients, except for ascorbic acid (vitamin C), during a period in his life when lack of proper food can seriously damage both body and mind. When children are reached in time they respond rapidly to the improved diet.

After exhaustive tests, UNICEF decided that CSM provided a unique, great, new economical protein product. This great, humanitarian, world-oriented group made a substantial purchase with its own funds. On the distribution end, we find it universally applauded by CARE, Catholic Relief, Church World Service, Lutheran Relief, and many other voluntary agencies.

Against this background of nutritional success, at low cost, we would recommend that this uniquely, low cost, high-protein product be included by USDA

in the commodity distribution program, the school lunch program, and any child feeding programs. The cost per unit of protein is extremely low—probably lower than any other food. The potency of the protein is fortified by the vitamins and minerals which comprise 2 percent of the mixture.

The significance of this food is that it is here and available now, for use now, for helping eradicate malnutrition now. There is ample industry capacity for production. It is a pretested product. The user will be getting a modern product in a ready-to-eat form. Today we hear the words "instant," "precooked," "prepared," and "convenience" in relation to foods. CSM has these attributes. It is not a product for the poor alone. CSM makes an excellent cereal or soup (one company is market testing a CSM soup now). It can be used to thicken soups or gravies. Quick muffins can be made from it, as can pancakes. Breading for fish is still another use.

The War on Hunger is a unique war—the war against malnutrition—which can provide only more and better lives, as we wage it with greater vigor. If we retire from this war, casualties result. Our successes abroad encourage us to suggest using it in programs here at home. This has a meaning for today in the new emphasis and energies devoted to tackling the problem of hunger.

The American Corn Millers Federation recognizes that excess productive capacity is the major overriding problem affecting agriculture. The mechanization and modernization of commercial agriculture have resulted in revolutionary changes that are irreversible. This is reflected in higher production per acre and per man-hour. In some segments of agriculture the production growth has exceeded the increase in demand. Many farmers for one reason or another have not been able to increase their production in line with the requirements of modern technology. Farming by old methods is no longer economic, and many of these farmers have chosen to leave agriculture.

The number of farms continues to go down at the rate of about 100,000 per year. Along with this reduction in number of farms has come an increase in the average size of farms and continually gradual decreasing need for labor.

A rational appraisal of the needs of agriculture for the 1970's must be based on the fact that there has been a rapid change in distribution in the income structure of our Nation's farms in recent years. For example, in 1960 less than one-third of all cash receipts from farming were accounted for by farms with value of sales of $40,000 or more. By 1968, the proportion was almost 50 percent. By 1970, it will exceed 50 percent. This same sales class group increased in number from 113,000 in 1960 to 194,000 in 1968. Thus, in 1968, this group represented only 6.4 percent of the total number of farms, but accounted for 48.5 percent of the cash receipts from farming and about 32 percent of realized net farm income. Farms with a sales value of $40,000 and over are increasing every year.

Similarly, farms with sales between $20,000 and $39,999 have increased by almost 50 percent between 1960 and 1968, rising from 227,000 to 332,000.

Thus, in 1968, 17 percent of the farms provided almost 75 percent of the cash receipts from farming. This trend toward concentration will continue.

Another basic factor which must be considered is that the average income per farm operator in 1968 was almost $10,000, with about half coming from realized net farm income, and the balance from off-farm income. Fifty-three percent of the farms had sales of less than $5,000. Because of substantial off-farm income, these operator families had total incomes averaging about $7,000.

No single farm program can meet the varied needs of both the small scale and the commercial farm. Price support programs are of small help to rural people who have little to sell. A major need is to separate the commercial farms from the small scale farms and to fashion programs appropriate to each.

A forward looking program for commercial agriculture should stress:

(1) A land use adjustment program aimed at shifting land from tilled crops to less intensive use.

(2) Provide price support levels so that market prices would normally fluctuate above the support level.

(3) Put more farm decisions in the hands of the farmer and less in the hands of the Government.

(4) Promote high-level domestic consumption and allow those sectors of the industry to expand that can do so profitably.

(5) Encourage commercial export of farm commodities and manufactured products of these commodities.

The greatest single economic problem in rural America is the underemployment and low income found among many small farmers. We would recommend that programs be developed to:

(1) Improve rural educational opportunities,

(2) Focus research and extension education on helping rural people adjust to change.

(3) Promote off-farm employment opportunities in rural areas and improve employment information services.

We feel that as the land use adjustment program becomes effective in reducing overall production that gradually the special programs for such commodities as feed grains can be phased out. We believe that this should be done gradually so that feed grain producers can adapt to market conditions without the need for the special Government programs.

It is to be noted that the projected increases in corn yields based on the experience in the early 1960's appear to have not been attained. During the last 3 years the indicated harvested corn yield has been 78.6 bushels per acre; 78.5 and 78.8 bushels per acre.

Dr. Louis Thompson of Iowa State University has indicated that the sharp increases in yield outturns during the early 1960's was due in major part to favorable weather conditions. He predicts that during most of the 1970's the average corn yield will be in the 80-bushel area.

With the increase in the domestic demand for feeding and possibly exports, it would appear that by 1975, the United States will need a corn crop of over 5 billion bushels; possibly 1 billion bushels more than the indicated 1969 production. With this demand for domestic consumption and export, it would appear that the United States will need greater acreages in feed grains in the next several years.

We believe that this factor should be considered in the development of a gradually phasedout feed grain program.

The ultimate objective must be to achieve a demand and supply situation under which the involvement of the Federal Government in the marketing process for feed grains would be minimized. Much greater reliance would be placed on strengthening the market's ability to determine price. Operating decisions would be made by corn growers without the constant concern about the program details and effects on future allotments.

In the fourth decade of these special farm programs, it is recognize as a manifest reality that the U.S. farm programs must make sense to an urban oriented Congress. Agriculture must compete for available funds with the pressures of other groups in our society and our overall requirements for defense. With this background, we have asked ourselves how within the free enterprise system, can we best integrate agriculture into the American system. Commercial agricultural policy should be oriented toward the market as the guide to action.

STATE DEPARTMENT OF PUBLIC WELFARE,
Austin, Tex., August 22, 1969.

Re H.R. 12222 and S. 2370.

Hon. ELIGIO DE LA GARZA,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN DE LA GARZA: Subject bills, which have been introduced and are now pending before the respective Committees propose certain amendments to the Food Stamp Act of 1964. Section 9.(a) of each bill provides as follows:

"Notwithstanding any other provision of law the Secretary of Agriculture after June 30, 1970, shall not approve, or continue the approval of, the participation of any State in the food stamp program or the program for the distribution of federally donated foods to households unless the State makes provision for the operation of one of such programs in each political subdivision within the State.

"*Provided,* That the Secretary of Agriculture may extend the period for compliance witih this section to June 30, 1971, upon notification by the Governor of any State that State legislative action is required to provide authority or funds to meet the requirements of this section and that the legislature of such State will not convene in regular session between the date of enactment of this act and June 30, 1970, et cetera".

As I believe you know the Texas Constitution contains various provisions placing responsibility for the care of indigents, including their burial, on counties. Presumably, it would be necessary for the State legislature to authorize a Constitutional Amendment vote in order to have authority to amend or change these provisions. Also, it would be necessary for the State legislature to pass some enabling legislation to authorize a State agency to move into a county and operate

either a food stamp program or a commodity distribution program contrary to the wishes of the county officials. Last, but by on means least, it would also be necessary for the State legislature to appropriate sufficient funds with which to pay for the cost of operating such programs.

The passage and approval of these bills with section 9.(a) included would mean that needy people in the 154 Texas counties which now have either a food stamp or a commodity distribution program would be denied their benefits. A continuing effort is being made, with some success, to get additional counties to establish one or the other program. We now have seven (7) counties seriously considering the establishment of a food stamp program and several others interested in a commodity distribution program. However, there will still be some hard-core counties which will not in the foreseeable future, or without some action by our State legislature, as detailed above, be willing to establish either program. Such a denial of food assistance available to 80 percent/85 percent of the population of Texas would in my opinion be a travesty on justice and inhumane. This same condition exists in other States.

Somewhat in connection with all of the above, it might be well to point out that there is an increasing trend among the several States in terms of the appropriation of State funds to meet all or part of the expense of operating food assistance programs. For example, in the State of Washington there is a food stamp program in every county, which is operated by the county, presumably within certain mutually accetable guidelines and with a State appropriation the counties are reimbursed 70% of the cost of such programs. It is possible that in time, and I do not see it within the foreseeable future, that the Texas Legislature might make some limited appropriation for such purposes.

In the meantime and by virtue of the situation in which we find ourselves, the purpose of this letter is to enlist your support in having Section 9.(a) removed from HR 12222 and S 2370.

Your help will be greatly appreciated.

Sincerely yours,

BURTON G. HACKNEY.

HUMBOLDT COUNTY,
DEPARTMENT OF PUBLIC WELFARE,
Eureka, Calif., September 30, 1969.

Hon. DONALD H. CLAUSEN,
Member of Congress, First District of California,
House Office Building,
Washington, D.C.

DEAR SIR: California State Department of Social Welfare Food Stamp Manual Section 7,2339 states: "The food stamp program is not designed as an income maintenance or public assistance program. It is meant to improve diet and move more agricultural products through normal trade channels to low-income household".

The food stamp program has been expanded constantly in recent years nationally on the basis of expanding assistance to the poor and is more and more a floor under a nationally inadequate public assistance program. However, it lacks the reasonable limitations set for public welfare. It is in essence a guaranteed minimum income without clear public understanding or consent.

The California regulation goes on to state. "So, for example, an assistance household may become ineligible because of 'failure to accept available employment', but this would not affect eligibility as a nonassistance household for food stamps".

I feel certain that most planners and most legislators advocating the expansion of food stamps do so with the implicit understanding it is for needy families and individuals who are poor through no apparent fault of their own. To the contrary—along the coast of California and elsewhere—food stamps are fast becoming a way of life for a large number of "voluntarily unemployed".

The voluntarily unemployed can be classified into three general groups:

Strikers—recently approximately one hundred and ten nonassistance families of strikers from a Humboldt County pulpmill utilized food stamps to aid in financing continuance of a prolonged strike against the employer. This represented almost two-thirds of the total strikers involved. This was of particular concern not only to the employer, but to county officials as the Federal Government was seen as actually providing a subsidy to the strikers that is unavailable to the employer.

College students—In September, 1969, approximately 300 college students in Humboldt County, 38.6 percent of the 778 nonassistance households, were using food stamps as a means of subsidizing their advanced education. We strongly contend that the public or the legislators do not knowingly advocate food stamps as a scholarship fund for advanced education. Food stamps in this instance is not just helping to keep some starving soul together, but helping a clearly employable youth to the exceptional affluence open to the college graduate. Most dismaying—knowing the system—the college student without qualm frequently appears to use all kinds of deceptions in reporting household and income to assure initial and continuing eligibility for food stamps. If the Federal Government wishes to expand subsidization of advanced education—let it do so openly, through expansion of scholarship—not through the subterfuge of food stamps.

Hippies—these are the disheleved, often emotionally disturbed society drop-outs who may live in huts, communal housing or even an old Volkswagen bus. Word has swiftly gotten around on the food stamp "system" and by September, 1969, 330 such households were certified in Humboldt County or 42.4 percent of the total nonassitance caseload. Sadly, these individuals frequently have such poor physical appearance that perhaps only 1 to 50 would be hired by any reputable employer. As a group they are repugnant to staff and truly needy clients. Marihuana, body odor, profanity, theft, and vulgar acts are among the complaints now frequently reported by staff and public concerning food stamp users—all attributable to the "hippie" segment of the food stamp populus.

In summary, in Humboldt County—the first county in California to initiate a food stamp issuance—food stamps are becoming the least defensible program administered by the County Welfare Department. There is an increasing pressure for a cut-back, if not elimination, of what once was a highly valued program to the County's needy and the County's merchants.

Legislation should be passed immediately precluding issuance of food stamps to the "voluntarily unemployed". Such legislation must be carefully worded to avoid abuse by administrative agencies. The following is a tentative suggestion:

> For the nonassistance household—the certifying agency may request reasonable proof that any applicant 18 years of age or older is employable or actively and effectively seeking employment. The request may include requirements that the applicant is currently registered at the local USES office for employment and obtains a medical examination at the certifying agency's expense verifying that the applicant claiming incapacity is incapacitated for full-time light work. Not to be requested more frequently than 90-day intervals.
>
> Provides verifiable proof monthly of five efforts to seek employment from bona fide employers. Eligibility is subject to verification that the applicant by appearance and attitudes was seriously seeking employment in contacting the prospective employer. Verified refusal of undemeaning full-time employment within applicant's capacities results in an automatic termination of food stamp eligibility for 6 months.

In closing, the continuing inclusion of the "voluntarily unemployed" as eligible for food stamps is acting as a deterent to expanded use by many unemployable poor. Furthermore, it endangers continuing public support of a highly valuable basic program. *Your efforts to demand that any future food stamp legislation eliminates eligibility for the "voluntarily unemployed" would be greatly appreciated.*

Very truly yours,

DAVID C. KELLY, *Director.*

AMERICAN FARM BUREAU FEDERATION,
Washington, D.C., October 17, 1969.

Hon. W. R. POAGE,
Chairman, House Committee on Agriculture, U.S. House of Representatives, Washington, D.C.

DEAR MR. POAGE: We are taking this means to present views of the American Farm Bureau Federation on proposed legislation to extend the food stamp program beyond December 31, 1970 and authorize funds for its operation.

Farm Bureau is the Nation's largest general farm organization, with a membership of nearly 1.8 million families. Since our members are engaged in production and marketing of every kind of agricultural commodity, Farm Bureau appropriately maintains a continuing interest in sound and effective efforts to expand

the Nation's total food consumption and to improve the dietary habits of the population.

In testimony with respect to the 1970 Federal budget, Farm Bureau did not propose any reduction in the request for $340 million for operation of the food stamp program during the 1970 fiscal year. The Senate has enacted legislation authorizing $1.25 billion for the 1970 fiscal year, and your committee recently approved authorization of $610 million for fiscal 1970.

Despite our interest in expanded consumption and improved diets, we are increasingly concerned with the rapid pace at which the food stamp program is expanding and is being projected for the future on a permanent basis. You will recall that the food stamp program was initiated in 1961 on a pilot basis. Since that time, it has expanded steadily both in numbers of participants and in total cost. More than 3 million persons currently are participating in the program at a cost of $315 million. Legislation recently passed by the Senate authorizes $2.5 billion for the 1972 fiscal year, and it has been estimated that participation will expand to some 14 million persons.

As originally conceived, the food stamp program was designed as a mechanism for assisting needy individuals to supplement inadequate diets during periods of economic difficulty until such time as they once again could attain self-sufficiency. In view of the nation's economic growth and the existence of labor shortages in some segments of industry, it would seem that participation in the food stamp program at some point would begin to level off at least to the degree that beneficiaries would have taken advantage of opportunities resulting from high employment, job training, and special educational assistance.

The fact remains, however, that the program has continued to expand, and it is apparent that it will continue to do so. In reality, the food stamp program has become a signficant part of the welfare program, and it should be treated as such. We do not believe that the cost of the food stamp program should be charged to the budget of the U.S. Department of Agriculture, or that legislation pertaining to the food stamp program should be considered by the Congress as a part of farm legislation.

Voting delegates to the annual meeting of the American Farm Bureau Federation held at Kansas City, Mo., last December took cognizance of the increasing welfare characteristics of the food stamp program and unanimously adopted a statement of policy as follows:

> "Currently the food stamp program is being charged to the agricultural budget even though it has developed into a welfare operation. We urge that it be transferred to the Department of Health, Education, and Welfare."

We request that this letter be made a part of the committee's hearings on legilaion relative to the food stamp program.

Sincerely,

MARVIN L. MCLAIN, *Legislative Director.*

CONSUMER FEDERATION OF AMERICA,
Washington, D.C., October 20, 1969.

Hon. W. R. POAGE,
Chairman, Agriculture Committee,
U.S. House of Representatives, Washington, D. C.

DEAR MR. CHAIRMAN: Consumer Federation of America is an organization of 140 consumer-oriented groups in 37 States and the District of Columbia. The member groups are active in all 50 States and encompasses millions of consumers.

At the second annual meeting of Consumer Federation of America August 24, 1969, delegates adopted unanimously the following resolution:

> "We support extension of the food stamp and school breakfast and lunch programs on terms which will guarantee their availability at effective levels to those segments of the consuming public that lack the ability to satisfy their nutritional needs."

I respectfully request you to make this a part of the hearing record on the pending food stamp legislation.

Sincerely,

ERMA ANGEVINE.

UNIVERSITY OF MISSOURI—COLUMBIA,
COLLEGE OF AGRICULTURE,
Columbia, Mo., October 21, 1969.

HON. W. R. POAGE, *Chairman,*
Committee on Agriculture,
U.S. House of Representatives,
Washington, D.C.

DEAR MR. POAGE: These comments on food stamp policy arise in part from studies we have conducted at the University of Missouri.

Essentially, this is a plea that the food stamp plan be retained and expanded but not be converted to a Jack-of-all-poverty-aids device. Food stamps are a fine program serving a specific purpose, and they work best when confined to that purpose.

Specifically, stamps are a means of stretching a low income family's food dollar and thereby enabling it to have more and better food. It is not a way to add to those dollars. It is not itself a source of income nor just a way to hand out script exchangeable for food.

In the present concern for poverty and search for any easy means of relieving it, it has been tempting to propose to make food stamps poverty-relieving. Stamps would in effect become a replacement for dollars. This would be the consequence of making purchase requirements extremely liberal, or of allowing families to buy any quantity of stamps they wish, few or many.

To recast food stamps into a general antipoverty program would greatly reduce its dietary-improvement effectiveness; that is, the dietary improvement per dollar of program cost would fall sharply. Worse, the *total* dietary benefit would not increase much and might even drop off. Yet as a means of relieving poverty in general, liberalized food stamps would have little advantage over increasing dollar payments directly.

This is not to defend the particular formulas for purchase of stamps. Perhaps they need to be liberalized somewhat. But if the basic handicap is that families lack sufficient dollars for a decent living, that deficiency ought to be met directly and not by distorting the food stamp program.

Respectfully yours,

HAROLD F. BREIMYER, *Professor.*

AMERICAN FEDERATION OF LABOR AND
CONGRESS OF INDUSTRIAL ORGANIZATIONS,
Washington, D.C., October 23, 1969.

Hon. W. R. POAGE,
Chairman, House Agriculture Committee,
U.S. House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: As you know, Mr. Julius Rothman, associate director of the AFL–CIO Department of Urban Affairs, testified on September 4 before your committee on the subject of food stamp legislation.

At that time, Mr. Rothman suggested several provisions which we believe should be incorporated into the food stamp reform legislation reported by your committee. We did not, however, endorse any specific bill to the exclusion of all others. Rather, we recommended that the committee combine the best provisions of several pending bills and report out the strongest possible food stamp measure for consideration by the full House of Representatives.

Since we testified before your committee, the Senate has approved a food stamp reform bill which we supported. This bill, S. 2547, contains most of the provisions we suggested in testifying before your committee. We therefore urge that your committee give favorable consideration to the provisions of the Senate-passed bill in reporting a measure for further action by the House.

We would appreciate it if this communication could be made a part of the committee's hearing record. Thank you for your attention in this matter.

Sincerely yours,

ANDREW J. BIEMILLER,
Director, Department of Legislation.

NATIONAL CONGRESS OF PARENTS AND TEACHERS,
Chicago, Ill., October 30, 1969.

Hon. W. R. POAGE,
Chairman, Committee on Agriculture,
U.S. House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN POAGE: In your current hearings on the several bills which would amend the Food Stamp Act, would you please record the National Congress of Parents and Teachers, known as the National PTA, in strong support of S. 2547 or any other bill with similar provisions.

We particularly wish to see the higher appropriation of $750 million enacted for this purpose, and free food stamps made available to families earning $60 a month or less.

Our more than 10 million members spread across this country not only include families who are sometimes hungry but are deeply sensitive to the enervating effects of chronic hunger upon our fellow citizens. We regard ending hunger in this country as one of the highest and most immediate priorities of this time.

We shall greatly appreciate your consideration of our members' views in support of a strong food stamp program.

Sincerely yours,

MRS. EDWARD F. RYAN,
NCPT Chairman for Legislation.

The CHAIRMAN. That concludes our hearing for today, and the committee is now adjourned.

(Whereupon, at 11:35 a.m., the hearing was adjourned subject to the call of the Chair.)

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HEARINGS

BEFORE THE

SUBCOMMITTEE ON COTTON

OF THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

NINETY-FIRST CONGRESS

FIRST SESSION

NOVEMBER 18, 19, 25, DECEMBER 2, 3, AND 8, 1969

Serial Q
Part 3

Printed for the use of the Committee on Agriculture

U.S. GOVERNMENT PRINTING OFFICE
34-326 WASHINGTON : 1970

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COTTON

TUESDAY, NOVEMBER 18, 1969

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COTTON OF THE
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to call, at 10 a.m., in room 1302, Longworth House Office Building, Hon. Thomas G. Abernethy (chairman of the subcommittee) presiding.

Present: Representatives Abernethy, Sisk, Burlison, and Mizell.

Also present: Representatives Poage, O'Neal, and Alexander.

Lacey C. Sharp, general counsel; Hyde H. Murray, associate counsel; Martha S. Hannah, subcommittee clerk; and Fred T. Ward, assistant staff consultant.

Mr. ABERNETHY. We will now come to order.

I most appreciate the presence of those of you who are here this morning to testify as well as to listen.

Following full committee discussion on general farm legislation, several subcommittees have either begun or will conclude hearings, including this one on cotton. Cotton is a very important part of the agricultural economy of this country. In one-third of the States over a million people live on farms which depend to a large extent on cotton for their livelihood. Many more are involved in the marketing, manufacturing and selling of cotton products and furnishing supplies to farmers and these other groups. Cotton exports are important to our balance of payments and could be even more important.

Aside from the overall importance of cotton to the economy of this Nation, it is in the interest of other segments of agriculture that we maintain a healthy cotton industry. This means that the maximum possible number of the 16 million fertile acres that are best suited to cotton are used to produce cotton. This land will not lie idle. If not used for cotton, it will certainly be used for other crops which, for the most part, are already plagued with surplus problems.

In the 27 years I have been in this Congress and even before I came, cotton from time to time was blessed with a surplus which we all worried about. Every cotton program in all these years was designed to cope with surpluses. Only twice have we had too little cotton—during the Korean conflict and in 1967 and then only momentarily. It seemed good at the time, but cotton suffered serious irrecoverable losses to synthetic fibers and foreign production during these two periods. But today we face the stark fact that the situation has changed. The outlook is no longer for a surplus of cotton. Our problem is not how to deal with a surplus but how to get enough cotton produced to meet our domestic and export needs.

Why has this change come about? Simply stated on the average it costs almost half again as much to produce a pound of cotton as the price at which it can be sold to meet its competition at home and abroad.

Therefore, the very first requirement for any cotton program is that it bridge this gap between costs and market price. Otherwise, we will simply go out of the business of producing cotton in the United States. Any cotton program which we adopt must also meet the test as to whether it will result in enough production to meet the demand. In addition to providing this essential requirement for production, we must go as far as possible in maintaining farm income.

Thus I would hope that these hearings will point the way for a sound cotton program designed to achieve the most for agriculture for cotton, and for the Nation.

The first witness scheduled for this morning is Mr. C. H. DeVaney, assistant legislative director for the American Farm Bureau Federation.

We would be happy to hear from you.

STATEMENT OF C. H. DeVANEY, ASSISTANT LEGISLATIVE DIRECTOR, AMERICAN FARM BUREAU FEDERATION

Mr. DeVaney. Thank you, Mr. Chairman.

We appreciate this opportunity to appear before this Agriculture Subcommittee on Cotton. Mr. Shuman and eight of our State farm bureau presidents presented our recommendations for amendments to the Food and Agriculture Act of 1965 on August 5, 1969 to the full committee on Agriculture.

These recommendations covered all commodities affected by the act of 1965. Even though this hearing is being held to consider cotton, we feel sure its findings will be part of an overall program for all commodities. We would request that our remarks today be considered only a part of such an overall program.

The Farm Bureau proposal, the Agricultural Adjustment Act of 1969, has been introduced by over 40 members of the House, including two members of the Agriculture Committee—Mr. Teague of California and Mr. Goodling of Pennsylvania.

Briefly, our overall proposal includes the following points:

1. Beginning in 1971, payments would be phased out by reducing the total amount used for this purpose for 1969 crops 20 percent for 5 years, with no limitations on payments to individuals during the phaseout.

2. Effective with the 1971 crops, loan rates for wheat, cotton, feed grains, and soybeans would be limited to not more than 85 percent of the previous 3-year average price.

2. Effective in 1971, the Government would be prohibited from selling its stocks of these commodities at less than 150 percent of the current loan rate plus carrying charges. This would protect the market against cut-rate dumping of Government stocks and thereby permit market prices to rise above the support levels.

4. With the phaseout of acreage allotments, marketing quotas, base acreages, certificates and Government payments for feed grains, wheat, and cotton, each producer would be free to plan his production of

these commodities so as to make best use of his resources in the light of the market outlook. Thus, the way would be clear for farmers to earn and get higher incomes in the marketplace.

5. The cropland adqustment program would be modified to require emphasis on the retirement of whole farms and the use of competitive bids to determine the land that is to be retired. The Secretary of Agriculture would be directed to retire at least 10 million acres per year for 5 years under this modified program.

6. Grazing on retired acres would be prohibited, and the Secretary would be authorized to limit the total acreage that may be retired in any county or local community to avoid adverse effects on local economies.

7. A special transitional program would be instituted for low-income farmers to help those who do not have the resources needed for a successful farming operation to make a transition to more gainful employment. This program would be entirely voluntary.

Looking directly to cotton, the 1965 act has contributed to the reduction of cotton stocks, although at a very high cost. Bad weather was also a factor.

Let us assume for the sake of discussion that the program was responsible for all the reductions. If we include only the cost of price support and diversion payments, the estimated reduction in the cottion carryover from August 1, 1966, to August 1, 1969, has cost an average of $234 per bale. Details are shown in the table.

(The table referred to follows:)

ESTIMATED PER UNIT COST OF REDUCING CARRYOVER STOCKS UNDER THE PRESENT SUPPLY-MANAGEMENT PROGRAMS FOR COTTON, WHEAT, AND FEED GRAINS

[In million bales]

	Upland cotton	
	Carryover	Change from previous year
August 1—		
1966	16.6	----------
1967	12.3	−4.3
1968	6.3	−6.0
1969	6.4	+.1

Fiscal year	Estimated cost of cotton program [1] (millions)	Change in carryover during crop year (million bales)	Cost per bale of reduction in carryover
1967	$792.6	4.3	$184
1968	855.2	6.0	143
1969	745.0	+0.1	----------
Total	2,392.8	−10.2	234

[1] Price support and diversion payments.

Mr. DeVaney. The promoters of direct payments on cotton argued that payments would benefit consumers by reducing the retail prices of cotton goods. The promised savings to consumers did not materialize. Instead of lowering prices to consumers, payments resulted in higher mill margins.

The average mill margin on 20 constructions rose from 24.91 cents per pound in the crop year 1962–63, the last full year before payments, to 38.82 cents in the crop year 1966–67, the last full year for which comparable data are available.

Current information on cotton margins is not entirely comparable with the above data as USDA has increased the number of constructions used in computing margin statistics. Recent data indicate that mill margins are still well above the prepayment level.

(The information referred to follows:)

CLOTH AND RAW COTTON PRICES AND MILL MARGINS

[In cents per pound]

Year beginning August	Average for 20 constructions		
	Unfinished cloth prices	Raw cotton prices	Mill margins
1962	60.52	35.61	24.91
1963 [1]	61.54	35.46	26.08
1964	62.98	27.23	35.75
1965	65.15	26.49	38.66
1966	64.26	25.44	38.82
	Average for expanded number of constructions		
1966	66.18	25.56	40.62
1967	66.47	30.60	35.87
1968	68.25	26.79	41.46

[1] Payments to the mills began on Apr. 11. 1964; however. the USDA made no adjustments for these payments prior to August 1964.

Source: "Cotton Situation." January 1968 and October 1969. Economic Research Service. USDA.

Mr. DeVaney. The promoters of the act of 1965 also claimed that it would increase cotton consumption. But domestic mill consumption has declined every year since 1965.

In the 1965 marketing year domestic mills used 9.36 million bales of cotton. In the 1968 marketing year they used only 8.12 million bales. Exports have fluctuated, but were lower in the 1968 marketing year than in 1965. Total disappearance dropped from 12.29 million bales in 1965 to 10.84 million bales in 1968. If the cotton industry is to survive, some way must be found to stop this erosion of its markets.

(The chart referred to follows:)

UPLAND COTTON DISTRIBUTION. 1965–68

[In 1.000 running bales]

Marketing year beginning Aug. 1	Mill consumption	Net exports	Total
1965	9,355.9	2,936.4	12,292.3
1966	9,349.9	4,655.9	14,005.8
1967	8,854.0	4,161.3	13,015.3
1968	8,115.9	2,722.9	10,838.8

Mr. DeVaney. Government payments are an unreliable basis for the income that is necessary for a healthy agriculture because they can be cut or limited at any time.

The act of 1965 has put cotton farmers in a most vulnerable position with a Congress strongly oriented to other priorities. This is clearly indicated by the following table.

(The table referred to follows:)

CASH RECEIPTS FROM FARM MARKETINGS AND GOVERNMENT PAYMENTS, 1967

[In millions of dollars]

	Cash receipts from farm marketings	Direct payments	Total receipts	Payments as percentage of total
Cotton lint	947.5	932.1	1,879.6	49.6

Source: "Farm Income—State Estimates, 1949–67," supplement to the July 1968 Farm Income Situation, August 1968 Economic Research Service, USDA.

Mr. DeVaney. Cotton payments made direct to farmers from the Federal Treasury totaled $932 million in 1967. This is more than the total value of all upland cotton produced in 1967, figured at the loan rate for cotton. It should be obvious that payments of this magnitude cannot possibly continue; and every effort must be made to find a different approach to the cotton program.

The proposed Agricultural Adjustment Act of 1969 has been carefully designed to correct the difficulties that have arisen under existing farm programs including the cotton program.

The transition to the market system would be gradual. Substantial payments would be made during the transition period to help farmers make needed adjustments.

The acreage retired from production under the cropland adjustment program would be increased as existing programs are phased out. Increases in the acreage retired under the CAP would tend to offset reductions in the acreage diverted under annual diversions.

The use of a bid procedure to select the land that is to be retired would hold down Government costs and insure the retirement of the land that farmers themselves most want to retire.

The acreage that can be planted to cotton for export outside the present program would be increased in 1971 and 1972, and the penalties on excess cotton production would be repealed effective with the 1973 crop. These changes would permit cotton producers who want to produce more cotton to expand their production, provided they waive all cotton payments.

The special transitional program provided by the Agricultural Adjustment Act of 1969 for low-income farmers would help farmers who do not have the resources needed for a successful farming operation to make a transition to more gainful employment. This program would be entirely voluntary. Producers who wish to participate would have a number of alternatives. This gives the program the flexibility that is needed to solve individual problems.

In short, farm bureau is recommending a broad-based program to help individual farmers make needed adjustments, increase prices, expand markets, cut costs, and thus provide the basis for increased net farm income.

Mr. Abernethy. Does that conclude your statement?

Mr. DeVaney. Yes, sir.

Mr. Abernethy. Thank you very much.

I don't follow you when you suggest that the 1965 act itself reduces the consumption of cotton. How do you reach that conclusion?

Mr. DeVaney. Well, I think that the record shows that cotton consumption has decreased since 1965. The proponents of the act of 1965 indicated that it could increase the production. And the point we are making here is that it didn't.

I don't say personally that the act of 1965 is all the reason for the change.

Mr. Abernethy. That is what you said in your statement.

Mr. DeVaney. We state that the assumption that it would increase the production didn't come true.

Mr. Abernethy. The 1965 act made cotton available to the mill at the cheapest price you can remember, didn't it?

Mr. DeVaney. Right.

Mr. Abernethy. How do you make the charge or substantiate the charge that the act that made the cotton cheaper at the mill itself caused the reduction?

Mr. DeVaney. Our point is here that even though, including us, we thought it might increase the consumption. It didn't.

Mr. Abernethy. What do you suggest to encourage the consumption of cotton?

Mr. DeVaney. Under our proposal the price would seek its level.

Mr. Abernethy. The cotton moves cheaper in the market?

Mr. DeVaney. It could for a short time.

Mr. Abernethy. How high?

Mr. DeVaney. The history as we find it over the discontinuance of farm programs, a study that we made in Texas on this indicated that following the end of every farm program that we have had since the early thirties that the price of commodities have gone up whenever controls were taken off or the program was ended.

Mr. Abernethy. It is the opinon of American Farm Bureau Federation that under the programs the farmer would receive a higher price for his cotton?

Mr. DeVaney. I think over a period of years he would probably receive more.

Mr. Abernethy. Then how would that encourage more consumption of cotton?

Mr. DeVaney. We had hoped research would indicate that they would find uses for it that would increase the consumption, sir.

Mr. Abernethy. You didn't mention research.

Mr. DeVaney. Not in this statement, but our overall position on this is, and we ask that it be incorporated, that a real crash research program both in production and use of cotten, be initiated.

Mr. Abernethy. But this program arrived at in what the American Farm Bureau says is the customary method of arriving at farm programs, that it began at the county level, and then moved up to the State, and from the State taken to the national convention?

Mr. DeVaney. Yes, sir.

Mr. Abernethy. What county did it originate in?

Mr. DeVaney. I don't know.

Mr. Abernethy. What State farm bureau has endorsed it?

Mr. DeVaney. What State farm bureau has endorsed it?

Mr. Abernethy. Yes.

Mr. DeVaney. I don't believe we had a dissent, maybe one or two dissents, so the others endorsed it.

Mr. ABERNETHY. Did you have any other State farm bureaus at the State convention that adopted this type of program or approved of this program?

Mr. DEVANEY. Some have similar to it last year. I wasn't on the resolution last year. I was not there. They were very similar, and there they worked out this program in the resolution committee and then on the floor of the delegate body.

Mr. ABERNETHY. You don't recall what States approved this or similar programs?

Mr. DEVANEY. I am trying to think what Texas did on this.

Mr. ABERNETHY. To make it easier, would you provide us with a list of those States?

Mr. DEVANEY. OK.

Mr. ABERNETHY. I will give you the opportunity.

All right, Mr. Sisk.

Mr. SISK. Thank you, Mr. Chairman.

I understand, Mr. DeVaney, that you say the Farm Bureau is very interested in the crash program of research in order to increase consumption?

Mr. DEVANEY. Yes; and lower production costs.

Mr. SISK. What was their position on the checkoff system in which we were attempting to do this very thing?

Mr. DEVANEY. We opposed that.

Mr. SISK. I am a little curious about the consistency of your programs. It is a little odd; wouldn't you say so?

Mr. DEVANEY. No, sir; our position——

Mr. SISK. I always understood that the Farm Bureau was concerned with doing things on their own—operating their own business. However, this was a proposition to provide for millions of dollars for research to improve the quality and make it possible for us to produce more because we would consume more. Is that basically what was intended?

Mr. DEVANEY. That is what the intentions were. And for the record we have supported a research program for cotton, and for other commodities. We supported the CPI, we supported the National Cotton Council in its efforts to do this. The only change was when—under the dollar bale checkoff you are speaking of, they wanted to use the power of the Government to collect this checkoff.

Mr. SISK. The facts were that they weren't getting the job done under the so-called voluntary program, that is why they went to the new program?

Mr. DEVANEY. Yes; that is what they said.

Mr. SISK. Were not the figures a million or 2 million as opposed to today's 10 million?

Mr. DEVANEY. Yes.

Mr. SISK. I am just calling your attention to what is a most inconsistent effort. Especially when we are concerned about research, the need to do a better job of research, and the need to do a better job of merchandising. Also, the need to get the consumer to want to use cotton, make cotton do the best possible job—make the customer want cotton.

Let me just quickly ask you this: How many cotton farmers are there in the United States today; do you have that figure?

Mr. DeVaney. I don't have them with me.

Mr. Sisk. I know the Farm Bureau does a lot of research. What do you project will be the number of cotton farmers in the United States on the conclusion of a 5- or 6-year period under your program of phaseout? Do you think this will increase the number of farmers or decrease the number of cotton farmers?

Mr. DeVaney. I think, and now this is personal and we haven't made a study of this particular issue, I think there would be a decrease. I think there would be a decrease but we are having a decrease anyway. We are having a decrease whether or not our program is enacted or whether we stay the present one. I think it is something like 500,000 a year that have been going out of agriculture every year now.

Mr. Sisk. Do you think it will in all probability decrease the number of farmers? That is, the number of cotton farmers?

Mr. DeVaney. I think the number of cotton farmers will decrease whether we accept our program or any other program.

Mr. Sisk. I assume since you propose a specific type of program, there have been studies made. It would seem to me that you would have had some idea along this line.

Secondly, have you and your research—and I am sure you have done research before you made this proposal—what would you anticipate would be the effect on total production, do you expect it to go up, or what do you anticipate?

Mr. DeVaney. Well, the best answer that I could give you that would be that under our program we believe that those farmers who want to farm, who have the managerial ability and who have the financial backing will be the ones that will be doing the farming. Those that don't want to farm, for one various reason or another, would have under our proposal an opportunity to get out or to change and do something else.

Mr. Sisk. Well, I am still concerned. I would assume though that the Farm Bureau with the capabilities that you have, have made some investigation and have some projected idea as to what is going to happen under this proposal. Do you not?

Mr. DeVaney. Well, I don't think we have as far as members are concerned.

Mr. Sisk. I am not talking about members, we are talking about bales of production. We are talking about total production.

Is this going to increase cotton production in this country or decrease it?

Mr. DeVaney. I think it would depend on the market.

Mr. Sisk. The important thing, does cotton in the opinion of the Farm Bureau have a future in this country, is there any economic justification for the cotton industry in America?

Mr. DeVaney. As long as there is a market for it, there is.

Mr. Sisk. You are still, of course, going on the yield side. The peculiar thing, Mr. DeVaney, and I do appreciate your statement, is that I'm not sure where your position arises from. I have not been able to pin it down. I am unable to find a farmer in Fresno County, which has the largest or the second largest farm bureau membership in the United States, that agrees with your program, not one.

It is just rather amusing to me, and I wonder if you would make any comment on it.

Mr. DeVaney. Well, Mr. Sisk, I believe the California Farm Bureau this year adopted a program very similar to this, and Fresno County was there.

Mr. Sisk. Can you provide a record where Fresno County supports the Farm Bureau?

Mr. DeVaney. No, their recommendations did not. That was my point.

Mr. Sisk. Mr. Chairman, that will be all.

Mr. Abernethy. Mr. Mizell?

Mr. Mizell. No questions.

Mr. Abernethy. Mr. Burlison?

Mr. Burlison. Thank you, Mr. Chairman.

Mr. DeVaney, the chairman of the subcommittee and Mr. Sisk to a great degree pursued the question of how strong a support your program has from a State farm bureau oganization. I would like to pursue a little more on the note that Mr. Sisk concluded on. Can you give us the name of any local farm bureau organization, any county, farm bureau organization that supports the farm bureau program?

Mr. DeVaney. I can't give you the names offhand, but I was talking to the boys from Texas, they were in the midst of their State convention down there last evening, and about 50—this is what they told me—about 50 percent of the resolutions that came in from the 204 counties on the farm programs, about 50 percent of them were supporting the farm bureau proposal, and about 50 percent were supporting the extension of the act of 1965.

I am sure I can get some on those, and in other States, too.

Mr. Burlison. On page 6 of your statement, the first paragraph of that page, you make the statement that land retirement programs will insure the retirement of the land the farmers themselves most want to retire.

Don't you believe also that your land retirement program will actually succeed in retiring only the land that produces the least? Would you expect any heavy producing land or good producing land to come out of production under your program, sir?

Mr. DeVaney. I would expect more under the cropland adjustment program which we have had some experience on. More good land to come out under that than it would on an annual retirement basis for this reason, our emphasis would be on whole farms, and if you take out a whole farm, nearly any farm is going to have some good land on it. So, you would take that out. I agree with you, it would to a certain extent get the poor land. The good land then would be left, the land that could grow the product most economically would be the one that would stay in agriculture, and the other would be retired under that cropland adjustment program.

Mr. Burlison. The good land would be competing with the poor land insofar as retirement is concerned? You wouldn't, then, have any classifications, any breakdown of land quality or land production as classification for your retirement program? It is just a matter of bids, whoever bids the least to take the land out of production would get the——

Mr. DeVaney. No, sir; under the old soil bank program as I remember it, all land was classified. All cropland, I believe, is classified by the Department of Agriculture at this time. On a bid basis the depart-

ment in administering it would determine whether this was a high bid or a low bid based on the quality of the land.

In other words, good land—a real high bid on good land might be a better deal on taking it out of production that a lower bid on sorrier land.

Mr. BURLISON. One final question: Do you have any familiarity with the administration's so-called "set-aside" program which has been discussed with the committee?

Mr. DEVANEY. I have heard the Secretary present his statement, and then I have heard and read in the scoop sheets and different places some plans supposedly that have been presented to this committee.

Mr. BURLISON. Are you familiar enough with that proposal to have a choice as between it and the present program? In other words, if you were left with a choice of the administration's "set-aside" program and our present program, what would you have a preference for?

Mr. DEVANEY. Not having studied it, it would be hard to say just which on that. For one or two reasons, as I understand the set-aside proposal, or what the administration has suggested, there is one thing to me that is really bad, and that is the payment would be made as a direct income support payment. How you justify this in the minds of other than agricultural people, I don't know.

Under the present program at least you are paying them for diverting something. The farmer has to do something to earn that, and under this other proposal they wouldn't.

As I understand his proposal, there would be some experimenting in the cropland adjustment, the soil bank, and some of the others, and it might be good. It also does away with marketing quotas, I understand.

Mr. BURLISON. Thank you, Mr. Chairman.

Mr. ABERNETHY. Mr. O'Neal?

Mr. O'NEAL. No questions.

Mr. ABERNETHY. Mr. Alexander?

Mr. ALEXANDER. No questions.

Mr. ABERNETHY. Thank you, very much.

The next witness will be Hilton Bracey, manager, Mid-Continent Farmers Association.

I think Mr. Burlison would like to make a statement.

Mr. BURLISON. I think that most members of the Agriculture Committee are very well acquainted with Mr. Bracey. However, I know there are two new members of the committee here sitting with me on the subcommittee this morning, so I would like to just give you a very skeleton outline of Mr. Bracey's background.

He, for many years, was the chief executive for the Missouri Cotton Producers Association in Missouri. I think he became president of that organization at about the age of 29 or thereabout. And so you can—of course, he is not much older than that now.

Mr. ABERNETHY. I didn't know he is that old.

Mr. BURLISON. But he enjoys a very wide, broad reputation in Missouri and throughout the cotton States, and is a very knowledgeable cotton expert. He is now a top official of the Mid-Continent Farmer's Association.

It is a great deal of pleasure that I have to present him to the subcommittee.

Mr. ABERNETHY. Thank you.

Mr. Bracey, we are very happy to have you with us here again. You have been here many times, and you have always been very helpful.

STATEMENT OF HILTON BRACEY, MANAGER, COTTON DIVISION, MID-CONTINENT FARMERS ASSOCIATION

Mr. BRACEY. We recommend and urge continuation of the cotton provisions of the Agricultural Act of 1965 with improvements to (1) protect and increase cotton farm income on an individual basis, (2) maximize sale and use of cotton both at home and abroad, and (3) keep program costs within reasonable limits. We are convinced that with one major change, a few updating modifications, and two badly needed additions, current trends toward destruction of the U.S. cotton industry could be halted and reversed. We are equally convinced that the overriding consideration involved in any future program should be and must be the need for maintaining and improving cotton farm income. Otherwise no program could succeed and cotton will in a short period of time cease to be a major farm crop in the United States.

The root of most of the problems confronting cotton farmers and the entire cotton industry is the so-called one-price provision in the current program. We say so-called because it is one price in name only. It completely ignores freight, insurance, brokerage, and other fixed costs between domestic and foreign points. And, instead of one price on a delivered basis to both domestic and foreign customers it ends up being a significant and unwarranted price advantage to domestic textile mills.

The record shows that the so-called one-price provision has not accomplished a single objective that its proponents claimed and insisted would be accomplished; namely, (*a*) increased use of cotton in the domestic market; (*b*) lower cost of textile products to consumers; (*c*) decreased imports of foreign textile products.

To the contrary, domestic use of cotton has dropped to the lowest level in over a decade, cost of textile products to consumers have climbed to new heights, and imports of cotton textile products are now at an alltime high.

In addition, the so-called one-price provision is almost entirely responsible for the some 50-percent loss in export sales of U.S. cotton, and the growing clamor for limitations on price support payments to individual farmers. It has failed on every count. To ignore its failures would be inconsistent with the best interests of cotton farmers, the cotton industry, and the taxpaying public. For any cotton program to stand any chance of success, the so-called one-price provisions must be recognized for what the record shows it to be—a complete failure by any and every responsible management.

As the major change and improvement required in the current program, we recommend that the so-called one-price provision be eliminated. In its place we recommend a loan level for cotton equal to production costs and reactivation and aggressive implementation of sec-

tion 203 of the Agricultural Act of 1956 which declares "quantities of cotton shall be sold as will reestablish and maintain the fair historical share of the world market for U.S. cotton." There is no reason, absolutely no reason at all, to assume or believe that domestic use of cotton would be any different with a price support loan at production cost levels than it would be or has been under the "give-away" domestic price established by the so-called one-price provision. On the other hand, a price support loan at production cost levels and reactivation of a competitive bid export sales program would (*a*) increase cotton farm income and protect individual farmers from the very real threat of limitations on direct income support payments, (*b*) decrease Government program costs, and (*c*) increase total sales and usage of U.S. cotton.

We recommend updating modifications in the current program as follows:

1. Eliminate the requirement for mandatory diversion before permitting voluntary diversion. This requirement, in effect, takes cotton from those wanting to grow it and forces others who want to divert to plant.

2. Permit sales, lease, or transfer of allotments between producers without regard to counties—and without previous referendums. Cotton acreage should be allowed and encouraged to move to farmers and areas best suited to cotton production.

3. Permit farmers to overplant up to *x* percent of their farm allotments without price support benefits (excepting loan eligibility) or penalties. Such a provision would reduce program costs, enhance opportunities for economies in production and help farmers stay in the program in the event of payment limitations.

4. Permit acreage allotment easements on a long-range basis. The cost could be approximately one-half of price support payments on production and could be even less if grazing or other land use were permitted. Also, this would help accomplish desirable shifts in production.

5. Permit diversion of domestic allotment (if more than the 35 percent now permitted is needed to bring supply into line with demand) on short-term basis (annually). It would reduce program costs and give the farmer more latitude in arranging his operation to fit his individual needs and conditions.

6. Require that adjustments be made for abnormal conditions affecting plantings and production and that they reflect full credit for losses in acreage and production due to natural disasters. No Secretary of Agriculture should be permitted to make such adjustments in an arbitrary manner.

7. Establish positive guidelines for various factors involved in determinations of premiums and discounts in the cotton loan program. It is obvious that discounts for some factors such as color and micronaire have been used to lower the market price of cotton rather than to determine its true value.

8. Encourage voluntary restraints on imports of cotton textile products. As imports of cotton textiles have been greater under the so-called one-price system, it is now clear that the domestic price of raw cotton has no significant bearing on the continuing influx. Even with the price of raw cotton heavily in their favor, domestic textile mills

are apparently unable or unwilling to meet the competition of foreign manufacturers. With this fact clearly established and coupled with the almost complete loss of export markets for U.S. cotton, there appears to be no alternative except to move toward meaningful voluntary restraints on cotton textile imports.

As additions to the current program, we recommend:

1. A national cotton reserve along with a food and feed reserve to meet natural disasters, maintain supply and price stability to both consumers and farmers and prevent the undesirable consequences of "feast and famine" production cycles. A reserve is needed to assure customers, both domestic and foreign, that adequate supplies would be available under all foreseeable conditions and prevent switching to manmade fibers because of questionable supplies.

2. Permit and require that raw cotton and cotton textile products be included in all appropriate welfare programs, both domestic and foreign. Inclusion of cotton in the various welfare programs, such as the stamp plan, food for freedom, commodity assistance programs to schools, etc., would, in addition to supplying a basic necessity of life, do more to increase the offtake of cotton than any single possibility available at this time.

Especially important and essential farm income protection provisions in the current program which we recommend and urge be continued without change are:

1. Continue requirement that price support payments when added to the loan must reflect at least 65 percent or parity on the projected yield of the permitted acreage. Without a continuation of this protection, cotton farm income would be at the mercy of pressures to reduce program costs. This requirement is, in fact, the only protection in the current program that the cotton farmer has against further drastic cuts in income level.

2. Continue requirement that price support and diversion payments be based on projected yields. This requirement not only provides the same treatment for cotton as for other farm commodities, it prevents violent fluctuations in income levels to farmers. It is necessary to cotton farm income stability in years of adverse weather conditions and to crop financing.

3. Continue authority for substitution of nonsurplus crops on allotted cotton acreage in event of flood, drought, or other natural disaster. This authority is essential to the economic well-being of cotton farmers and cotton communities in times of natural disasters such as those experienced during the past few years.

4. Continue the 16-million-acre minimum national allotment. Any reduction would be another indirect but serious blow to cotton farm income as payments to farmers are based on each farm's pro rata share of the national allotment. Also, it would encourage both domestic and foreign producers of manmade fibers and foreign producers of cotton to increase their production at the expense of the entire cotton industry in the United States.

5. Continue domestic allotment provision as in current program. A continuation is needed to provide program stability and to build confidence in the future of domestic cotton production.

6. Continue full price support eligibility (without limitations) on all cotton produced in compliance with program requirements. Un-

limited eligibility insures equitable treatment of all producers regardless of the size of their operations, and enhances possibilities for a successful supply management program.

Gentlemen, we have read and heard that certain groups (trade-oriented) including some with the word "producer" in their titles are advocating elimination of all of the farm income protection provisions in the current program—the same provisions that we are recommending (outlined above) be continued. As an added verification of the fact that such groups are not speaking for or representing cotton farmers, we ask permission to include in the record of this hearing the results of a ballot taken at a meeting of cotton farmers held at Caruthersville, Mo., on the evening of November 8.

Mr. ABERNETHY. Permission will be granted.

(The ballot follows:)

BOOTHEEL OF MISSOURI AGRICULTURE MEETING QUESTIONNAIRE., NOV. 8, 1969

BALLOT

	Check one	
	Yes	No
1. Do you want price-support payments based on actual yields?	2	
Do you want price-support payments based on projected yields?	65	
Do you want price-support payments based on actual yields with a provision that if due to natural disaster you lose your cotton crop you will be paid on 80 percent of your projected yield?	6	
2. Should we maintain a national allotment of at least 16,000,000 acres?	80	3
3. Do we want price-support payments based on:		
Domestic allotments	70	
Regular allotments	12	
4. Are we in favor of payment limitations?		80
5. Are we in favor of transfer of allotments by lease or sale as it is being done at the present time?	27	29
6. Do we feel that transfer of allotments should be made within the State without a referendum vote?	75	8
7. Would you like to have wheat and feed grain also included in a transfer provision?	76	5
8. Do you favor continuation of substitution of nonsurplus crops on alloted cotton acres in the event of flood, drought, or other national disaster?	82	1
9. Would you favor the establishment of a Federal commission for the purpose of separating the market development of agriculture from external politics, i.e., State Department and dom- es tic politics?	78	2

Mr. BRACEY. This meeting sponsored by the Production Credit Association and concerned bankers was attended by U.S. Representative Bill Burlison, a member of your committee, and former U.S. Representative Paul C. Jones, a former member of your committee. The balloting endorsed the recommendations we are making to you here today and repudiated the published position of the trade-oriented groups. Gentlemen, we do not hold that our recommendations would solve all of the problems of cotton and cotton farmers. But, we do believe they are compatible with the current program and that they would move toward objectives that must be reached if cotton is to continue as a major farm crop in the United States.

Mr. ABERNETHY. Thank you, very much, Mr. Bracey. I want to see if I understand the mechanics of what you have in mind. You suggest that there be a price support loan equal to the level of the cost of production?

Mr. BRACEY. Right.

Mr. ABERNETHY. Which, of course, can be determined by the Department of Agriculture?

Mr. BRACEY. Yes, sir.

Mr. ABERNETHY. Now, what do you suggest, if anything, above that? I don't know whether I exactly understand you or not. Are you suggesting that the only guaranteed income that—I don't mean that critically when I use that word "only."

Mr. BRACEY. We understand.

Mr. ABERNETHY. The only guarantee to the farmer would be to insure him he could get back through a price support or loan program his cost of production?

Mr. BRACEY. No, sir; we are advocating this plus the income payment.

Mr. ABERNETHY. At what level?

Mr. BRACEY. We think we have to face the facts of life, Mr. Abernethy.

Mr. ABERNETHY. Right, and so do we.

Mr. BRACEY. And one of the facts that we have been convinced of by your committee and other people is that we have to do something about two things. One, is program cost, and the other is the threat of limitations on individual farmers. We think for this reason plus all the other reasons we outlined, if we could have a program with a loan level guaranteeing us a return of the cost of production, then the income payment itself could be reduced to the farmer, accordingly. And then the cost of the program would be reduced accordingly. And the threat of limitations to individuals, while not eliminated, certainly the danger would be reduced substantially. And then they could go ahead and at least stay in the business of producing cotton.

Mr. ABERNETHY. All right.

Mr. BRACEY. Now, along with this——

Mr. ABERNETHY. Let me interrupt you. Now, this is across-the-board on every bale he produces on his land?

Mr. BRACEY. Yes, sir.

Mr. ABERNETHY. Do I understand that—I interrupted you.

Mr. BRACEY. I just wanted to add, Mr. Abernethy, we have got to get back in the world market, and you were one of the leaders in 1956, who got us back into the world market through the passage of section 203 of the Agricultural Act of 1956. And you know that every year since that time when section 203 was administered properly we sold cotton into the world market, we sold it on a comparative bid basis.

And you also know, I think the record will show, that every year when this was ignored, we didn't sell cotton. We are not selling any cotton now, and we are not in competition in the world market. There is no way of being in competition under the so-called one-price system. We have got to get back on a basis of competitive bids if we are to be in the export market, and we can't keep a domestic cotton industry without some export sales at least the way we think we have to keep it.

Mr. ABERNETHY. Do I understand it is the view of your association that we continue to break the cotton down to the State and county and farms?

Mr. BRACEY. Yes, sir.

Mr. ABERNETHY. As you have heretofore on the same historical basis, with no changes?

Mr. BRACEY. No changes.

Mr. ABERNETHY. And you would assume that would produce a crop of about 12 or 13 million bales?

Mr. BRACEY. If we can give the farmer a return equal to his production cost, yes, sir.

Mr. ABERNETHY. All right.

Mr. BRACEY. Let me make one added statement, Mr. Abernethy. You know better than I do that farmers cannot and do not grow cotton for a hobby, it is just impossible.

Mr. ABERNETHY. For what?

Mr. BRACEY. As a hobby.

Mr. ABERNETHY. Yes, sir.

Mr. BRACEY. They have to get a return or they can't grow it. A lot of people will ask why don't farmers grow cotton now? And the answer is very simply they aren't getting anything for it—and I think you made it clear in your opening statement—they can't grow it. It is very simple, that is just all the answer there is. They can't afford to grow it.

You give them a return or a price and they will grow all the cotton you want, or that we could possibly need.

Mr. ABERNETHY. On page 3, under your third item, you said that up to *x* percent of their farm allotments, what do you have in mind there?

Mr. BRACEY. We have some farmers who for reasons of land or equipment or what have you, maybe their location in Cotton Belt, who could grow more cotton and who would like to grow more cotton. And we would like to see them grow it if they want to. This is a part of our objective here, of letting the cotton go to the areas best suited for production. We have tried to do this over the years. You and I have been talking about this some 20 years. But we have really frozen cotton production in certain areas to a certain extent where it is no longer or perhaps has never been feasible to have cotton production.

Mr. ABERNETHY. There is nothing like we had 5 years ago?

Mr. BRACEY. No, sir; it is changing slowly, I agree.

Mr. ABERNETHY. It is changing?

Mr. BRACEY. We would like to see this hurried up as much as possible because we think this will give us the cotton we need, and to the people that want it. It will also give people who don't want it, a way out. We are right now forcing people to grow cotton that don't want to grow it.

Mr. ABERNETHY. We have a rather unusual situation that I don't refer to in a critical manner, that we don't have the fourth bill from the administration. This is the first time that I can recall that where we didn't consider any farm program where we actually didn't have a bill.

Mr. BRACEY. Right.

Mr. ABERNETHY. I am not too certain that I fully understand exactly the direction, the full intent of what the administration proposes to do or what it would like to have.

We have had some discussions and the discussions are always open back to the statement that nobody is permitted to do anything. That leaves us very much in the dark to what we are doing, and where we are going. And I hope when we get to the department on it, that we can find out what the plans are and what the positive plans are. They do propose that a program of—although they say they are not committed to it, and nobody else is committed—that we have about 12 million bales production with 8 million bales of it to be produced, as I understand it, under the domestic allotment plan with some kind of a sup-

port, with a continuation of payments, and with a guess as to what the payment is going to be.

There have been three or four, I think four plans of payments which nobody is committed to, and nobody has actually, definitely, and positively recommended. And with that domestic allotment producing the bales to be used domestically after certain set-asides, then the farmer can produce anything he wants to, as much as he wants to.

Do you think that could get that 4 million additional bales?

Mr. BRACEY. Frankly, Mr. Abernethy, I don't understand how you could get it or how you would get it.

No. 1, I don't know how farmers——

Mr. ABERNETHY. Let me ask you this. You think we certainly need it don't you, at least 12 million bales if we are going to stay in the domestic and foreign market?

Mr. BRACEY. Yes, sir; I think so. But I think this is the crux of the whole thing. If we are going back in the foreign market, which all of us feel we have to get back into, we need the 12 million bales.

If you are going to continue under the system we are operating under and are going to continue to ignore the market, then I don't think we need the 12 million bales. I don't know what we would do with it, but I am assuming we are going to move in the direction of getting back in the export market. We certainly hope so.

Mr. ABERNETHY. What would you farmers do? The department says it has put this information through a computer, and it came up with 4 million bales above the 8 million domestic.

I want to know what went into the computer.

You have an 8 million bale domestic allotment, and then the other information went into the computer, and they came up with 4 million bales, which is exactly the amount that they thought we should need.

Do you think we will get the 4 million?

Mr. BRACEY. We will get the 4 million providing the end results would give the farmer what he has to have in the way of return on his labor and investment. If not, it can't, Mr. Abernethy.

Mr. ABERNETHY. You are not anticipating that he will be assured anything?

Mr. BRACEY. He can't do it without some positive assurances. Let me say this, sir, and I believe this is not limited to my area. But our farmers are facing some decisions, not of their own making, and I would say in most cases not to their liking. But they are having to quit farming.

They are having to quit for one reason, and that is because they are not getting anything for what they produce.

Now, in this country we have a rather odd situation at this time. I am talking about agriculture. Livestock people are doing fairly well. Dairy people are doing fairly well. Specialty crop people are doing fairly well. But you get out in row crop areas such as mine, in southeast Missouri, and Mr. Alexander's area in northeast Arkansas, and Mr. Jones in west Tennessee, and West Kentucky and southwest Illinois. This is row crop area. We don't have the factories, we don't have the cattle, we don't have the specialty crop, and our farmers—and you can verify this with PCA, or anybody or the farmers themselves, they have reached the end of the rope.

If there is not more income or not more price forthcoming on cotton, on soybeans, on wheat, then the decision has already been made. They are not going to produce it because they can't. I wish I could bring you a different story, but I can't.

Mr. ABERNETHY. I think we are all aware of it, and I am glad you made reference to it.

I am also glad you made reference to our export program. This gets worse every year. I have served under five Presidents, Democrats and Republicans. Everyone comes in office with a commitment that the import problem, especially the one that affects our textiles, our textile mills, is going to get some this situation, the import situation affecting textile mills, has been consistently and constantly aggravated every year since I came here. And I don't want to leave the impression it is my fault.

Mr. BRACEY. Absolutely not.

Mr. ABERNETHY. But it probably was worse before then, and it was getting worse before then. I am sure it was.

I had the pleasure of attending a meeting early this year in this building with members interested in textile import problems. The Secretary of Commerce was present. He impressed me with the program that he laid out to give us some protection in this field.

I don't say this critically, he has a difficult job. I know this and I commend him for his efforts. But I made the statement then that I had served under five Presidents, and I had heard and read that all of them have committed themselves toward getting something done about it. Up to now very little has been done about it. I hope that the fifth one, that we have now, of whom I am very fond—I served in the House with him—and I have hope that his administration will give us that relief. Now, the issue is bogged down again. I don't know whose fault it is. But the imports continue to roll in.

There are people in this country and in the Congress who object to the Congress forcing trade policy. I think, however, that we have come to the point that that is the only way we are going to get any relief. Unless that relief is given, the textile mills which are now evidently regarded as expendable, are going to continue to phase out which means we are phasing out more of our cotton farmers, and farmers that are producing other types of fibers.

I am glad you made reference to imports. I don't think a voluntary program is going to get the job done.

But it is going to have to be called to the attention of the people who are importing their merchandise in this country in a very fury, and in a very demanding manner.

Mr. BRACEY. Yes, sir.

Mr. ABERNETHY. Which will make it anything but voluntary. We are losing markets right here at home that are hurting not only the textile mills of my friend here from North Carolina, and other textile producing States, but also hurting his farmers and my farmers.

Mr. SISK. Thank you, Mr. Chairman.

I compliment you, Mr. Bracey, for a very well-thought-out statement. I make reference to the things you said in reference to the American farmer, and certainly they are true.

I represent an area where we have some specialty crops, so we are maybe a little better balanced. But in cotton, we are in trouble; there is no question about it.

I have no questions.

Mr. ABERNETHY. Mr. Mizell?

Mr. MIZELL. Thank you, Mr. Chairman.

I would like to compliment Mr. Bracey for his mentioning the import program that we are facing with our textile industry. But I would also like to point out, Mr. Bracey, that I think the textile industry itself has done a tremendous job through mechanization to keep the cost of the garments that are sold to the American people at the level that it is now, even with the increase in salaries. In order to compete for the job markets in our area, they have done a tremendous job.

But one of the most serious things that is facing them right now is the imports. They are competing with imports of cotton fibers from Taiwan, where they produce with the labor cost of 16 cents per hour against the cost of our labor in North Carolina.

So, I think they have done a tremendous job, and I think that your statement on page 4 was a little unfair to the textile industry itself. And we are all concerned about this problem.

I am a cosponsor of a bill with a number of the men from the textile manufacturers in your area, to put a limitation on our imports. I, for one, have come to the point where I agree with the chairman, that I think it is going to take some lengthy legislation.

I think that if we solve the problem with our textiles, that we will be able to solve problems with other imports.

As you said in your statement, the price of raw cotton is heavily in favor of our domestic textile mills, that they are apparently not able or unwilling to meet the competition of foreign manufacturers.

Could you tell me how the price of cotton to our textile mills is heavily in favor of our own mills?

Mr. BRACEY. As opposed to the cost of foreign mills?

Mr. MIZELL. Right.

Mr. BRACEY. Yes, sir; the difference is, we are talking about a delivered price, and on a delivered price basis, the price to domestic textile mills is some 3 to 7 cents a pound in their favor.

You know in the domestic market, for example, even the CCC loan schedule recognizes freight differentials between one point in the country and another. For example, in Mr. Sisk's territory, or in California, the CCC loan value is about $5 a bale under what it is in the Carolinas, and for one reason, and that is freight. That is the primary reason.

Yet, in our so-called one-price system we don't recognize freight or brokerage or insurance or any fixed cost between domestic and foreign points. If you would put the price on a delivered basis to the mill door, then you would have a true one-price system, and you would not be giving any preference to domestic mills or anyone else. It would be, in fact, one price.

Mr. MIZELL. Is it not true that the legislation that we are operating under at one time was brought about because our own mills were paying one price for cotton; it was being bought by other countries at a reduced price, and they were turning it into a cotton fiber, and

importing it into our country and competing with our own mills and therefore eliminating a lot of jobs?

And I might say on that in my district we had just one mill to close a few months ago. It had been operating at a loss for a couple of years, and it finally closed. When they closed the mill some 800 people were out of work. That is a serious situation.

I hope that we never go back to the standard where our mills are having to pay one price for cotton, where it can be bought by countries at another price, and manufactured into cotton and sold back to other markets, competing with our own industry.

Mr. BRACEY. I would like to make one statement, Mr. Abernethy; we recognize domestic mills as our best market. Certainly, we want to do everything we can to protect them. The point we are making here, sir, is that the price of raw cotton is not the important factor in the importation of cotton textile products. I think the record shows this to be true.

Also, I think we ought to add, in the record, that while the domestic textile mills were paying at one time a higher price than they are now paying, or maybe a higher price than the foreigners were paying, all export of cotton textile products were subject to a subsidy to equalize price, so in that sense there never was a case where there was this competition between exports and imports of cotton textile products to any great extent, a least.

Mr. MIZELL. Mr. Chairman, one more question:

Don't you think, in all honesty, that our own industry should be able to purchase our cotton at the same price as a foreign country could, especially when the taxpayers' dollars are going to subsidize the cotton program, and the cotton producers in this country?

Mr. BRACEY. Yes, sir; I agree entirely with that statement. And when it is put on that basis we will support it to the *n*th degree.

But it is not on that basis now. This is not one price now. One price would be delivered to your mills as opposed to delivery to a mill in Asia or some other point, and this is not the fact or the case at this point. That is the only point that we are raising here.

Mr. MIZELL. That is all, Mr. Chairman.

Mr. ABERNETHY. Mr. Burlison?

Mr. BURLISON. Thank you, Mr. Chairman.

I would like to commend Mr. Bracey on the fine statement. I have only one point that I would like to pursue with Mr. Bracey.

Do you happen to be acquainted with the proposal of the administration, or at least one of the proposals dealing with the set-aside concept? As I understand this, the farmer will be required to take out of production a certain percentage of his allotment for each crop as a condition of his participation in the Government's program.

As I understand it at this time the farmer would not be paid anything for removing this cropland from production. This is the price he pays for participation in the program.

Now, what is your opinion as to whether the farmers of our district, the district that you live in, the Boot Hill Delta farmland of southeast Missouri, as to whether the farmers can live with a program of that nature?

Mr. BRACEY. Well, if we have the correct understanding of it. Mr. Burlison, they could not for the simple reason they are just taking another income reduction because they would not get any payment on the set-aside.

Now, of course, if the administration would follow through with an increase in payments, or loan levels or some other means to offset this loss, then I suppose we could end up about the same place. But as we understand it as of now, no such proposal has ever been made, and the end result is you are setting aside *x* number of acres, which would be further subtracted from your income.

Mr. BURLISON. The farmer would still be required to pay taxes?

Mr. BRACEY. Yes.

Mr. BURLISON. Would not another alternative—you mentioned the alternative of a higher loan level with higher direct payments. Would not another alternative be direct payment to the farmer for the acreage that he removes from production?

Mr. BRACEY. We think so. In fact, we think that would be compatible with what we recommended here. If you pay a man on an allotment easement basis or annually or on a long-term basis, then you are giving him some income.

But, otherwise, you have not done anything except hurt him.

Mr. ABERNETHY. Mr. O'Neal?

Mr. O'NEAL. Mr. Chairman, I will not take very long.

Mr. Bracey, when I came to Congress, in January 1965, one of the biggest problems facing us at that time was the tremendous carryover of cotton. I think we had about 14 or 15 million bales in warehouses.

Of course, before the year was up, it went over 16 million bales, I believe.

Mr. BRACEY. Yes, sir.

Mr. O'NEAL. The critics of agriculture and cotton were screaming about the cost of Government. What is that carryover today?

Mr. BRACEY. The latest estimate I have seen is about 6½ million bales.

Mr. O'NEAL. Would you think this is good or bad?

Mr. BRACEY. We think it is about where it ought to be; yes, sir. We ought to maintain it.

Mr. O'NEAL. So we do think reducing this extremely high and maybe unreasonable level from 16 million bales down to 6½ million bales, getting rid of 10 million bales, and saving the cost to the Government is good?

Mr. BRACEY. Holding the carryover down is good, yes, sir.

Mr. O'NEAL. Why didn't you list it? As a new Member of Congress I heard more about the carryover and cost of the Government than anything else, when people were advocating the one-price system. But when you list the objectives on page 1, you list three and say that they haven't accomplished a single objective. I was wondering why you didn't list it, this is one of the main ones talked about.

Mr. BRACEY. Mr. O'Neal, I didn't believe in all fairness and frankness that you can say that the one-price system was responsible for the reduction.

We had 2 years in a row of crop disasters, almost 3 in a row. In my area we had 3 in a row, and I think weather has had much, much more to do with cotton production in the last 3 or 4 years than anything that the program has provided regardless of the program.

Mr. O'NEAL. All I know is that they were saying that it would.

Mr. BRACEY. The reason you can't say it did, Mr. O'Neal, at least in our thinking, is by virtue of the fact that instead of increasing offtake, offtake of cotton has actually decreased under the one-price system, so you couldn't say it is responsible for the reduction because if so then cotton offtake would have to increase rather than decrease.

So you have to put it where it was. It was the weather.

Mr. O'NEAL. I readily can see that your background is more than mine. I will not argue that point, but this is what they told me would hapepn, and it did happen.

Mr. ABERNETHY. Mr. Alexander?

Mr. ALEXANDER. No questions.

Mr. ABERNETHY. Thank you very much.

Mr. BRACEY. Thank you, Mr. Abernethy, and members of the committee.

Mr. ABERNETHY. The next witness scheduled for this morning is Mr. Graham. He called and he asked that he be permitted to testify another day, so the next witness would be Mr. Rhodes of the New York Cotton Exchange.

Missouri seems to be in charge here this morning.

Mr. Burlison wishes to introduce Mr. Rhodes.

Mr. BURLISON. Thank you, Mr. Chairman.

Maybe Mr. Rhodes represents the poor country boy that went to the city and made good. Anyway, I am pleased to make the committee cognizant that Mr. Rhodes was born and reared in my district, and now has a substantial farming interest in my district.

Many members of his family are very successful and respected farmers in southeast Missouri's Boot Heel.

So I am extremely pleased to have Mr. Rhodes here with us.

Mr. ABERNETHY. Thank you.

You may proceed with your statement, sir.

STATEMENT OF F. MARION RHODES, PRESIDENT, NEW YORK COTTON EXCHANGE

Mr. RHODES. Mr. Chairman, my name is F. Marion Rhodes. I am president of the New York Cotton Exchange, the only active cotton futures market in the United States. I am appearing here today on behalf of that organization. Let me say at the outset that I welcome the opportunity to present to this subcommittee the views of our organization on a cotton program for 1971 and future years.

The enactment of the Food and Agriculture Act of 1965 in November of 1965 was a major turning point in the history of the U.S. cotton industry. During the past 4 crop years, the cotton industry has succeeded in slowing down the deterioration that had been taking place at an increasing rapid rate for more than two decades. The Food and Agriculture Act authorized the first economically sound cotton program since 1935. Admittedly, the current program lacks a lot of being a perfect program; nevertheless in most respects the U.S. cotton industry has been moving in the right direction. For example, it has resulted in the following improvements in our cotton situation:

1. U.S.-grown cotton has been moving into domestic textile mills and into export channels at the same price.

2. It has reestablished the basic principle of cotton moving from the producer to the consumer through normal trade channels.

3. In 2 years, it reduced the extremely high August 1, 1966, carryover of 16.9 million bales of cotton to normal levels.

4. Eliminated the 1966 record high Commodity Credit Corp. stock of upland cotton.

Mr. ABERNETHY. We will also have to give thanks to the weatherman.

Mr. RHODES. Yes, sir; the weatherman was a big aid. In fact, in my opinion, the severe weather resulted in the adjustment being made more rapidly than was desirable.

5. Reduced the spot market price of cotton to a level that has been more nearly competitive with foreign-produced cotton and manmade fibers.

6. Minimized the role of Government in buying, transporting, storing and, selling the annual U.S. production of cotton.

7. Finally I would say it enabled the New York Cotton Exchange to again operate in a limited manner and again perform the important function of providing a hedging medium for producers, merchants, and textile mills.

It is noteworthy, Mr. Chairman, that the initial producer opposition to the current program has long since disappeared. There are few, if any, actual cotton producers who are not well satisfied with the basic provisions of the current program.

In my opinion, nearly all the leaders of the various segments of the cotton industry agree that a cotton program will be needed for the foreseeable future. It is clear that cotton producers want and must have help if their incomes are to be brought up to the level of the national average.

Unless this committee and this Congress pass new legislation in the next few months, the 1971 cotton program will automatically revert back to the old program of above market-price CCC loans, huge CCC stocks of cotton, export subsidies, two-priced cotton and with the Federal Government running the entire cotton industry. You will remember that it was under this type of program that both domestic and foreign textile mills began switching from cotton to manmade fibers and imports of cotton textiles started skyrocketing. At the same time, we were holding a price umbrella over all other cotton producers throughout the world, who, incidentally, now supply most of our former customers.

Secretary Hardin recently pointed out, in testimony before the House Agriculture Committee, that USDA estimated net farm income would decrease $1 billion below the 1969 level in the event current farm programs expired and we reverted to the type program in effect in 1965 and prior years.

In our opinion, the current cotton program could be strengthened and improved by the following changes: U.S. cotton would be more competitive with manmade fibers and foreign-grown cotton and the total cost of the program would be reduced. It is immaterial whether the changes are accomplished by amending and extending title IV of the Food and Agriculture Act of 1965 or by a new piece of legislation along the line of USDA's set-aside proposal.

1. We recommend that we make the cotton program permanent. No purpose is served by passing farm legislation for a specific

time period since Congress always has the power to amend or cancel a program.

2. Make cotton program voluntary. Eliminate cotton marketing quotas and penalties. For many years a substantial number of the larger, more efficient cotton producers have desired to produce cotton for the world market without Government subsidies.

I would like to interject here that I firmly agree with what I understood the chairman to say, we are now confronted with a special new problem, the problem is not too much production, it is a question of not getting sufficient cotton produced.

3. Establish annually either (*a*) a national acreage allotment adequate to provide the production needed, together with; (1) the estimated carryover at the beginning of the marketing year which begins in the next calendar year, and (2) the estimated imports during such marketing year to make available a normal supply of cotton; or (*b*) a domestic allotment designed to produce a quantity of cotton equal to estimated domestic consumption of cotton for the marketing year beginning in the year in which the crop is to be produced, except that such allotment shall not be less than 85 per centum of the domestic allotment for the preceding crop.

Of course, what I am suggesting is that a program could be approached in either of two ways. We can continue the type allotment program we have had for the last 25 or 30 years, setting up a national allotment, or in my opinion, you can use the approach recommended by the current administration in its set-aside proposal. And either one could be made to work.

The national average planted yield per acre of cotton for the 4 years immediately preceding the year in which the allotment is being determined should be used in computing either the national or domestic acreage allotment, whichever approach was used.

Either of the above procedures would nullify the 16 million minimum national acreage allotment provided for by current legislation.

Allotment established under either 3(*a*) and 3(*b*) above would be distributed to the States, counties, and farms in accordance with present law.

In my opinion cotton production trends during the past 4 years indicate a very substantial percentage of cotton producers will plant only the acreage required in order to qualify for their payments. It seems to me, therefore, highly doubtful that the domestic allotment proposal (3(*b*) above—USDA proposal) would result in sufficient cotton being produced to fulfill our domestic and export requirements and maintain a reasonable carryover. This dangerous situation could be eliminated by authorizing the Secretary of Agriculture to require cotton producers to plant a fixed percentage in excess of their domestic allotment in order to qualify for price support payments—for example, 110 or 120 percent—of the domestic allotments. Everyone familiar with the cotton industry should be aware of the importance of assuring both our domestic mills and foreign customers that adequate supplies of the various qualities of cotton will be available.

4. We would strongly recommend eliminating Government loans on cotton. I am aware, however, that this may not be within the realm of possibility and, therefore, we would recommend that price support loans be made available to all participating producers on all cotton

produced from the 1971 and succeeding crops, at a rate not in excess of 80 percent of the average price for Middling 1-inch cotton in the designated spot markets in the 3 marketing years preceding the marketing year in which such level is announced. In order to qualify for a loan, if the Secretary so determines, a producer would be required to set aside an acreage of cropland equal to the farm set-aside acreage determined for his farm, which would be in addition to any conserving base, which may have been determined for his farm. Based on 1966–68 price data—latest price data available—this provision would provide for a loan level not in excess of 18.6 cents per pound.

We feel that the U.S. loan should not be tied to world prices for two basic reasons.

First, it is impossible to estimate what world prices are going to be.

Second, U.S. prices are the basic consideration in the determination of world price. We, for all practical purposes, determine world prices when we fix our loan rates and when the CCC sets its sale policy. Foreign countries move their price a few points above us, and then that presumably becomes the world price.

5. Make price support payments directly to the producer on his actual production, (*a*) total cotton acreage allotment, or (*b*) domestic cotton acreage allotment.

The rate of the payment would depend on whether it was based on a total or domestic cotton allotment. The rate of payment should be related to the average farm price of cotton for the month the cotton was sold and be fixed at a level which would provide cotton producers a reasonable return on their capital investment, labor, and managerial ability. These variable payments based on the average farm price of cotton would serve as an incentive to producers to be more efficient in the production and marketing of cotton and would substitute for the provisions of current legislation which require that the price support payment and loan level equal a fixed percentage of parity.

6. Eliminate all special small farm payment provisions and provide transitional programs to assist small cotton farmers in making the necessary adjustment to nonagricultural pursuits and to provide opportunities for gainful employment.

7. Eliminate many of the restrictions which currently apply to the sale and lease of allotments.

8. There is no economic justification for limiting the size of payment a producer may earn under the farm program. If, however, payment limitations become inevitable, they should be based on a sliding scale, and the Secretary should be authorized to adjust the set-aside requirements to make it easier for producers affected by such limitations.

9. Improve the cotton crop insurance program to protect the producers against crop disasters and then make it available in all counties in the United States which produce cotton.

In closing, let me repeat that we are headed in the right direction under our current program. It is imperative that we maintain and expand the progress made during the past 4 years. All segments of the industry should unite behind corrective amendments and insist

on better administration. Unfortunately, we are running out of time. The year of grace the 90th Congress provided by extending the existing farm program until December 31, 1970, has about expired. In a few short months the cotton industry will be in dire need of information on future cotton programs. We urge, therefore, that this committee move with dispatch in reporting out a bill strengthening and extending our current cotton program.

Thank you, Mr. Chairman, for the opportunity to present the views of our exchange on cotton legislation.

Mr. ABERNETHY. Thank you very much, Mr. Rhodes.

Is it your opinion that the occupation of producing cotton has reached a point now that we cannot be assured under the current situation that an adequate crop of cotton will be produced to maintain a healthy cotton economy in this country?

Mr. RHODES. In my opinion——

Mr. ABERNETHY. In other words, is the problem confronting us one of surplus or is it one of deficit, and should the emphasis be put on encouraging production and retaining production?

Mr. RHODES. In my opinion, Chairman Abernethy, the great majority of cotton farmers cannot produce cotton for the price it will sell for in the marketplace. I think, we, for the foreseeable future, are going to have to continue a payment program.

In my opinion, if the payments are based entirely on an allotment which is designed to produce only domestic requirements, it is highly doubtful that enough cotton farmers would exceed their domestic allotment even though they would be given permission to do so, to produce an adequate supply for export and maintain a reasonable carryover in this country.

Mr. ABERNETHY. What do you anticipate? Your judgment is that if we just set up the program and leave the rest up to the farmers, we won't get an adequate crop?

Mr. RHODES. Yes, and that is why I said, and recommended in my statement, if you follow the domestic allotment approach that the Secretary should be given authority to require the producer to plant 110 or 120 percent of his domestic allotment, if necessary.

In other words, to qualify for his payment.

If I may go one step further, I would recommend that we continue the present system of setting up a total allotment. But I am aware of the fact that there is a great conflict in this country, and some want to do it one way and some want to do it another.

I am merely pointing out that it could be done either way.

Mr. ABERNETHY. But you do agree that this is a risk that we can't afford to take?

Mr. RHODES. Definitely so.

Mr. ABERNETHY. You are not testifying simply as an officer of the cotton exchange, you have had a lot of experience with cotton?

Mr. RHODES. About 40 years.

Mr. ABERNETHY. Would you put something in the record, some of the background you have in the field of cotton? I am sure it should be in the record.

How long were you with the department?

Mr. RHODES. The department, 27 years.

Mr. ABERNETHY. In what branch of the department?

Mr. RHODES. Well, at one stage I was director of the division of price, and later I was an assistant to the administrator of what was then called the production and marketing administration.

From that position I became director, office of requirements and allocations charged with allocating food and fibers to foreign countries after World War II.

In 1952 I took over what was called the cotton branch, which at that time handled all cotton programs, research, and marketing classifying of cotton, and the acreage allotment and marketing quota program.

Mr. ABERNETHY. And in addition you are still producing cotton?

Mr. RHODES. Our family has been growing cotton since 1922 in New Madrid County, Mo.

Mr. ABERNETHY. I was interested in your statement about projected yields, is it not your view that the use of this provision has encouraged a good many people to plant a crop, collect their payment, and then just let it go?

Mr. RHODES. It is an absolute known fact, Congressman Abernethy, it has happened throughout the belt.

In addition to that, it is most difficult to set accurate projected yields for the 600,000 farms throughout the belt. We know there is a lot of juggling that takes place in setting these yields, and it seems to me there is only one advantage in basing payments on projected yield, it does provide an element of insurance.

That is the reason I made it a specific point here that we should strengthen the insurance program. I think the Government should provide a program under which it would be possible for a cotton farmer to insure himself if he wants to. But I don't think the two should be tied together.

Mr. ABERNETHY. To what extent would it be helpful to those during disaster? I think that has been part of the objective of it, but at the same time it has produced some burdens in the cotton industry.

Now, you recognize we are faced with the practical situation of support payments.

Mr. RHODES. Yes.

Mr. ABERNETHY. Back to the production. Unless we get a crop at a certain level, and I would assume you would agree with the general objectives, the level about 12 million bales, as everyone, most everyone suggested including the department, that if we don't have a program that insures us of getting 12 million bales, we are definitely phasing this country out of the cotton business, and we cannot afford not to make the mistake of not getting 12 million?

Mr. RHODES. I agree entirely.

Mr. ABERNETHY. Once the mistake is made it is too late to correct; is that right?

Mr. RHODES. That is correct. The market is gone.

One of the things I think I can see is that a number of people in this country are prepared for the United States to give up its export market entirely, and be satisfied with producing cotton only for domestic consumption. This would be harmful to the whole industry, in my opinion.

Mr. ABERNETHY. Mr. Sisk.

Mr. Sisk. Mr. Chairman, I want to join you in commenting on Mr. Rhodes' statement, I think he did a very excellent job.

I think the chairman has discussed some of the points that I had in mind with you. I know you have made considerable studies of the problems under the administration's set-aside program. I think you have already illustrated that in your statement.

I would like you to comment a little further, do you feel under the proposed projections that the Department has, that we will get anything closer to the 12 million or 13 million bales that we agree we must have in the cotton business? I recognize we are still working with unanswered details.

Mr. Rhodes. I am very happy to comment on it, and I have talked with a number of men in the Department on this very point. Of course, the rates that are set for the loan program and the rates that are set under the payment program will have a great deal of effect on the amount of production we get. But in general, I have great fear that if you took the Department's proposal as I understand it, that you would not produce an adequate supply of cotton for domestic and export requirements and maintain a reasonable carryover.

I say this because this country should have a much bigger carryover than we used to think necessary. The old law provided for about a 4-million bale carryover, and that is no longer adequate in my opinion. I would say the department needs to take a further look at that phase of it, and I also have some doubts about their set-aside provision—If it is true that they are thinking about requiring cotton producers to set aside 75 to 100 percent of their domestic allotment. I have not been able to find out for sure what percentage they are thinking of. A reasonable level would probably be acceptable to most farmers—But if it is set too high, I think, it would become a very controversial issue.

Mr. Sisk. My concern is, of course, not to do something that is actually going to discourage production and make it impossible for us to get an amount of cotton produced. I am afraid, and here again I am not being critical because I recognize there are still a lot of if's, and's, and but's, they are overoptimistic under their provision as to what can be produced. This is why I think it is necessary that we examine and try to be sure that we leave ample flexibility to move in quickly and make changes that would permit moving up or getting ready for production.

You discussed briefly the matter of price. As I understand it, you would rather have a lot price. In view of the practicalities which I think you will have to agree we are going to have some kind of loan rates. You propose to set the loan on a moving rate rather than a fixed rate, is that correct?

Mr. Rhodes. Yes, sir. I have come to the conclusions we should set our own loan rates on domestic prices partly because we have an excellent system in the United States of determining prices, and daily announcing them to the public. I think it would be much better if our loan rates were based on the average of the 12 spot markets, that are published daily in this country.

Mr. Sisk. You would provide 80 percent?

Mr. Rhodes. Eighty percent as the maximum.

Mr. SISK. In other words, you set that as a maximum and it could go down to 70 or 75?

Mr. RHODES. That is right, that is my opinion. We have got to get our loan down lower for a period of time if we are really going to get back in the foreign market.

Mr. SISK. I agree, and I think it is certainly essential. We have to build up or regain more foreign markets in your opinion, this then would afford operating as an umbrella to the rest of the world to duck under us and undersell us?

Mr. RHODES. The reason I would like to get rid of the loan is that it tends to be a ceiling rather than a floor. It is designed as a floor but it has operated as a ceiling.

I made a trip to Memphis, and through the Southeast area in the past week. When you talk to cotton buyers about cotton prices, they always quote a price based on the loan rate for a given quality of cotton. Every price they quote you is tied to the loan. If we didn't have a loan, in my opinion, you might have an active market and it might very well be at a substantially higher level.

Mr. SISK. Mr. Chairman, one more question.

Mr. ABERNETHY. Go ahead.

Mr. SISK. Because of the many, many years of experience you had in the Department dealing with the problems of cotton production and domestic sales and foreign sales, you know what our problems are in connection with this question of how we determine these payments, whether we pay them on the domestic allotment or total. I have some strong feelings in this area. Yet based on the problems as they are presented to us by the Department, if we put them on a total allotment we are going to run into the GATT agreement, et cetera. Because of your experience through the years, going back to the beginning of GATT and some of these price agreements, would you comment on their effect. I am not seeking criticism. I think the department would like this also. They seem to feel they will run head-on into the State Department.

Mr. RHODES. I think you are almost certain to run into difficulty with the State Department if you make the payments on the total allotment. In the days I spent in the Department of Agriculture I didn't worry too much about running into the State Department if I could still win my battle.

I think, however, if you can work out a system under which you are theoretically making payments on the domestic portion, but still get the production we need, then it might be less controversial. It might work to our advantage, but I certainly would say, Congressman Sisk, that if such a system cannot be designed, rather than run any risk of not producing adequate cotton, I would recommend payments be based on the total production and carry on the battles where we have to carry them on, whether it is with the State Department or in the realm of the international agreements such as GATT.

Mr. ABERNETHY. Would the gentleman yield?

In some of our conferences it was suggested, it wasn't my idea, maybe I would raise the question in the conference, oppose the point. However, that a payment be made on the cost of production to insure the cost of production, such as Mr. Bracey testified to this morning. Would the Department raise the question that this might be in conflict with

our GATT? We know a brief was prepared on the point and submitted to the Department. One of the assistant secretaries advised me after they studied the brief that it would not conflict with GATT. Such a payment would not be contrary to the GATT agreement.

Mr. SISK. I agree with the comments of the distinguished Chairman. I had some reservations myself. I remember early in my career, Mr. Chairman, I think back in 1956 or 1955, we went down to the White House and we were requesting the then President Eisenhower to get in the foreign market. I remember certain people standing next to the President, and I am sure the distinguished gentleman from Mississippi was in that group.

Mr. ABERNETHY. We have a provision in the law which the gentleman from North Carolina referred to, and made it the law of the land. They had to export cotton at the world price. I don't see that it caused us any problem in the foreign countries.

Mr. SISK. I thank you, Mr. Chairman, and I thank you very, very much.

Mr. ABERNETHY. Mr. Mizell?

Mr. MIZELL. You made a statement, Mr. Rhodes, that I would like you to comment on further.

You said that if we could eliminate the loans there is a good probability that the price might even be higher than it is with the loan program.

Mr. RHODES. Yes, sir. In my opinion if you have a real low loan it does not do any good, and it may do some damage. I think that in the first year or two, at least the first year, cotton prices would probably go to the loan level. I think once you get the market working and the supply and demand controlling the market, that you will have a price movement up and down with supply and demand, and you very well could have a higher price in the marketplace without a loan than you do have under our current program.

Mr. MIZELL. Do you think it would increase competitive bidding for cotton, and therefore bring a better price?

Mr. RHODES. Certainly, if the loan is not the controlling price, if you let supply and demand operate like it operates in normal business, then eventually in a matter of 2 or 3 years you would have a better market, a wider market.

Mr. MIZELL. Thank you, Mr. Chairman.

Mr. ABERNETHY. Mr. Burlison?

Mr. BURLISON. I would like to commend you for your fine statement. I want to briefly cover only two points in your statement.

On page 5 where you advocate a little more incentive, encouragement for higher cotton production by the Secretary requiring participants in the program to plant 110 or 120 percent of their allotment in order to participate in the program.

Well, under this would the farmer be paid a direct payment on this additional that he is being required to produce, or would this just be a part of the price of participating in the program?

Mr. RHODES. It would be a requirement to qualify for payment under the program.

In other words, if you operated on a domestic allotment only, then the Secretary may have one or two or three things that the producer is required to do in order to qualify for his payment. One

might be he has to plant 110 percent of his allotment and another might be that he has to meet his set-aside requirement. And in some areas producers have "conservation reserves" they are required to satisfy.

Mr. BURLISON. The other point is the question of basing direct payments on the actual versus the projected yield. I think that probably you are very familiar with the weather conditions that we had in southeast Missouri in 1965, 1966, and 1967. Three consecutive years of virtual disaster as far as the farmer who was trying to produce cotton was concerned.

Don't you feel that on the actual payment basis that all of our farmers, our large farmers and small farmers, would have been bankrupt by these 3 years?

Mr. RHODES. Well, without some other type of insurance, I think it would have been a very drastic situation.

Therefore, I suggest you do away with projected yields, but provide insurance protection so that a cotton farmer can take insurance on his crop in a normal manner through an insurance policy rather than trying to obtain insurance through a system of protected yields.

Mr. BURLISON. Won't it be at a cost to the producer?

Mr. RHODES. Yes, sir; it certainly would.

Mr. BURLISON. Would it be likely the proceeds of insurance on a lost crop would be equal to 100 percent of his normal year's return?

Mr. RHODES. Well, I think that would depend on the way the insurance was developed. In my opinion, the present insurance, under the Federal Crop Insurance Corporation, is not adequate. My recommendation is that it be strengthened, increased, and made available in every county where cotton is produced.

Mr. BURLISON. Thank you very much.

Mr. ABERNETHY. Mr. O'Neal?

Mr. O'NEAL. No questions.

Mr. ABERNETHY. Thank you, Mr. Rhodes. You have been very helpful.

The committee will stand recessed until tomorrow morning at 10 o'clock.

(Whereupon, at 11:55 a.m., the subcommittee recessed, to reconvene tomorrow, Wednesday, November 19, 1969, at 10 a.m.)

COTTON

WEDNESDAY, NOVEMBER 19, 1969

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COTTON OF THE
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10:10 a.m., in room 1302, Longworth House Office Building, Hon. Thomas G. Abernethy (chairman of the subcommittee) presiding.

Present: Representatives Abernethy, Sisk, Burlison, Price of Texas, and Mizell.

Also present: Representative Alexander.

Lacey C. Sharp, general counsel; Mrs. Martha S. Hannah, subcommittee clerk; and Fred Ward, assistant staff consultant.

Mr. ABERNETHY. The subcommittee has reconvened this morning for the purpose of taking further testimony on legislation relating to cotton.

The first witness will be Mr. J. E. Mayes, president of the National Cotton Council.

Mr. Mayes is accompanied by Dr. C. R. Sayre, of Greenwood, Miss., Mr. Joe Pate, of Lubbock, Tex., Mr. Bruce Lynn, of Gilliam, La., and Mr. Joe Sheely, Tolleson, Ariz.

STATEMENT OF J. E. MAYES, PRESIDENT, NATIONAL COTTON COUNCIL

Mr. MAYES. Thank you, Mr. Chairman.

My name is J. E. Mayes. I am a cotton farmer of Mayesville, S.C., and this year I serve as president of the National Cotton Council.

My appearance here today is in behalf of that organization, which has its headquarters in Memphis, Tenn.

The council is the central organization of the American cotton industry, representing cotton producers, ginners, merchants, warehousemen, cooperatives, cotton textile manufacturers, and cottonseed crushers.

Others in our delegation are Dr. C. R. Sayre, of Greenwood, Miss., who is chairman of our industry practices and policies committee; Mr. Bruce N. Lynn, of Gilliam, Tex., who is chairman of our producer steering committee; Mr. Joe Pate, of Lubbock, Tex., who represents that State on our producer steering committee, and Mr. Joe A. Sheely, of Tolleson, Ariz., who is the western regional producer member of our board.

Dr. Sayre will present the details of our position which bear in new cotton legislation.

Of course, all members of our delegation are available to the subcommittee for comment.

Before calling on Dr. Sayre, I would like to comment on one of the key questions involved in shaping a Government cotton program for the future. This is the question of whether the whole Nation has a vital stake in maintaining a strong, vigorous cotton economy.

In searching for the answer, we cannot limit our concern to the 1,300,000 Americans who live on cotton farms or the 5 million Americans who depend to an important extent upon employment involved in producing, marketing, and processing cotton and cottonseed. We cannot think only of the fact that cotton is a great source of base income, with a very substantial effect upon the entire economies of these 14 States.

We must consider what is important to all citizens in every town, farm, and city throughout this country. Of course, it is in their interest for our cotton economy to be prosperous, but there is far more than this to concern them.

The entire textile industry of the United States—omitting tire fabric—still consumes almost as many pounds of cotton as all the manmade fibers combined. The entire spinning industry—which uses rayon, polyester, wool, and all the rest—still relies upon cotton for more than 60 percent of all the fiber it consumes. Our whole great textile industry depends vitally upon cotton as its leading raw material.

Our textile industry employs a million workers. Beyond that nearly 1½ million more are employed in the manufacture of clothing. The retail sales of clothing alone now total $50 billion a year, not to mention the textile-home furnishings and industrial uses. Cotton, the leading raw material of all this enterprise, is a basic and vital ingredient of the Nation's employment and stability. If the supply is short, crisis can come quickly. The mere threat of a shortage in 1967 sent prices soaring.

For all consumers, cotton has a special importance. They want the comfort and reliability of cotton products in many uses, but this is not all. They need to keep cotton alive as a strong competitor for the privilege of serving them. If we believe in competition and in the value of the small businessman in a healthy society, we must recognize what it means for this country to have 300,000 separate cotton farmers competing with an industry which is dominated by three or four synthetic fiber companies. If our cotton is destroyed and our textile economy becomes dependent on these few companies, the whole competitive drive to serve the consumer with abundant, low-cost constantly improving fiber products will surely suffer. It is important to all citizens to keep cotton in the contest with manmade fibers.

In the drive to hold down inflation, we cannot afford to give up the competitive influence of cotton. We have the official figures on the average prices received by farmers for all qualities of upland cotton during the months of August, September, and October. They average just about 20½ cents a pound. That is lower than the average price received in any season during the past quarter of a century. If we average the prices received by farmers in the same 3 months of every season throughout the decade of the 1950's, we find that it came to 34¼ cents a pound. This season's price is nearly 14 cents lower

than the average price of the last decade. We hear a lot about the cost of Government payments to the taxpayer, but let me point out that the market price plus the payment per pound of projected yield on the domestic allotment adds to little more than the price which the farmer got from the market alone in the last decade. When the American citizen looks at himself in the combined role of taxpayer and consumer, he has to acknowledge that cotton is not draining the pocketbook but is serving his interests far better than most other commodities and most other sectors of the economy.

And what about the impact of the rest of agriculture if cotton is destroyed?

Our resources would make a great deal of trouble for all of agriculture if we were forced to convert our rich land to other crops and enterprises. Instead of competing with other farmers for their markets, we think our soundest course is to solve the cotton problem and build cotton's markets.

Cotton is a great international commodity. Just as it is vital to a great deal of employment in this country, so it is in most other countries of the world. We have long been the world's leading cotton producer and exporter, and this is one source of national strength. Cotton is a very important earner of foreign exchange. Our country has the capacity to make cotton competitive and dynamic through technology, capital, modern management, and the sophisticated marketing techniques which are now required. This opportunity is unique for us, since most other countries with the soil and climate to grow cotton are in the underdeveloped category.

If all these are understood, it seems clear enough that our country needs its cotton economy. It seems clear that our Government can afford to act in partnership with cotton producers to insure adequate supplies at stable and competitive prices and to have forward-looking programs of costcutting and product improvement. The recommendations Dr. Sayre will discuss with you are based on that assumption.

I do want to say just a word about how these recommendations of the Council were developed. By agreement of all the interests in the Council, the producer group takes the initiative in coming up with cotton program proposals for the entire organization. This is partly because the producers have the most at stake, and partly because their large numbers make it difficult for them to establish a broad base of agreement among themselves.

We worked at this job through the Council's producer steering committee, which is elected by our producer delegates and which represents all 14 of the major cotton States. The delegates who elected the committee were selected by 32 cotton-producer organizations in the 14 major States.

The committee started its policy development job in the fall of 1968. In addition to meeting itself, the committee held regional-producer meetings across the Cotton Belt to discuss objectives and proposals. At the Council's annual meeting in February of this year, the producer committee presented its recommendations to our industry practices and policies committee, and they were approved. Our entire delegate body approved these recommendations as cotton program guidelines, with the understanding that they could be further modified by the Board during the year.

Subsequently, the producer steering committee held another belt-wide meeting of producer leaders. The guidelines were reconsidered and modified in some respects by the committee. Then they were submitted to our full Board, where all interests were represented, in early September. With a few modifications, the Board approved the producer guidelines and they became official Council policy.

We are not here to tell this subcommittee that all cotton people are in complete agreement on each and every aspect of a future cotton program. Obviously, that is impossible in an industry as big and diverse as ours. But the Council's positions do reflect a very strong consensus in the industry on the essentials of a cotton program under which we can survive and go forward.

This is the background on the Council policy positions which Dr. Sayre will discuss with you now.

Mr. ABERNETHY. Thank you very much, Mr. Mayes.

Dr. Sayre.

STATEMENT OF DR. C. R. SAYRE, CHAIRMAN, INDUSTRY PRACTICES AND POLICIES COMMITTEE, NATIONAL COTTON COUNCIL

Dr. SAYRE. The recommendations of the National Cotton Council, to which our president has referred, are embodied in a brief policy statement, with only 13 provisions. They offer a sound and balanced approach to the future. These provisions are the primary framework for this statement which we would like, Mr. Chairman, to request be made a part of this record.

Mr. ABERNETHY. Permission granted.

(The recommendations referred to follow:)

RECOMMENDATIONS ADOPTED BY NATIONAL COTTON COUNCIL BOARD SEPTEMBER 5, AS BASIS FOR NEW COTTON LEGISLATION

1. Maintain competitive one-price cotton on a permanent basis;
2. Develop experimental programs that will lead to new products at home and abroad for the purpose of achieving full utilization of U.S. cotton, to be marketed under the one-price system;
3. Provide for a loan level of 90 percent of the world price with the determination of such price being made in a manner which will accurately reflect market conditions for the immediately preceding year or years;
4. Provide for dependable supplies of American cotton which are fully adequate to meet the requirements of modern competition at home and abroad;
5. Provide that the release of Government stocks may occur only at price levels, clearly defined by legislation, which will allow the marketing system to function effectively in adjusting supply-demand relationships between the different qualities of cotton, and which will permit farmers to make maximum use of normal trade channels in selling their current crop;
6. Establish an acreage allotment system aimed at providing the production actually needed each season for domestic consumption, exports, and a carry-over adequate for an expanding offtake;
7. Facilitate the sale and lease of allotments by urging: (*a*) that no limit be placed on the acreage allotment which may be transferred from farm to farm; (*b*) that transfers be permitted between any farms in a State; and (*c*) that the period during which transfers are permitted be as long as practicable;
8. Recognize that the industry's most urgent problem is to reduce production and marketing costs; and place maximum possible emphasis on a crash program of research and education to overcome that problem and permit the industry, within a reasonable time, to achieve self-sufficiency in meeting price competition;

9. Recognize that in the immediately foreseeable future, some form of cost adjustment must be provided in order for producers to sell at a competitive price and receive a reasonable return for labor, management, and investment;
10. Provide that such cost adjustment be made to the commodity rather than to the producer;
11. Strengthen the crop insurance program to provide adequate protection for high-cost, high-risk crops such as cotton;
12. Strengthen to the greatest extent possible industry advice and participation in the administrative decisions made with respect to the cotton program;
13. Reaffirm previous Council resolutions which: (*a*) oppose limitations on any farmer's benefits from a price support or payment program; (*b*) recognize the necessity of quantitative restraints on the expansion of textile imports; and (*c*) recognize that an adequate export market is vitally dependent on product development and promotion together with dependable supplies and competitive pricing.

Dr. SAYRE. We have to be competitive in price on a one-price basis. The requirements of price competition are just as severe today with synthetic fibers in the domestic market as with synthetics and foreign cotton in the export field.

Being competitive in price does not mean simply that the price should be low. A reasonably stable and dependable price is fully as important in modern fiber competition as the level of the price. Our customers at home and abroad must be made to feel that they can count upon getting all the required qualities of our cotton at prices that will fluctuate only within a reasonable range—let's say a few cents a pound. Otherwise, we put ourselves at a terrific disadvantage against the man-made fibers, which tend to be pretty stable in price. Our experience in the fall of 1967 affords a vivid illustration of how not to be competitive. We never ran out of cotton or came close to it. We had nothing like the shortage which might actually be faced sometime in the future unless we are very careful. What we really had was just the fear of a shortage, but that fear took hold of the market and ran up prices very sharply and very briefly. Any good that the farmer got out of it was offset many times over any long-lasting damage to his markets both at home and abroad.

Now, this experience underlines the critical need for government policies aimed at making the adequacy of our cotton supply dependable in the future. This means that a whole range of problems should be dealt with most carefully. The production goals of any year, as set by the Federal Government, should be large enough to ensure an adequate supply even in those years when the weather proves unfavorable for the belt as a whole. The carryover at the end of the season on August 1, should start with a minimum base of 50 percent of the average offtake for the previous three seasons in order to continue serving the market for many months until the new or next crop is fully available. And it should contain an additional amount to cover quality imbalances in our cotton stocks and uncertainties of demand caused by poor cotton-growing weather abroad, the textile cycle, and changes in foreign cotton stocks. The law now directs the Secretary of Agriculture:

> To provide a continuous and stable supply of the different qualities of cotton needed in the United States and in foreign cotton-consuming countries, and for purposes of national security.

This provision of law must be fully implemented at all times. We simply cannot compete with synthetics, which are produced every day throughout the year under precise factory controls and in the quali-

ties and quantities that customers require, unless we have a supply of cotton sufficient to meet any eventuality.

If the needed cotton is to be produced, the grower must have a reasonable incentive to produce it. We will come back to this subject later. But there are other considerations as well.

The cottongrower needs more adequate crop insurance. It takes a very big cash investment just to get a crop produced today, if the lending institutions are to go on financing cotton production, and if farmers are to take the risk involved, better and fuller safeguards against disaster in case of a crop failure must be provided. There are a number of ways that this might be approached. We feel that real possibilities lie in moving toward a farmer-owned crop insurance operation similar to the Farm Credit System.

We need firm guidelines spelled out in the law itself as to the influence which the Federal Government will have upon the price of cotton. This should not be left to the full discretion of administrators.

We recommend that the loan be set by law at 90 percent of a world price determined by actual market experience over the preceding 2 years and that the method of computing such price be a matter of public record so everyone that is concerned will know in advance exactly how it is to be determined. The only deviation that should be permitted would be a directive to the Secretary to adjust for any abnormalities that might occur in world prices which would force our price out of competitive range on the high side. The loan itself would, of course, take care of such a contingency on the low side.

Likewise, the method of releasing cotton out of Government stocks should be firmly governed by the law itself. We must always remember that if a truly adequate supply policy is to be adopted, there will be some seasons when good weather or a downturn in the demand cycle will cause excessive stocks to accumulate. The presence of such stocks should not be allowed to depress the market because of the fear of what the administrators might decide to do. Rather the excess stocks should be liquidated under rules defined clearly by the Congress itself, certainly at not less than 110 percent of the loan price plus carrying charges. The Department of Agriculture is presently studying loan procedures to determine whether some change in the loan maturity date would be desirable. The findings of this study should be considered in connection with the Government's cotton stock policy.

Enormous progress has been made over recent years in reducing cotton production costs. Since the end of World War II the labor required to produce a bale of cotton has been reduced from 175 man-hours to 25, and yields have been increased more than 100 percent. Had it not been for this great progress cotton production costs would be more than double the present average cost of about 30 cents a pound and competition would have run us out of business long ago. But despite these gains, manmade fiber producers and foreign growers have brought down their costs even more, until today our cotton has to sell far below average production cost to compete with them in price.

Obviously, our greatest need is to reduce our cotton production costs still further. And our greatest hope for the future lies in the fact that we do have a real potential for doing so. We have the assurances of the top research people in USDA, the State experiment stations and private industry that cotton production costs can be reduced by the

full amount of our present cost-price differential, if the research attack that has already been blueprinted is promptly carried out. The inclusion of this cost-cutting research operation and the extension activity to get results quickly into practice is an absolute essential in a successful cotton program—and thankfully this is one of the least expensive items in the program.

Another important factor in reducing costs is to permit the movement of cotton production into more efficient hands and areas. The present law provides for sale and lease of allotments but imposes restrictions that experience has shown to be undesirable. We recommend: (*a*) that no limit be placed on the acreage allotment which may be transferred from farm to farm; (*b*) that transfers be permitted between any farm in a State; and (*c*) that the period during which transfers are permitted be as long as practicable.

The problem of getting cotton produced is counterbalanced by the problem of building up the demand. Production and consumption must move upward through the years in a sound equilibrium. On the demand side the overtowering problem is that of meeting synthetic fiber competition at home and abroad. The synthetic producers are perfectly organized to use all the strategic tools of market penetration. We must be realistic in converting those tools or those same tools to the service of cotton. Research to develop new and better products is one of those tools and promotion to sell more cotton products is another. Cotton producers themselves, through the CPI, are now financing a big part of this kind of work which is done for cotton, but much more is needed to meet synthetic competition.

But what if a new product or process is developed which seems to hold promise for increasing the consumption of cotton?

Is it still necessary to interest a textile mill or some other industrial concern to taking the new process and putting it to commercial use? This usually involves a great deal of experimentation and market development by the industrial user, and that is a highly expensive and speculative kind of activity. The synthetic fiber companies have a ready-made answer to the problem. If they have something new and promising, they can go to the textile company and deal with it on a very practical basis. They can offer whatever incentive is needed to overcome the risk and the expense which the customer firm must encounter. The incentive can take any number of forms, or more likely, a combination of them: price concessions, the loan of expert personnel, promotional subsidies, and so on. One of our major handicaps in cotton is that we are not set up to do that kind of thing. This is a handicap to the consumer as well as to the producer. Therefore, we recommend that some practical means be found to finance experimental programs of this nature for cotton. Such programs are needed both in this country and in leading cotton-consuming countries abroad. They might take the form of price concessions on cotton in very limited and specific situations where this is necessary in order to get a new research development into practical trial and use. We feel very strongly that such activity is essential if cotton is to survive against modern competition. Of course, it would be entirely consistent with our general position in favor of a permanent one-price system.

We are not in favor of price differentiation between our domestic and foreign markets. We merely desire to let cotton compete effectively

on modern terms in both markets by use of methods which have long been employed by its synthetic competitors.

It is very true, of course, that we do need to give very special attention to our export problem. Cotton cannot fully serve the national interest without a strong export market. It should be pointed out with all emphasis that our exports last year were down to no more than half of what we could possibly consider normal and that the outlook for the new season shows no great improvement as of now. We must maintain a competitive price in the export field, and we must stress research and promotion to meet the synthetic threat in foreign markets as well as domestic.

Except for the very recent foreign cotton production increases caused by the price gyrations of 1967–68, our main losses in the export market in the last 5 years has gone to synthetic fibers rather than foreign cotton. This points toward a special need in foreign consuming countries for more emphasis on market development work of the kind our manmade fiber competitors have used against us so effectively. We need the continued cooperation of our Government in a whole range of activities aimed at making foreign users appreciate American cotton. In particular, we must maintain and strengthen the use of special credit arrangements to expedite the sale of our cotton abroad.

Ironically, we have encountered serious losses through imports as well as exports. International trade can hardly be called a two-way street where cotton is concerned. Our exports are seriously down and our imports are seriously up. The imports which concern us are in the form of manufactured products. Virtually all the upland cotton used by our domestic mills is grown by American producers, but the preponderance of the imported cotton textiles are made from cotton which is grown in other countries. Foreign grown cottons are undermining the domestic market for our own cotton.

From January through September of this year our imports of cotton in manufactured form have been at an annual rate of more than a million bales. Never before have our imports for the first 9 months been so high. This is occuring right in the face of a decline in domestic mill consumption. Mill consumption is down by 6 percent from these same months a year ago, while the imports are up by 3.2 percent. These imports, which were only 4 percent of our domestic mill market 10 years ago and 7 percent of it 5 years ago, are now 12½ percent of it, and continuing upward.

The long-term arrangement for trade in cotton textiles has kept this upsurge of imports from being even stronger. The long-term arrangement has to be renewed from time to time, and on each occasion the United States has had to make unreasonable concessions just to get the other countries to go along. The next renewal date is October 1 of next year, and already the negotiations are underway. What we need, if our domestic market is to be saved from cheap-labor textile imports, is essentially two things:

First: The long-term arrangement must be renewed on terms that are stronger, not weaker. It must be effective in holding cotton textile imports under reasonable restraint.

Second: Some similar forms of restraint must be established for the imports of textiles made from manmade fiber and wool. The manmade imports have been rising even faster than those from cotton,

and obviously they compete with cotton products and take away parts of our own market.

If either of these needs is to be met, the negotiators who represent us must tackle their job with a firm belief that the Congress of the United States is going to insist on action. It must be emphasized that the Congress makes the basic policies of this country, and that it has no intention to abandon our cotton people and our textile workers to the mercies of the trade negotiators of other nations.

We are not asking anything unreasonable, but only that our American economy be protected from unreasonable abuse. A recent U.N. study of the textile trade of 19 less-developed countries shows that they export four times as much textiles to the United States as to all the countries of the European Common Market and Japan combined. This is simply unreasonable.

All the problems which I have reviewed here are important, but underneath all of them is the fundamental question whether cotton producers are going to have the return which permits them to stay in production. For the immediate future, until costs can be lowered by means of technology and the economies which come with an expanded market, a very substantial cost adjustment will be necessary to make up the difference between what cotton has to sell for to compete in the market and what farmers have to have to pay the direct costs of production, to keep their operation efficient and productive and to give them sufficient return so that there will be enough cotton production over the years to supply the demand. The very first requirement of a cotton program is that it provide such a cost adjustment, sufficient in amount and paid on a sufficient number of bales to supply our domestic and export needs and build a carryover adequate for future market expansion.

On September 24 and again on October 30, the Secretary submitted to your committee a proposed cotton program which provided for a base farm-acreage allotment designed to produce in the aggregate only the cotton needed for domestic use. Payments, which the Secretary described as "income support" payments, would be made on the cotton produced on this "domestic" allotment. All production controls would be removed. Farmers could grow without penalty all the cotton they wanted to grow. A loan would be available presumably around or slightly below present market levels. To be eligible for this program a farmer would have to "set-aside" or idle a certain amount of his cropland. If he did not want to make the set-aside, he could stay outside the program, farm his land as he pleased without penalty, and forgo all program benefits—payments, loans, et cetera. Also payment limitations "in some form" would be imposed on this program.

The cotton council's committees and board have not had an opportunity to consider this specific proposal of the Department since it was offered. However, our recommendations do cover practically all major aspects of this proposal, except the set-aside. Therefore, I shall not comment here on the set-aside feature except to venture a personal opinion that our industry's attitude toward this provision will depend largely upon the degree to which the rest of the cotton program provides the assistance which we must have from Government to maintain a successful cotton industry in this country.

Our very serious concern over the Secretary's proposal is that it will not produce enough cotton to meet the demand, thereby shorting the supply, with all the disastrous consequences that I have previously described.

The Department's proposal is based on estimates and assumptions that there are sufficient farmers who, if given unlimited production, will have costs low enough to grow beyond their domestic allotment, without payments and for world prices, all the cotton needed for our export and carryover requirements.

We feel that both experience under the present program and prospects under the proposed program indicate the contrary. This year, the cotton payment is almost $75 a bale on a domestic allotment of 65 percent of the farm allotment with a loan rate of 20½ cents per pound. Farmers holding only about half of the total cotton acreage allotment planted their domestic (paying) allotment. The others did not even plant their full domestic allotment, leaving about 3¼ million acres of cotton allotment unplanted. The Department estimated a 12-million-bale crop under this year's program but discouragements to production built into the program plus adverse weather has reduced the crop prospects to 10 million bales. The record clearly indicates the difficulties we are facing in getting adequate cotton production under even the present program.

Unfortunately, the Department's proposal not only fails to counter these difficulties, but would actually intensify them. The domestic allotment on which payments would be made would be reduced from 65 percent to about 50 percent of the farm allotment. No specific figures have yet been given as to the rates of payments or loans, but it is generally recognized that the budget problems will force a substantial reduction in payments and lower foreign cotton prices may require some reduction in the loan. How can all three of these reductions in the farmer's net returns from cotton result in anything but a substantial reduction in the cotton produced on the domestic, or paying, allotment?

But what about the increased production on the unlimited acreage beyond the paying allotment that the proposed program would provide? Will it make up for the reduction in the allotment production and go on to provide all the cotton needed to supply our markets? There is virtually no prospect that it will. Costs are substantially above selling prices for the great majority of even the larger, more efficient farms. For the near future inflation promises to force these costs higher before technology can bring them lower and competition from other fibers at home and abroad certainly will not permit selling prices to go any higher, and may drive them lower. Also, the reduced returns from the cotton produced on the allotment will mean reduced ability to carry the overhead on the nonallotment cotton.

In the light of the foregoing we do not believe the proposed program will provide adequate production, even without payment limitations. But if limitations should be applied to the payments as proposed under this program, the production prospects would become hopeless. The only hope for production beyond the allotment would be for the larger, more efficient farms and they would be the very ones put out of the cotton-producing business by limitations.

We have had a number of meetings with the Department in recent months pointing out the critical nature of this production-cost situation. Following a meeting on September 2, in which the Department asked for more specific information of the probable effect of limitations on production and especially on farmers' ability to obtain crop financing, cotton-producer organizations across the belt launched an intensive survey and 8 days later delivered their findings to the Department. The survey revealed probable reductions in production even more serious than we have feared. We would like to make a part of this record the statement summarizing the survey results which was presented to the Department in the transmittal letter from our producer chairman, Mr. Bruce Lynn of Louisiana, to Secretary Hardin.

Mr. ABERNETHY. Permission granted. Will anyone comment on that, Dr. Sayre?

Dr. SAYRE. No, sir; unless they are questioned about that.

Mr. ABERNETHY. All right.

(The statement summarizing survey results referred to follows:)

THE PAYMENTS LIMITATION ISSUE

(As presented to officials of USDA September 11, 1969)

We appreciate the opportunity to come here and discuss the payments limitation issue. This is a vital issue for cotton and agriculture. We emphasized this in our meeting with the Department on April 9, when we presented guidelines for a future cotton program developed by producers and endorsed by the cotton industry.

Obviously, the essential reason for payments to cotton farmers is to provide the incentive for growers to produce needed supplies, and to maintain a viable industry while our costs are being reduced so that payments will no longer be necessary.

Our case for an interim payment program rests on the assurance we have, from the highest authorities, that cotton costs can be drastically reduced through a crash research program coupled with intensified educational efforts.

One of the arguments advanced by limitation advocates is that the big producers don't need payments even now because their costs already are so low. We have examined this argument and we do not find it valid. True, there are some economics that go with scale. But figures, beyond a scale of perhaps a 200 acre allotment does not in itself promise lower costs per pound or per unit. It is obvious to us that a limitation would simply put many of our larger farmers out of business, and they are really the backbone of commercial cotton production. They are the innovators, the pace setters, the ones who have been taking the risks involved in production experiments aimed at increasing efficiency. Without them, the industry would lose its top leadership.

If our top producers were put out of business by a payments limitations, we could hardly hope to provide adequate cotton supplies for our domestic and export markets. This must be a prime consideration in any cotton program. We can cite any number of cases this year where large producers did not find it economically feasible to plant beyond their domestic allotments. If a limitation should be imposed on these producers, they would have no alternative except to cut their production back toward the level covered by payments. We think it is highly significant that farmers declined to plant over three million allotted acres this year. We are convinced that we would face a grave supply problem if a payments limitation should be imposed.

Inherent in the whole issue of payments limitation is the question of how cotton farmers could possibly operate efficiently with the limitation.

Growers affected by a limitation will try to reorganize their operations in ways that will minimize the effect of the limitation. This can only operate to reduce efficiency. Mr. C. F. Dierking, Vice President of the Arizona Bank, sums this up as follows: "Without the subsidy payment available to pledge as collateral the amount our bank will be able to loan farmers will be restricted to the normal production budget and under this only the most affluent can farm.

Consequently, if the subsidy payment is limited, we are going to see a reshuffling in who grows cotton. This would be primarily in the tenant farmer who relies on his subsidy to make rental payments, etc."

Think, too, about the restriction on production credit brought about by the payments limitation where the grower couldn't escape its effects. On this I quote Mr. R. H. Ross, President of the Phillips National Bank of Helena, Arkansas: "Now as to the effect on the business relationship between the cotton producer and his bank, we are quite frank in saying that we would recommend to each such producer that he curtail his production where the price support payments would not apply. If he insisted on producing the cotton without the benefit of a price support payment, we would be able to finance him only if his net worth could survive a disaster, and we feel that we would be unhappy spectators on the sidelines watching such a producer tear down in a short time what it has taken him many years to build up."

The Planters Production Credit Association at Osceola, Arkansas, views the matter as follows: "Our loan papers reflect now for the crop year of 1969 the fact that most farmers are having a very difficult time making income equal the expense of production. We in the lending business can only afford to make crop loans when the repayment capacity indicates that there is ample margin under normal conditions for the producer to meet his obligations. Of course the government payments are a large part of this repayment capacity . . . You can readily see that if limitations are imposed, this would drastically affect the larger producers and would force them to cut back their operations to the point of maximum efficiency from the income standpoint."

The Farm Credit Banks of New Orleans has made a study of the effect of a payments limitation on the Fifth Farm Credit District. Among the findings:

(1) "A limitation of government payments would greatly reduce the repayment ability of the cotton farmer, thus limiting the amount of credit that could be extended.

(2) "A limitation of government payments would probably bring about a reduction in cotton acreage, thus having a critical effect on the entire economy of the Fifth Farm Credit District."

Further on this point of a payments limitation curtailing cotton production, let me quote briefly from a study conducted this year by the University of Arizona in Pinal County of that state. "Apparently, a large number of cotton growers in Pinal County found it unprofitable to grow cotton without direct government price support payments because only forty per cent of the land that could have been planted in cotton in 1969 without the payments was actually planted. Of this land not planted to cotton, about half was planted to other crops, and half remained idle. It appears that payment limitations would result in substantial reductions in land planted to cotton and substantial effects on firms supplying inputs used in cotton."

It has been suggested that cotton growers might be able to accommodate themselves to a payments limitation by sale of land, by leasing, etc.

Mr. Lee F. York, Executive Vice President of the First National Bank of Lubbock, Texas, an institution which has historically handled production loans for cotton producers amounting to 6 to 7 million dollars annually, comments on this assumption as follows:

"Area farmers are not likely to be able to reduce their farming operations by selling land or selling part of their machinery and tools or leasing out part of their farm land. First, the prospective buyer is likely to be a fairly successful moderate sized farmer and if he buys more land, he might bump his head against the $20,000 payment limitation; so he is no prospect.

"Another prospect to buy the land or the surplus machinery might have the desire but our banks probably couldn't lend him money under the conditions of his low crop income and low and sharply curtailed government payments.

"Land will go begging for buyers and prices will be forced down and down."

From California, the Producers Cotton Oil Company; the Bakersfield Production Credit Association; Anderson, Clayton & Company; the Bank of America and the Security Pacific National Bank—all of which are engaged in crop financing, have documents here which show:

(1) That around 50 per cent of the total cotton acreage in California would be affected by a $20,000 limitation of payment. Further they estimate that with a limitation of that amount, approximately 20 per cent of the cotton acreage in California would be forced out of cotton due to inability to obtain crop financing. Since cotton farmers receive credit on their total farm operations,

this would mean almost one million acres of farm land in California could not be financed.

(2) They tell us that growers would simply face bankruptcy and would be forced to sell out provided buyers could be found. Land values of course would be greatly depressed, and attempts to shift to other crops would be disastrous to the market price of those commodities.

If we have a substantial drying up of cotton production because of a payments limitation, what is the grower going to do with the highly productive acres that are forced out of this crop? Soybeans are an obvious choice for many growers. But soybeans already are in slight oversupply, and this could lead to severe problems in an already troubled situation. We could see the same kind of problems come about with vegetables, citrus, nuts, feed grains, livestock, and so on. Any major reduction in cotton production would almost certainly lead to disruptions in the balance between major agricultural crops.

Drying up production—particularly when it applies to the most progressive cotton farmers—also would have an impact on the well-being of businesses which supply farmers with materials, machinery, services, and the like.

Mr. George K. Wade, who operates John Deere outlets in the Delta of Mississippi, sees the limitations matter in this light:

"Most of our customers here in the Mississippi Delta fall in the category of the larger farmers and they will be seriously hurt by drastic limitations. Our sales to these farmers are in the larger size tractors that sell from $10,000 to $15,000, combines that run as high as $15,000 and cotton pickers at $26,000 . . . if Congress passes a $20,000 limitation it will mean that this equipment will not be sold—directly hurting the farm equipment dealer and will be of great concern to the manufacturers, labor unions, transportation companies, as well as the many suppliers who serve these manufacturers.

Mr. A. L. Crossland, Vice President of Arkla Chemical Corporation in Little Rock, sizes up the impact like this: "While we have no accurate measurement yardstick to rely upon, our own business, representing a sixty million dollar investment, would be curtailed by approximately 35%."

Mr. R. C. Harnden, President of Harnden-Thornton & Company in Memphis, an agricultural chemical formulator and distributor, says: "It is my firm conviction that a limitation of payments on cotton farmers will greatly reduce the number of efficient farmers who can survive because they must purchase supplies which are protected by tariffs that are not limited and which when produced in the United States are manufactured by workers protected by minimum wage and other laws that give the workers high incomes."

The impact of a payments limitation would, of course, reach right into the economic and social structure of cotton communities. It strikes at the very people who provide the leadership for progress, not only in cotton, but also in doing those things that promise a better life for all of the residents in many cotton oriented communities. By impairing the incomes of this group of producers and depreciating their capital assets, all manner of progress can be slowed or stopped. I would like to quote what John M. Baxter, President of the State Bank of Dermott, Arkansas, has to say on this point: "We also feel that limitation of payments would have a very strong effect on the economy in general of his area. Tax revenues would be reduced and civic improvements and school operations would lose necessary operating funds."

Mr. Owen Cooper, President of the Mississippi Chemical Corporation has this to say:

"I cannot believe that advocates of such limitations realize the adverse, multiplier effect such an arbitrary ceiling would have on a Southern economy already struggling with severe under-employment and poverty.

"It is a sad paradox that those who would suffer first and most harshly are the predominantly Negro laboring class, so heavily employed throughout the cotton industry and the innumerable small supply businesses dependent on a healthy cotton program. Ironically, only these larger cotton farmers are required by law to pay minimum wages, and in many cases they pay even higher wages. It is these same progressive farmers who are rapidly adopting such progressive fringe benefits as improved housing, or health and accident insurance. There is no question that a payments limitation would reverse these trends and add untold thousands to the unemployment rolls.

"It would be a tragedy to see our Congress on the one hand authorize millions for food and vocational training aid to the South, and with the other hand undermine the cotton industry—the largest employer and bread-earner in that same region.

"Only the most immediate effects will be regional. The direct and disastrous connection between the South's economic plight and big-city ghetto problems will again be felt when these unemployed migrate to those areas."

Such are the potential effects of a payments limitation—as we see them and as some of our key suppliers see them.

Now, there are those who say that a plan of payments limitation can be devised which will not have nearly this much adverse impact. It is our contention, first, that there is no way to devise a limitation plan that would be fair and sound. It is simply not in keeping with the traditions of our country to penalize bigness as such.

Beyond that, however, it is our deep conviction that any limitation plan—no matter how carefully conceived—would be subject to all kinds of disastrous changes as it made its way through the Congress in 1970. It also would be subject to drastic change every time a new agricultural appropriations bill comes up in future years. It would be a regular focal point for attack by the enemies of the farm program. In all likelihood, a limitation which started out at a relatively high level would be progressively reduced to the point where commercial cotton farmers might well be forced out of cotton production or even into bankruptcy.

The payments limitation problem is the toughest one we have ever faced. We are completely convinced that if the Secretary of Agriculture advances any payments limitation proposal—regardless of how fair it might seem—it would be unrecognizable when the bill comes out of Congress.

The worst thing that could happen to us would be for the top government spokesman in agriculture to advance any level of payments limitation. We say this with sincerity and a great deal of experience in working with the Congress on cotton matters.

It is our hope that when the Secretary goes before the agricultural committees of Congress, he will point out the disastrous consequences of a payments limitation and that he will study the documents we are leaving with you which reflect the opinions of those who supply and service our industry.

We would emphasize again our confidence that cotton costs can be sharply reduced through research and education in the years ahead, with resultant reductions in program costs to the taxpayer.

This completes our over-all statement. We have asked four of our leaders to make brief additional comments on the potential effects of a payments limitation in their respective areas.

(A letter dated September 11, 1969, from National Cotton Council of America (by Bruce N. Lynn, chairman, cotton producer steering committee) addressed to the Honorable Clifford Hardin, Secretary of Agriculture, follows:)

NATIONAL COTTON COUNCIL OF AMERICA,
Washington, D.C., September 11, 1969.

The Honorable CLIFFORD HARDIN,
Secretary of Agriculture,
Washington, D.C.

DEAR MR. SECRETARY: On September 2 representatives of organizations serving the several branches of the raw cotton industry met with your representatives to discuss the various features of a cotton program that might be embodied in a new farm bill.

The industry representatives at this meeting were very seriously concerned over the rather complacent attitude evidenced by some of the Department people toward the payments limitation issue, as contrasted with the major concern which exists regarding this matter throughout the cotton industry. Following the meeting, the producer representatives present agreed immediately to make a quick survey of some of the principal effects of a payments limitation throughout the Cotton Belt and make these findings available to you and your associates by September 11. This has been done using the National Cotton Council as a clearinghouse, and the information compiled is being turned over today to Mr. Kenneth Frick of your staff.

Frankly, the results of this very hurried and fragmentary survey are much worse than we had feared. So much so that we feel that it is imperative that you yourself look more deeply into this matter before reaching any final conclusion regarding payments limitation. We would urge that you have made promptly a comprehensive, in-depth study of a representative sample of major

cotton producing counties to ascertain the effect of a payments limitation on cotton production, the production of alternative crops, the agribusiness firms serving the industry, employment (especially of unskilled labor working on farms and in agricultural related enterprises), and on the general economy of the areas affected.

We pledge you the full cooperation and assistance of all branches of the cotton industry in taking such a study. Also we are sure from the contacts we have already made that you will have the help of the banks, production credit associations and other agencies financing and serving agricultural production.

Respectfully,

BRUCE N. LYNN,
Chairman, Cotton Producer Steering Committee, National Cotton Council.

Dr. SAYRE. Also we will be glad to make available to your committee copies of the voluminous stack of replies received from banks, finance companies, production-credit associations, agribusiness firms, et cetera.

Mr. ABERNETHY. I think they would be helpful.

(The replies referred to will be found in the files of the subcommittee.)

Dr. SAYRE. Mr. Chairman, you have requested that we comment specifically on the two alternatives to the Department proposal which were developed by producer leaders at your suggestion within recent weeks. Both alternatives, which we shall call plans A and B, provide that each year the Secretary would determine the number of bales needed to supply the domestic and foreign markets for U.S. cotton and assure an adequate carryover. This number of bales would then be proclaimed by Secretary as the national cotton production goal for that year and the acres required to produce that number of bales to be allotted to each cotton farm. The Secretary would also determine the average cost of producing cotton in the United States and the average price it will sell for in competition with man-made fibers and foreign cotton in world markets. If the cost of producing cotton is appreciably more than it will sell for, as is now the case, the Secretary would proclaim that difference in cents per pound as the average production cost adjustment that farmers would recive on the cotton produced on their cotton acreage allotment. Up to this point, our plan A and plan B are the same, but they differ in the determination of the farm cotton acreage allotment on which the cost adjustment would be made.

Under plan A, the farm cotton acreage allotment would be that farm's share of the acreage required to assure production of the full amount of the national cotton production goal and all cotton produced on that allotment would receive the cost adjustment. The objections raised by the Department to this plan were that it was not necessary to pay farmers the cost adjustment on their entire cotton allotment; that many farmers would produce cotton above their paying allotment for the world price, as they are doing this year; and that our cotton production goal could be met and the cost of the program greatly reduced by paying on only the domestic part of the allotment and giving farmers unlimited freedom to produce beyond this allotment.

This, of course, brings us right back to the basic difficulty with the Secretary's proposal, namely, the great uncertainty that exists as to what farmers would produce beyond that portion of their allotment on which they receive the payment. I have already stated the factors mili-

tating against production and the Department has its estimates to the contrary. But the irrefutable fact is that no one can be certain what will happen for any given year or span of years; and, of course, this is not a matter we can leave to chance. The U.S. cotton industry cannot afford again even a small risk of even a threatened shortage like 1967.

This led to the development of plan B which attempts to both answer the objection to plan A and also protect against a cotton shortage. Plan B would provide a farm cotton allotment that would be a percentage of the full allotment but not less than the present farm domestic allotment. Cotton produced on this smaller allotment would receive the standard average cost adjustment and in addition farmers would be given the choice of producing beyond their base allotment by submitting a firm offer on the number of additional acres they would plant and at what cost adjustment. The Secretary would then contract with each producer for the cost adjustment on his base and supplemental production, averaging the rate for the two. He would then contract for the additional production needed to assure his production goal at the lowest adjustment rates offered.

The advantages of plan B are that adequate production would be assured, guesswork would be minimized, those who could and would grow the cotton at the least cost would be given the opportunity to do so, and cost to the Government of getting the needed cotton produced would be held to the lowest practicable level. If farmers bidding zero cents contracted to produce all the cotton required beyond the allotment to meet the production goal, the possibility of a cotton shortage would be removed and there would be no additional expense to the Government. But if they did not do so, the Secretary would know so in advance and would have a way to get the required cotton produced at a very minimum cost.

There is one other further provision in both plan A and plan B that is an absolute must: There must be no limitation imposed on the cost-adjustment payments made on the production from either the base or supplemental acreage. This cost adjustment must be recognized for what it is and in no sense confused with payments that may be made additionally to supplement the producer's net income. These cost-adjustment payments would be made solely for the purpose and only in an amount necessary to make up a deficit in production costs which is required to get produced the national cotton production goal. If it is the national interest (1) that this country have a cotton industry, (2) that it produces the cotton needed to supply its markets, (3) that it make a cost-adjustment payment to get that cotton produced, then certainly there can be no justification for the Government imposing a limitation on that payment that would nullify its own policy and its own efforts to get produced the cotton required.

Net income from cotton production is low even with the present program. Cerainly, the government's cotton program should go as far as possible in improving producer's net income with supplemental payments, after it has met the first requirements of achieving its production goals. The cotton industry is opposed to limitations because of size on any type of Government program, but it does recognize that some form of limitation might be imposed on payments to supplement producer's net income without destroying the cotton program on the U.S. cotton industry, whereas any limitation on production cost adjustments would be fatal to both.

Plan A and plan B each have advantages and disadvantages depending upon one's point of view. Either, however, would meet the cotton industry's basic requirements of a program that will assure cotton production to supply our market requirements. And there, of course, may be other approaches that will accomplish this same objective.

Before concluding, let me comment briefly on the cotton situation generally. Today, U.S. cotton faces the gravest crisis of its entire history. Two short crops in 1966 and 1967, in combination with a Government program that did not allow for that contingency, have just given us the sharpest market losses that we have ever had sustained in a comparable period. Our imports are up and our exports are down. Our costs are up and our selling prices are down. And for the future, cotton, an agricultural industry made up of 300,000 producers spread over 19 States, faces ever-increasing competition here and abroad from two of the world's most formidable industries, chemicals and petroleum, the producers of manmade fibers. Against such odds the obvious question is: Can cotton make it? I can assure you that this is a question most of us in the cotton industry are looking at long and hard. At the moment, it is our considered judgment that we have a fighting chance to make it, provided—

(1) We can mount a research attack adequate to achieve the reduction in production costs that we know are obtainable.

(2) We can build market development programs for cotton products here and abroad adequate to meet synthetic competition.

(3) We can get the help needed from our Government in accomplishing these first two essentials and in sustaining our production during the time period required to modernize and strengthen both our production and marketing systems to meet the new industrial competition cotton now faces.

Now, this is a job that can be done by the cotton industry and the Government working together. And it can be done at substantially less cost to the Government than the present cotton program is costing. Furthermore, as the research program brings reductions in cotton production costs the Government's expense will be reduced proportionately until cotton is able to meet its price competition without Government assistance.

The cotton industry is ready to pledge its best efforts to this job. We believe the preservation of the U.S. cotton industry is sufficiently in the national interest for the Government to do the same.

Mr. ABERNETHY. Thank you.

Dr. Sayre, I want to congratulate you—both you and Mr. Mayes—for the very fine statement rendered by each of you today. That is not just a formal thing; I am very sincere.

Dr. Sayre, your statement presented on behalf of the council is one of the most thorough presented to the Committee on Agriculture. It touched on every phase of the cotton situation. We are very grateful to you, and it is very helpful.

I am going to start this morning above the level of the committee, and I will ask Mr. Burlison to lead off.

Mr. BURLISON. I do not have any questions.

Mr. ABERNETHY. Mr. Mizell.

Mr. MIZELL. Thank you, Mr. Chairman.

I, too, would like to compliment Dr. Sayre for his testimony here, and it certainly has been helpful to me, being a freshman member of this committee.

This is the first time I have really been dealing with legislation like this. So, it has been helpful, and I appreciate it.

I do have a couple of questions, and one is:

You question the Department of Agriculture's figures on the 12 million bales and how they are going to reach this production figure under the proposal that the Department has made?

Dr. SAYRE. Yes, sir.

Mr. MIZELL. And, then, at the same time, you rely on the Department of Agriculture to determine the number of bales that we need for our home consumption and for the foreign markets?

Dr. SAYRE. Yes, sir.

Mr. MIZELL. Would it not be possible, also, for them to determine how many bales would be produced to bring this figure up to the 12-million level?

Dr. SAYRE. Well, yes, this is simply a matter, Mr. Congressman, as you would anticipate, of the cost of returns on cotton versus the cost of returns on other ways of using these resources whether devoted to cotton or something else. Our difference with the Department is that they expect people to continue to grow cotton at world prices of 2 cents a pound when the production costs are around 80 cents a pound. And granted, there is a wide range on this 80 cents a pound, and we do not think there are enough of them lower than that and certainly not down at world prices to grow cotton unless there is a cost adjustment that offsets the difference between the cost and the competitive selling price.

Mr. MIZELL. I know that one of the suggestions for solving this problem and making sure that you do have the production that is needed, which is on page 12—and I quote:

"If farmers bidding zero cents contracted to produce all the cotton required beyond the allotment to meet the production goal," then this would eliminate the possibility of a cotton shortage?

Dr. SAYRE. Yes, sir.

Mr. MIZELL. Would it be possible at this time for the Department of Agriculture to make the survey and determine if there are enough cotton producers to fill this goal?

Dr. SAYRE. Yes, sir; this is a determinable thing in my judgment by an appropriate survey, and I think it should be made.

You see, our great concern, sir, is that we do not take the chance of running out of cotton. The subsequent price escalation—and we are for higher prices. I am a cottongrower. I am for higher prices, but not for 10 or 15 cents per pound where I lose my markets and I can't retrieve them in the future. So, we do not believe it is in the national interest, in the public interest, and certainly not in the interest of the cotton industry and, in turn, the cotton farmer, to take the chance that they could not get the production. If the predetermination shows, "Yes, it can be gotten without an adjustment payment of the allotment," then this would be a preferable approach to solve the problem.

Mr. MIZELL. Do you think you have any cotton producers in the area who would be willing to grow some additional acreage?

Dr. SAYRE. We have a few, and they would try, sir, until sometime when they wore out their major types of equipment such as the cotton-pickers and other things that are oriented to cotton only and not readily adaptable to other uses.

Mr. MIZELL. Then, you won't object to the department's proposal, if they are able to show that they have enough men, that would produce the bales in addition to those that are under the allotment?

Dr. SAYRE. That is right.

Now, I would like to make this comment, if I may, sir: The best way to determine this is to offer the growers a choice to sign up for it at no cents a pound over the production of the allotment, or at 1 cent a pound or 2 cents a pound, or 3 cents, and then you get enough at zero or 1, or maybe you will have to go to only 3 cents, the 3-cent level, and you can cut it off right there. And those who bid 4 cents or 5 cents, you do not pay any attention to them. You offered them the choice, all of them down the line; and this is the way to get it really tied down, and then contract with the man to grow it.

Mr. ABERNETHY. Would the gentleman yield?

Mr. MIZELL. Yes.

Mr. ABERNETHY. Before that, we must be certain that he is tied to a contract that must be binding and does not back out.

Dr. SAYRE. Yes, sir.

Mr. ABERNETHY. So, a survey made as of now simply saying: "Would you do so and so?" will not be worth much.

Dr. SAYRE. It would be helpful in my view.

Mr. ABERNETHY. But it would not guarantee that he would produce the cotton?

Dr. SAYRE. It would not be binding.

Mr. ABERNETHY. Pardon me, Mr. Mizell.

Mr. MIZELL. You answered my question very well, and I appreciate it.

Thank you.

Mr. ABERNETHY. Mr. Alexander?

Mr. ALEXANDER. No questions.

Mr. ABERNETHY. Mr. Alexander represents a very fine cotton-producing district which was formerly represented by Congressman Gathings.

We appreciate your presence here.

Mr. Sisk?

Mr. SISK. Thank you, Mr. Chairman.

Dr. Sayre, I was sorry I was a little bit late this morning. And I did not hear the testimony given by Mr. Mayes. However, one of the most significant statements you made, in my opinion, looking at the future—if cotton has any future, and I am beginning to wonder myself. You state on page 14:

> And I think we waited 10 years or maybe 20 years too late to start in this area of research, that is, on production costs as well as merchandising.

It seems to me you are saying there in the center of the page that basically, for the long pull, that is what is going to make us or break us?

Dr. SAYRE. That is correct.

Mr. SISK. I do not care what the Government does. I think there is a need, the Government must now give every possible opportunity for the

maintaining of that industry and to create the type of climate in which the cotton industry can regain its health, if it is possible for us to do it.

Of course, you recognize the pressures that are on us, dollarwise, and maybe limitations and all the other things, we have to be realistic about. But the final analogy is: if we can't merchandise cotton, if we are not prepared to sell cotton in competition to other fibers, there is no economic justification for the continuation of the cotton industry; is there?

Dr. SAYRE. Well, as you have just pointed out so correctly, the production—through research—of getting our production is very sizable. Our counseling with the best cotton scientists or the best scientists devoted to cotton and cotton production at various costs is that we can reduce the cost of producing cotton to the neighborhood of 10 cents a pound in this country.

Mr. SISK. But you have done a tremendous job in that area since World War II, and if you had not we would have been out of business.

Dr. SAYRE. If not, we would have been out of business.

Mr. SISK. Of course, we still have a ways to go.

I would like to hear your comments on the promotion and selling of cotton, to convince the American housewife of the value of cotton as against nylon, rayon, and the whole lot of things. This is an area where we seem to be waylaid in trying to get started.

Dr. SAYRE. Here, the potentials are great also. I happened to chair a committee, Cotton Producers Institute, in which we have hired the services of Booth, Allen & Hamilton, management consultants, one of the top firms of this type in the country. We have gone through this process in the last 8 months, of this intense look at just this question: "How do we get the kind of market-oriented product, development of cotton?" And then we have the kind of massive promotion having the kind of experts to service our customers as do the synthetic manufacturers.

I came from a meeting in Dallas yesterday, and it is obvious that in the neighborhood of $30 million this can be done over a 5-year period.

We are currently, as you know, getting about $10 million a year from a dollar-a-bale contribution from growers. Some way or another, if we can resolve in our partnership efforts with the Government, here we can save the Commodity Credit Corporation a lot of costs to it; here we can broaden the base of the rest of our markets, and take the pressure off of other commodities. But if we could mount a program and we have the blueprints for it and they are well designed and well accepted not only by USDA but by the private industry—if we can mount that size of program, we can recapture a sizable share of what is an expanding textile market.

As you know, the overall textile market is expanding greatly, not only population increase but—what we are having happen to us is we are losing our relative share at an accelerating rate. All we need to do is to have a fine, efficient cotton industry in this country. To get our absolute level of consumption up from about 8.2 million bales to 10 or 11 million bales, get our exports up to 5 or 6 million bales, and then this industry has a real chance of competing on its own.

This is in the face of inflation. The reason I say that is that the prospects of cost of production of cotton in this country is sim-

plification of our production methods, and we have some real indicators. For example, by growing cotton in cross-faced rows or broadcast, harvesting it with something like a combine head that you harvest corn or grain with, the same kind of machine with a cleaner on it, you would have the possibility of taking a terrific amount of cost out, and everytime you reduce an import of whatever you use, a physical makeup to produce anything, you offset your inflation very handily. And here is our gross possibility.

But if we kill ourselves now with not enough cotton, and if the Government were to decide it is not in the public interest to have this 15 million acres of the most fertile soils that we have in this country devoted to cotton, that not only will we jam up the cotton industry and reduce its possibilities for the future to almost nil, but almost, in my honest opinion, we will create the kind of "disequilibrium" in the rest of our agricultural economy and other commodities that will create a whole proliferation of farm problems more costly than the partnership efforts to maintain a strong industry.

Mr. SISK. I agree with everything you say in that statement. I think that is an excellent statement. No use to cry over spilled milk; we can't go back. I recognize that our future lies in the future. We do know, as I said before, we recognize some of these needs. The old saying goes: "If you want people to pass your door, you build a better mousetrap."

Yesterday, we had some testimony rather critical of textile industries, and I am not here today condemning or defending the textile industries. They are a part of this great industry, and if the time comes that the public is beating down their doors for cotton, they are going to weave cotton. But I do feel very strongly that we must continue to try to produce an ample supply. I think the concern we have is actually whether or not it is going to be a slow death industry, and this is not to be critical of anyone, the Department or otherwise. The Department is concerned about maintaining the cotton industry. It comes down to a calculated judgment in how we do this.

I appreciate very much your statement, and I do want to emphasize that in this area of research, both in production and cost as well as getting in and merchandising it, merchandising it as we have seen commodities merchandised, whether it be Madison Avenue or who does it, to make the housewife demand the textile industry use cotton and demand cotton—that kind of thing. That is the kind of thing that concerns us.

Thank you, Mr. Chairman.

Mr. ABERNETHY. Mr. Price?

Mr. PRICE. Mr. Chairman, I regret I was not here yesterday. We had two separate meetings at the same time yesterday.

I just want to make one statement.

I do thank Dr. Sayre for his very fine statement. It raised points that are vital and gave the subcommittee information it needed to know. I also believe we must have a viable cotton industry in this country. Congress shares the responsibility for making it so.

I fully agree with one of your points, Dr. Sayre, we do need a stronger insurance program. In our part of the country, the Pan-

handle of Texas, we have a lot of thunderstorms and a well-defined frostline. I think it is going to affect the overall amount of bales that they are predicting for this year. On another subject, I understand the payments limitations issue is probably coming up on the House floor this afternoon—on the limitations, and I have been on the record that I do not want to see any limitations. If the Congress decides otherwise, of course, we are going to have to come back and readjust our statement on the programs.

One point you brought out that I want to comment on is the set-aside. If we turned this program over to a man to plant cotton from fence to fence, naturally, he is going to say: "How much is my neighbor going to plant and how much is everybody going to plant?" And that will lead to the question in his mind of how much is it going to be worth next fall and how much supply are we going to have. As you say, something has to be worked out.

I want to ask you one question: Do you believe we should maintain the loan program?

Dr. SAYRE. Yes, sir; at about the levels that they are now; yes, sir.

I think this is real important in order that the crop or that the farmer be able to obtain financing. Without a loan, you are not going to find, in my view, very many finance analysts looking at just the same things that you were posing a while ago: What is his neighbor going to do? What is the market going to do? And go with a capital-intensive crop like cotton in financing without the loan.

Mr. ABERNETHY. On that point, Dr. Sayre, there is some thinking among members of the committee that the loans ought to be at a level of percentage of the market prices of just a few days prior to the time that cotton goes into the loan, the reason for this being that by this method the loan price is not announced to the other cotton-producing nations of the world, and, therefore, they do not have the opportunity to predetermine what they can put their cotton on the market at, that is, an export market, so as to under price us.

What are your views on that?

Let me put it this way: Do you think it has merit?

Personally, I think it has merit, and I think Chairman Poage feels it does have merit.

Dr. SAYRE. Well, this kind of a shifting-base loan, I have to disagree, in my view has very limited contribution. It would be a very limited contribution toward stability for the producer.

You see, cotton is in a highly "interlastic" demand situation. We have seen the price of cotton go right down like this. We have seen the consumption and offtake go right down with it. It has not reacted with the price going down. Our consumption, offtake should have gone off; shouldn't it?

Here is what will happen:

You get a shifting-base loan concept, and your price starts going down, and this downswing in the cotton price tends to feed out itself, and it will not give the grower much of a chance of saying to his banker: "Well, we have got some flooring underprice."

You have got some, but it is a little bit like putting your foot on some of this moon dust, that moon dust that we were looking at this morning. It is going to squish on down, in my judgment.

If I may continue for a minute.

Let me look at the loan with you and this point that it signals to the world about what we are going to do.

Well, in the first place, we put our loan at 90 percent of the world price for the past 2 years and announced in advance the way that was going to be determined and showed them that we were going to fix at 90 percent of world price. This would set a kind of low level for our loan that would not stimulate further increases in production elsewhere in the world.

This is the key point that people have, that what we do with our loan is make other people produce, and I grant you, once they produce it they are going to sell it. They are going to sell it just under our prices.

Mr. ABERNETHY. What has world production been in recent years, the period when we have been fixing our support level, the percentage of the world price?

Dr. SAYRE. With the exception, Mr. Chairman, of the effect of the 1967 very high price estimation, world cotton has tended to stabilize.

In the same time, world population increases, the textiles increase, and, as I mentioned earlier, we have about this level, around this level, logical level of price support that I would tie to 90 percent of world prices, and they are more likely to go down than go up because of the competition from the synthetics.

Mr. ABERNETHY. On a minor point but yet one that is important, the question of transfers.

Do you suggest that one should be allowed to transfer across county lines?

I think the movement of the cotton from farms where people actually are just holding on to the allotment for the sake of the allotment or just producing for the purpose of preserving the allotment, that something ought to be done to move it out, to move it on to other farms where they want to produce cotton.

I feel very strongly about it.

On the other hand, I feel that these transfers should be done more or less in a percentagewise manner.

It is possible that all cotton allotments in some of these counties could be shifted out of that county within 1 year.

That would leave merchants, machinery people, and the cotton gin on what would be equivalent to a high and dry island.

Does it make any sense, that such be limited to a certain percentage of the allotment to that county in any 1 year?

Dr. SAYRE. Mr. Chairman, I think you have got the practical local economy problems as well as the matter of shifting of the cotton, itself, to what would probably be more efficient production. I think this is just a matter of just practical judgment of what rate this kind of local obsolescence can be done and done without serious impact.

I think one good guide on this would be the extent to which there be underplanting in the previous year.

Now, if they have been underplanting 50 percent, then moving 60 percent out would not hurt very much.

Mr. ABERNETHY. Well, with this idea that they can plant a tenth of an acre, and still maintain the historical base is quite absurd. Such a person would definitely transfer his cotton?

Dr. SAYER. But actually the lease and sale of allotments, as you have been observing, has meant pretty good returns up to $22, $23 or $24 an acre to some of the people who otherwise wouldn't have gotten anything out of it.

Mr. ABERNETHY. That is true to the farmer.

Mr. SAYRE. Right.

Mr. ABERNETHY. How important, Dr. Sayre, are cotton exports to this Nation, and how important are the imports of cotton?

Mr. SAYRE. Mr. Chairman, this is one that seems to me there are—some of us have tended to lose sight of.

Mr. ABERNETHY. Let me interrupt you. That is one thing that right now I think we are losing sight of it, and I don't say this is criticism of anyone. We are all trying to reach an agreement. But the idea of basing our program primarily on just a domestic allotment, let the other hang out here, and go where it will, it disturbs me tremendously, and I think it doees you.

And I don't think we have enough to meet export markets under such, and certainly the exports are important to our economy.

Mr. SAYRE. Well, you know there is on the statute books of this country the act of 1966 which has not been superseded that says that we will maintain a fair historical share of world markets for U.S. cotton. And the legislative history of this act determines that at least 5 million bales. Where we are headed this year is about 2.2, and some people 2 million.

Let's look at what 5 million bales of exports would mean in the country. In the first place, it means about 5 million acres of production. Our yield is about an acre, a bale to an acre nationally, as you know.

But look also, it means a half billion dollars, and that is after you take out Public Law 480 costs, and that is about $70 million, that means about a half billion dollars of foreign exchange. And in the last 15 months our dollar has been under the greatest pressure internationally that it has been under in my lifetime.

Now, when we begin to think about taking a half of a half billion dollars, leaving—passing up that potential from cotton exports, to me it is very poor public policy.

Then, certainly looking at the other prong of your question of what it means to cotton, it means the difference between efficient, effective liable production, particularly in your Texas and Oklahoma areas with a very high proportion of their cotton that they produce have to go export.

If I may, I would like to come back exactly to where Representative Sisk a moment ago put the emphasis on research and in turn promotion. This has to be done for U.S. cotton abroad and just the same way as we are talking about it in this country.

And instead of having this idea of instead of how fast we liquidate, we ought to program in terms of the best interest of the public and this Government and industry for broadening. And the export part, gentlemen, just cannot be ignored. We can make our way in export markets with proper programing.

Mr. ABERNETHY. Well, when you say it cannot be ignored, you mean in the best interests of the country as well as the industry itself?

Mr. SAYRE. Yes, sir.

Mr. ABERNETHY. So, the exports are highly important, though, of exchange, and highly important to the farmers' income and to continuing the land that ought to be in cotton instead of some other crop?

Mr. SAYRE. That is correct.

Mr. ABERNETHY. The thrust of the statements made by you and Mr. Mapes on behalf of the National Cotton Council, conveys to us the concern that the cotton industry, including all segments of it not just the farmers is concern with the possibility we cannot risk or put to chance the growing of a quantity of cotton needed for domestic production?

Mr. SAYRE. Yes, sir.

Mr. ABERNETHY. You gentleman, all of you, are learned. You have long been associated with this industry from the producing level, all the way up to the use of the cotton in our mills.

I know that all of you want to see this matter adjusted satisfactorily, and you want to do it in a manner that would meet with the approval of the department as well as the industry. Right now—I don't say this critically, I am just sizing up the picture—it puts a tremendous burden on this committee and one which this committee is itself not going to be able to solve.

The picture is that the department's position is all on one side, and all of the industry, that is up to now, and certainly the cotton council represents a tremendous vast majority of the industry, is over here. There has got to be a meeting somewhere between this industry and the Department.

You agree with that, do you not?

Mr. SAYRE. Yes, sir.

Mr. ABERNETHY. Those of us who serve on this committee, who want to help, we are interested in this crop and we are interested in the economy of our people. We know that you are, and we know that the department is.

I think hearings are fine. I think it is well that we have hearings. By such we can lay these things out on the table in public. That is the object of the hearings. The hearings alone don't necessarily resolve the differences.

And as I say, I am willing to face up and I know that the members of the committee are willing to arbitrate between what the industry feels should be done, and what the department feels should be done. But I would like to submit, in all sincerity, that this industry through its leadership and the department have some more conferences.

I think it is absolutely essential that we have such, we don't have a chance in the world to win when we go to the floor of the House of Representatives, unless the department and industry are in the same corner when this battle opens. We have enough to carry as it is.

I am speaking of the industry and the department, and this committee. We have enough to carry as it is without going to the floor with views so broadly separated as they now are.

I want to emphasize, and this is not said in any criticism, I think it is fine that we are here reviewing these differences, and we want to hear the department, too.

But in the meantime, and as these meetings progress, I just hope there will be some further studies, and burning of the midnight oil between you gentlemen.

I thank you.

Mr. MAYES. Mr. Chairman, we certainly will work on that and work with the department just as much as they would desire us to.

Mr. ABERNETHY. I am sure you will.

Mr. MAYES. And we thank you and your commitee for allowing us to have the privilege of appearing before you, sir.

Mr. ABERNETHY. Thank you, sir.

The next witness will be Mr. Jack Hamilton of the Louisiana Cotton Producers.

STATEMENT OF JACK HAMILTON, PRESIDENT, LOUISIANA COTTON PRODUCERS ASSOCIATION, LAKE PROVIDENCE, LA., ACCOMPANIED BY HERMAN D. HARVEY, LAKE PROVIDENCE, LA.

Mr. HAMILTON. Mr. Chairman, my name is Jack Hamilton. I am a cotton producer from Lake Providence, La., and currently serve as president of the Louisiana Cotton Producers Association on whose behalf I am testifying today. With me today is Herman D. Harvey, another cotton grower from Lake Providence, La., and a member of our organization.

Cotton producers in Louisiana overwhelmingly approve the current cotton program, the Agricultural Act of 1965, and would, if they had their choice, continue this program without change. We feel that this current farm act has the flexibility to meet supply needs as well as to provide protection for farmers income. Realizing the problems involved, particularly in regard to cost of the present program, and recognizing the necessity of cutting costs, we endorse the guidelines presented today by the National Cotton Council, with only two exceptions we would make.

First, we feel that regulations governing the sale and lease of allotments should continue as they now are and not be changed to allow sale and lease across county lines without referendum. Secondly, we heartily endorse No. 9 of the council guidelines which recognizes the difference between competitive price and fair return, but we feel that the price should be tied to the parity concept. With these exceptions or additions just mentioned, we feel that these guidelines more nearly represent producer thinking across the belt than any other type of legislation thus far proposed. Therefore, we urge that legislation recommended by this committee reflect the views expressed in the council guidelines.

With regard to the proposals submitted to this committee on November 3 by the Department of Agriculture, we wish to register a strong objection to the so-called "set-aside" provision. Set aside is nothing but soil bank all over again. In passing, this program was known as the "spoil bank" in our area. We can assure you that the cotton growing areas of the South bitterly oppose such suggestions since the depressing effect on small rural communities is second only to the financial loss to the farmers. Any program with such a land idling requirement would bring widespread opposition from our section of the country.

It seems to us that the current financial dilemma of Louisiana cotton farmers would deteriorate into financial chaos with the program proposed by the department. In East Carroll Parish, my home, approximately 10,000 to 12,000 acres would have to be idled—based on 50

percent set aside—in order to earn payments under the Department proposals. The already badly depressed condition of the only town in our parish, Lake Providence, would worsen and the rapid migration of our citizens to the urban areas would be accelerated. Under this program, instead of the typical rural community decaying slowly, it would be doomed immediately.

A year-long study of rural poverty by the National Advisory Commission on Rural Poverty was completed in 1967 and submitted to the White House. The study reflects the current public concern over poor rural environmental conditions which have caused an exodus of thousands of rural Americans—both Negro and white—to urban areas throughout the United States. Usually lacking requisite job skills, a number of these people have remained unemployed, and countless others have gone on relief, thus compounding already existing complex urban problems. This unprecedented exodus is expected to continue in the future, with a resultant decline in the rural population and an aggravation of urban problems. Set aside can only hasten this process.

The Department suggestions contemplate that farmers would grow cotton for the support price and we feel that in this assumption they are badly wrong. One of the best ways to destroy the cotton industry is to fail to assure an adequate supply of cotton. As the National Cotton Council testimony points out, in the past 2 years cotton farmers have amply demonstrated their reluctance to grow cotton beyond their domestic allotment. Certainly, there is little reason to believe they would grow this extra cotton when the Department's proposals would reduce the support price below the current level.

Any successful program must have a mechanism to assure an adequate supply of cotton. We can assure you that limitations on individual payments would cause such a mechanism to fail. Although the income gains attributable to the farm programs have been of great benefit to the large commercial farms, they have also been of real help to the families on smaller sized farms. It is estimated that the net farm income of these families has been 25 percent above what it would otherwise have been.

Now that we have expressed our views on the current cotton program, we would like to make a few comments on what we consider a tragic misunderstanding of the cotton farmer in American society today. We do not ask the question: Is the cotton industry worth saving? Instead, we state categorically, the United States of America cannot afford to allow any further deterioration of the already sick cotton industry. The Secretary of Agriculture long ago lost the omnipotency and sole responsibility for establishing agricultural policy. In addition, the importance, or relative level, of farm policy decisions has declined in comparison to other more currently pressing issues. Because economic growth permits fewer people in agriculture while other employment areas grow, the political potency of farm problems has diminished in stature compared to those of the Vietnam war, inflation, space exploration, balance of payments, civil rights, unemployment and reduction of crime. Agriculture and farmers still represent a significantly large segment of economic endeavor; nevertheless, they directly make up an increasingly smaller part of the total economy. A paradox: Agriculture is still large, but has grown small in terms of the problem pri-

orities in today's political economy. The situation is not an easily acceptable reality.

It is an economic fact that the current runaway inflation and prosperity cannot continue while the farm economy generally recedes into depression like status. The big depression of the early thirties stands as a grim proof of this fact. Many of you personally recall those tragic days.

Cotton farmers in Louisiana are literally singing the blues financially. One farm credit lending agency reported to us that 16 percent of their crop loans will not be paid out with crop proceeds and 35 percent of their equipment loans due this fall will have to be refinanced. Prices for parts, chemicals, labor, interest, as well as new equipment purchases, have soared. Even with the current cotton program and the direct payments being made, the net profit picture in our State is dismal. In addition, it makes us angry and resentful to see our finest and very deserving labor leaving the farm for much higher paying jobs in the urban industrial area. We are forced to pay $5.50 per hour average wages to have the tractor we buy built, but can hardly afford the $1.30 per hour that we pay our farm labor to operate that same tractor, the American consumer is being subsidized at the expense of the farmer and farm labor.

As long as farmers are in the unique position of having to take what they are offered for their final product and have no power to set price as industry does, we must be subsidized by Government. We do not look upon this as a handout or as an income supplement and refuse to apologize to our misinformed urban friends who berate the American farmer with such slurring phrases as "fat cat." These same urban dwellers are being fed and clothed more cheaply and better than their counterparts in any nation in the world or at any point in history by any nation. We are proud of the record of the American cotton farmer. It is in great part because of his indomitable spirit and enterprising nature that this country has achieved the success it enjoys. It is for the good of this entire Nation that agriculture must be maintained in a healthy manner and in no case is this more true than in the case of the cotton industry.

Mr. ABERNETHY. Thank you very much, Mr. Hamilton.

And you are accompanied by?

Mr. HAMILTON. Mr. Harvey, he is introduced in the first paragraph of my statement.

Mr. ABERNETHY. Do you wish to make a statement?

Mr. HARVEY. No.

Mr. ABERNETHY. Mr. Mizell?

Mr. MIZELL. Just briefly, I am quite intrigued by your statement here on the first page of your statement when you say that, if you had your choice, you would wholeheartedly endorse the Agricultural Act of 1965.

And then in your statement here under this very act you point out that cotton farmers in Louisiana are literally singing the blues financially. You speak of 16 percent of the crop loans will not be repaid. Thirty-five percent of the equipment loans will have to be refinanced. I don't quite understand. When the cotton farmer finds himself in this position under the 1965 act, why we should not be looking for some improvements.

Mr. HAMILTON. I think the main reason is that the cotton farmer as I know him is the greatest optimist, and he always thinks that next year is going to be a little bit better than the last. And other than that I can't tell you because I don't know why anybody would want to go into the cotton industry under the conditions today.

However, I do know that our farmers approve of the present program. I think they anticipate with the amendment that ties the payment to the parity concept, they anticipate higher payments; $16.80 as compared to $14.70, or something. And I think it is just their natural optimism that they think they are going to do better.

In many instances our farmers are trying to rent more land and grow in order to overcome the financial deficit situation they are in. And, of course, limitations of payments is hindering them on this front. But I agree that this apparently is a contradiction. However, it is true.

If you took a poll of the cotton farmers in Louisiana you would find very few opposed to the current program.

Mr. MIZELL. I think we are going to have to have some major changes if we are going to have a program at all. And I say this not from my viewpoint because I think the American farmer has done a tremendous job under some adverse situations. And I want to try to help the farmer realize more for his labor.

I think I know and understand some of his problems, but at the same time I recognize the antifarm program feelings in the Congress today. And they have singled out the cotton program as No. 1, because it does receive a high subsidy in payments. I think we have got to recognize that we must come up with a program that we are going to be able to get through the Congress for our cotton farmers. And this is not my feeling, but this is the overall feeling in the Congress today, and it is going to be the responsibility of the members of this committee to develop such a program.

Believe me, I rely heavily on the experience of the men that have been dealing with this legislation over the years, to put something together that we are going to help the cotton industry as a whole.

Thank you.

Mr. ABERNETHY. Thank you, Mr. Mizell.

Mr. Burlison?

Mr. BURLISON. Thank you, Mr. Chairman.

I want to commend you on your statement.

I was quite impressed with your description of the dismal condition of the cotton farmers in the area of Louisiana that you are familiar with. I want to say to you that you could just as well have been speaking of the cotton farmers of southeast Missouri because the picture is just as bleak or more so there.

I would like to speak just a moment to the point that the distinguished gentleman, my friend from North Carolina has brought up. That is, at least on the surface, the inconsistency of things being so bleak, yet being pleased, in a sense, with the present program.

I think on careful analysis this may not be so inconsistent for this reason: I sense that the farmers feel that the program that they have, the act of 1965, will insure a higher income for them than the program that farmers feel will take the place of the Food and Agriculture Act of 1965.

And this, of course, concerns me very much.

I think that the seemingly inconsistent statement here, on careful analysis may not be so inconsistent after all.

Thank you, Mr. Chairman.

Mr. ABERNETHY. Thank you, Mr. Burlison.

Mr. Price?

Mr. PRICE. Mr. Hamilton, I appreciate your coming and presenting your statement to the subcommittee.

You mentioned three things in your statement that we are all very well aware of not only in the cotton, but the condition of the American farmer. You mentioned three things that this committee, Department of Agriculture and none of us seem to have any control over, and that is labor and wages to build that tractor you talked about.

That is something we seem to have to live with and you and I being practical, we know we are not going to reverse it.

Third, you mentioned misinformed urban people. This is another area, either you or I, neither of us seem to have any control over. The recent survey in my own district, an agricultural district, 45 percent of the people thought the farmer was getting too much and thought he could stop being subsidized. That is right in their own home, their own town where it is going on.

I frequently feel that the cotton industry, and I am not being critical, has done a poor job of merchandising their own cotton. When you take last year alone where synthetics took over 55 percent of the sheets that are being made in this country, synthetics came in and took the market away from the industry in 6 or 8 months time. It seems that we are not meeting the challenge of the cotton industry.

I think we should curtail the import of the synthetics from other countries, and I think this is an area that certainly needs to be looked at. This competition from the synthetics pour into this country and has a great effect on the cotton industry, would you not agree with this?

Mr. HAMILTON. Positively, yes.

Mr. PRICE. The act of 1965, I think spoke of support levels of 60 million. At the same time some said even the cotton crop is not worth that; and that the American taxpayer would not continue to tolerate this. I think in all fairness we need to be looking at new possibilities for cotton.

I know, and you know that almost everyone objects to any type of change. But we can't continue with something that is not working.

I agree with the chairman. You gentlemen have to meet with USDA and work out some kind of grounds whereby we can come up with a program that can do a better job and make some changes.

Mr. ABERNETHY. Thank you, Mr. Price.

Mr. Sisk?

Mr. SISK. No questions.

I will commend Mr. Hamilton for the statement.

Mr. ABERNETHY. Thank you, very much, Mr. Hamilton.

Also, you, Mr. Harvey, for making this long journey and giving us your views.

The Chair would like to announce that Mr. Harry L. Graham, who was scheduled to testify yesterday called and advised that he could not appear.

Mr. Graham, I see, is in the room and sent a statement up.

Mr. Graham, I had suggested that you would appear on December 3, but if you would like to submit this statement for the record, we would like to receive it now. But you can't personally deliver it this morning. Time will not permit; we have to be on the floor in a few minutes.

Mr. GRAHAM. We took the chance you might get the rest done a little earlier, and it was a chance.

Mr. ABERNETHY. Do you want this statement to go in the record?

Mr. GRAHAM. I think I would like to try to appear on the 3d, if it can still be scheduled. If not, we will put it in the record.

Mr. ABERNETHY. I don't know whether the other dates are all filled. I may have to set you down for some other date, other than the 3d. We may have to have another date.

Our situation is just so uncertain now, and the calendar is so full. I think it will be well if your statement go in now, and if you want to speak extemporaneously on it, we will try to accommodate you on the 3d day of December.

Mr. GRAHAM. I will accept what the chairman says.

Mr. ABERNETHY. Then, without objection, your statement will be included in the record this morning, and you will be back to speak with us on December 3.

(The statement of Harry L. Graham follows:)

STATEMENT OF HARRY L. GRAHAM, LEGISLATIVE REPRESENTATIVE, NATIONAL FARMERS ORGANIZATION

The National Farmers Organization is a nationwide association of farmers with members in 50 States which is engaged in collective bargaining in an effort to improve farm income.

It has followed the principles which other segments of the economy have also followed with success; namely, to block enough of it together and market it at a time and place when it is most in demand. To obtain the ultimate influence, it is necessary to have enough of the commodity in the control of the organization that the needs of the market cannot be met without that portion under its control. The N.F.O. has successfully accomplished this in several commodities.

The policy of the organization is to support the family-size owner-operator farms both because they represent the greatest economic efficiency and the maximum social and political stability which is essential for the welfare of our Nation.

We therefore support legislation which will accomplish our economic, social and political goals, and we oppose those acts which contribute to the weakening of our desirable and essential economic and social objectives. The strengthening of the family farm and the preservation and support of our rural communities.

The N.F.O. appreciates the opportuntiy to appear before this distinguished committee to present in some detail the organization's position on cotton legislation. We hope the committee will appreciate the difficulties facing this witness at this time.

The only official testimony we have heard was a rather generalized statement by the Secretary of Agriculture and published speeches by him and members of his staff.

We have seen a copy of the "working draft" of the administration's "preliminary proposals" for cotton. Since they were "leaked" to us without anyone assigned or accepting responsibility for them, they assume the nature of an anonymous letter or telephone call.

What we have seen is so vague at critical points that we do not know how to interpret them in concrete terms. We have been given no supporting data, no working examples, and no briefings by the department. We do not know who the witnesses were who appeared before you in a number of secret meetings, and we do not know to whom we are to turn for information or explanation.

At such a time as these fatherless, motherless, and sponsorless proposals are seriously and publically proposed, we will be pleased to comment on them.

In the meantime the N.F.O. would like to present our analysis of the perplexing problem facing cotton, and make some suggestions for solving these problems in such a way that the already extensive damage to the cotton growers, and the economy and society interwoven into the growing and processing this important crop, may be minimized.

Cotton is in deep trouble. The sickness which so adversely affects it can not be isolated. It adversely influences the whole economy of the cotton producing States in the South and West and lays its heavy hand on Northern farms and cities alike. Its decline as an export crop increased the persistent problem of balance of payments and the stability of the dollar.

Some of these problems are the creation of the Congress. This witness is not prepared to argue with the economic and social objectives of the minimum wage bill, but we cannot as a Nation ignore the fact that it was largely responsible for the technological revolution which came with dramatic suddenness to cotton production.

The result was the mass migration of millions of field hands into our urban industrial centers in the land. We are all familiar with the costs of that movement. However, we are ignorant or forgetful of the economic impact on the rural South of this development.

First of all, the cottonpicker put most of the small cotton farmers out of business. The prohibitive cost of hired field labor and the equally prohibitive huge capital investment required for the purchase of a cottonpicker costing $25,000 or more plus maintenance simply made cotton production a business for only wealthy owners. The small landowner salvaged what he could by cashing in his cotton allotment—the sale of a capital asset.

The cost of production for 1966 was 26.4 cents per pound according to the USDA (no newer figures are available).

The high costs and low prices, reduced demand plus the high risks of growing the crop simply caused a decline in production. Using an index of 100 for the 1957–59 period cotton production and yield has changed rapidly and dramatically since 1960 as the following table shows.

TABLE I.—COTTON PRODUCTION, CARRYOVER, DOMESTIC USE, EXPORTS

	Acres (in thousands)	Bales (in thousands)	Carryover [1]	Use [1]	Exports [1]
Year:					
1960	15,309	14,272	7.2	8.3	6.6
1961	15,634	14,318	7.8	9.0	4.0
1962	15,569	14,867	11.2	8.4	3.8
1963	14,212	15,334	12.4	8.6	5.7
1964	14,057	15,182	14.3	9.2	4.1
1965	13,615	14,973	16.9	9.5	2.9
1966	9,552	9,575	12.5	9.5	4.7
1967	7,997	7,458	6.4	9.0	4.2
1968	10,160	10,948	6.5	8.2	2.6
1969	11,224	10,528			

[1] In millions of bales.

Source: U.S. Department of Agriculture.

Preliminary figures indicate that the 1969 cotton crop will total 10,528,000 bales, 420,000 bales under the 1968 crop. Total carryout will probably exceed this production leaving a deficit of about 200,000 bales, the third time in 4 years. Only last year was there a surplus and then only by 100,000 bales. The deficit for the last 4 years is 6,800,000 bales as compared with a 1967 total crop of 7,200,000 bales.

There has been an increase in 1969 to 11,224,000 harvested acres from 7,997,000 acres in 1967—a disaster year—but still a long way under the 1951 acreage of 26,949,000 acres or the 1961 acreage of 15,634,000 acres.

The decline in exports is highlighted by the dramatic drop in exports during this year. Cotton exports during July–August 1968–69 were $68 million. During the same period this year exports totaled $53 million, a decline of $15 million or 22 percent. Total exports of cotton and linters declined from (1957–59=100) an index of 100 in 1964 to 55 in 1969 despite a steady cut in the price of U.S. cotton.

In 1969, as in 1967, adverse weather, excessive moisture, boll rot, and insect damage caused a drop in production. It seems that the insect threat is becoming increasingly threatening, with the whole California crop being threatened.

In high risk crops such as this one, the rate of return must be maintained at a level high enough to cover the risk, as well as investment, management and labor.

Of primary importance in our consideration of the problems facing cotton is the recognition of the importance of cotton as an export crop and as an earner of badly needed dollars.

TABLE II.—EXPORTS

[In thousands of dollars]

1962	662,755
1963	491,417
1964	670,414
1965	583,895
1966	385,764
1967	542,266
1968	481,483
1969	334,229
Total	4,152,223

(Source—USDA.)

Four billion, one hundred fifty-two million, two hundred twenty-three thousand dollars! That's a pretty great figure. Our friends who would scuttle farm programs as too costly should remember these figures when they complain about a $2,700 million cost of the cotton program during this same period (estimated). Net gain by the United States was $1,450 million.

We are aware of the criticism against the program costs and the large payments. First, the value of any program is the relationship of costs to benefits. This is obvious from the previous figures. But this does not include the generally dispersed benefits to our economy such as the availability of basic raw materials with the multiplying benefits to our cotton processing industry all of the way to the finished cotton dress, knitwear, and my own special favorite—broadcloth shorts.

It's time farmers quit apologizing for the cost of farm programs when the value of the cash exports alone exceeds the program costs. Farmers have well earned everything an ungrateful public has grudgingly paid us and then called it charity, subsidies, and welfare.

Some recommendations seem to be obvious as we consider cotton legislation.

First: The producer income must be maintained or increased. This would include the retention of the Ellender amendment which would increase the payments again next year.

The NFO is committed to the idea that the market should return the maximum amount possible and that market prices should be held and improved, but we are not unaware of the factors which make a market.

The producers of indispensable crops such as cotton must have a return which covers the cost of production plus a reasonable profit which will cover the factors of production labor, risk, management, and investment. With this there must be no compromise. The general welfare requires it, the producers have earned it, and common decency and appreciation demand it.

With about 75 million acres of excess productive land available in the United States, there should be provision for the division of the same percentage of land in the cotton producing areas as is diverted in other crop areas. We must not answer the problems of one area at the expense of other areas.

This 75 million acres is our most important strategic reserve as we shall undoubtedly learn before this century is ended. The public had better soon learn to quit killing the goose that lays the golden eggs or there shall be a shortage of eggs.

Whether this is called a "set-aside," a "conservation-reserve" or some other name which enables a changing administration to rename the half-grown child is really of little importance. The important consideration is that farmers cannot be expected to be the only ones socially, morally, and financially responsible for the national security.

We were encouraged to hear Secretary Hardin say a week ago in his address before the National Grange that there must be no reduction in subsidies. I hope some of his staff hears him. When there is a steadily declining net farm income,

it is no time to decrease the subsidies which pay the difference between market prices and costs of production.

We are not in agreement with the emphasis on complete dependence on the market, or with any formula to reduce market prices by the use of a sliding scale, regularly decreasing support payment.

In commenting to wheat farmers a week ago, Senator Milton Young, one of the really great Americans, said about the 80–95 percent of the market price support formula, "It would mean that wheat prices would move steadily downward. Industry and labor would never submit to it, and neither should farmers."

Last of all, the NFO is opposed to the principle of payment limitations on the basis of any of the present recommendations. We are opposed to the development of the corporate-conglomerate integrated type of agriculture. We do not worship at the shrine of bigness. But if we are to attack this kind of agriculture, by the use of payment limitations, then we must also admit that Government payments are really only welfare, payable only because of the generosity of the economy. This makes the family farm as vulnerable as the large corporate structure.

The limitation of payments as applied to agriculture is pure discrimination. When we see great corporations with contracts for billions of dollars with cost plus provisions and escape clauses, with waste and inefficiency resulting in cost over-runs of $2 billion on a $3 billion contract, then the attempt to deny $300 million at the expense of 50,000 independent entrepreneurs who have earned their money becomes irritating to say the least.

The same results could be achieved with an impartial tax policy or the enforcement of the 160A limitation on irrigation water from Federal projects.

If there is to be an attempt to attain a reasonable land reform, and there is ample room for this in our agricultural structure, then it should be done openly with a definite land policy properly enacted by the Congress, with a fair and adequate compensation for the land taken through the proper observance of our constitutional processes and guarantees, and not through a back door attack on the integrity of anyone's invested capital.

Mr. Chairman and members of the committee. You may be assured of the support of the NFO for any program which will improve and insure the economic welfare of cotton producers. We will, as I am certain you will, oppose efforts to destroy that which we have developed with such difficulty. There may be some minor adjustments necessary in the present legislation, but we believe that the interests of farmers and the public would be best served by extending the present program, designed and passed by an overwhelming bipartisan coalition of rural and urban Democrats and Republicans. We hope that you may see fit to proceed in this way.

Much more than the preservation of payments without limitations is at stake. The integrity of the billions of dollars invested in the agricultural plant is also at stake, and with it the general welfare of our Nation and the physical survival of millions of the citizens of this teeming planet. As the sign outside Independence, Mo., used to say to the ox-drawn prairie schooners ,"Choose your ruts with care. You will be in them for 1,500 miles."

Mr. Abernethy. The committee will stand in recess.

(Whereupon, at 11:50 a.m., the committee recessed, to reconvene Tuesday, November 25, 1969, at 10 a.m.)

COTTON

TUESDAY, NOVEMBER 25, 1969

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COTTON OF THE
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10:05 a.m., in room 1301, Longworth House Office Building, Hon. Thomas G. Abernethy (chairman of the subcommittee) presiding.

Present: Representatives Abernethy, de la Garza, Sisk, Burlison, Mathias, and Mizell.

Also present: Representatives Jones of Tennessee, and Zwach.

Mrs. Christine S. Gallagher, chief clerk; Lacey C. Sharp, general counsel, and Hyde H. Murray, associate counsel.

Mr. ABERNETHY. This subcommittee has convened again this morning to take testimony on the cotton situation and the cotton program.

Off the record, please, ma'am.

(Discussion was had outside the record.)

Mr. ABERNETHY. We will go back on the record.

The first witness will be Mr. P. R. Smith, president of the Southern Cotton Growers, Inc.

Mr. Smith, did you not have someone accompanying you?

Mr. SMITH. Yes, sir; I do: Mr. Hope Leggett, Mr. Graham Whitehead, and Mr. Frank LeMay.

Mr. ABERNETHY. Would you like to have them sit with you?

You may proceed, Mr. Smith.

STATEMENT OF P. R. SMITH, PRESIDENT, SOUTHERN COTTON GROWERS, INC., AND VICE PRESIDENT, GEORGIA FARM BUREAU FEDERATION, ACCOMPANIED BY HOPE LEGGETT, GRAHAM WHITEHEAD, AND FRANK LEMAY

Mr. SMITH. Mr. Chairman, gentlemen of the committee. My name is P. R. Smith. I am a cotton farmer of Winder, Ga., and I am serving this year as president of Southern Cotton Growers, Inc., and vice president of the Georgia Farm Bureau Federation. My appearance today is in behalf of both of these organizations.

Southern Cotton Growers, Inc., is the major cotton organization in the Southeast, representing cotton farmers in Alabama, Georgia, South Carolina, North Carolina, and parts of Tennessee and Florida.

Mr. Chairman, southern cotton farmers salute you as one of their own, one with a broad view of the problems that beset all cotton farmers, from Virginia to California, and one with the will and the

heart to lead us in our efforts to develop the legislative means of dealing with our woes, for our own good and for the good of our Nation. We hold deep respect and admiration for each member of this committee.

But we must admit we feel sorry for all of you, as well as ourselves. The well-being of millions of Americans, and the strength of our Nation are involved in what you do about cotton policy. The problem is staggering.

Mr. Chairman, when you announced these cotton hearings on November 6, you said: "The cotton problem is deadly serious."

The problem, in fact, is so serious that no clear course for the Congress to follow in developing a solution has emerged. At this point it seems to us whatever you might do, in the way of creating a new cotton program, cannot be else but hit or miss.

Our farmers are scared half to death.

Therefore, it is our judgment the best course would be to extend the Food and Agriculture Act of 1965 including present cotton program for 2 or 4 years more, with simple amendments to remove glaring inequities.

The Nixon administration needs more time: Its recommendations are hesitant and uncertain. How can we expect this administration to come up with a solution to the farm problem in just 10 months, when the problem has baffled other administrations for 36 years?

The farmer needs more time, whether we keep essentially the same program for a year or more or fly off now on some untried tangent.

The present program can be a good program. It has maintained income for the producing farmer but, as it has been administered, it is killing the cotton economy of the South. It is taking the South out of cotton.

By administrative actions, various land-retirement schemes have been set up to entice small cotton farmers out of production, and the present program discourages larger farmers from planting more than 65 percent of their allotted acres. This year the 10-acre-or-less farmer got paid whether he produced a stalk of cotton or not. Great acreages of cotton in the South's traditionally cotton-producing regions were not planted to cotton. Georgia planted only 410,000 of its 833,000 allotted acres; Alabama only 570,000 acres of its 971,000 allotment; North Carolina, 190,000 of 458,000; South Carolina, 345,000 of 683,000; Tennessee, 415,000 of 547,000; Mississippi, 1,225,000 of 1,550,000; Louisiana, 445,000 of 566,000; Arkansas, 1,075,000 of 1,331,000. For the whole Cotton Belt, 16,200,000 were allotted; only 11,883,000 were planted.

The same has been true for several years. So many acres were idled by special enticements to small farmers and by the operation of the domestic-allotment payment, that the Government removed all mandatory allotment cuts for the 1969 crop, and in 1970 the acreage allotments actually have been raised about the 16 million minimum. The South's cotton economy has borne virtually the whole burden of bringing down the cotton surplus and of maintaining the balance between production and consumption.

The impact upon the South's total cotton economy has been devastating.

Mr. Chairman, great concern has been expressed in these hearings at the prospect that some day soon we may experience an actual shortage of cotton. These prospects are brought about by the price support running to only 65 percent of allotted acres, known as the domestic allotment, and to the administrative hearing of the program to take small farmers almost completely out of production.

It is obvious to all that 16 million acres, the present minimum, will produce more than an adeqaute supply of cotton if planted and harvested. To raise the total allotment above 16 million, as the Department has announced for 1970, certainly will get more cotton, but this will distort the production pattern all over the belt, further to depress the cotton economy of some States. We need to cure the situation by eliminating the incentives not to produce in the present program operating through the domestic allotment plan and through the enticements of small farmers out of production.

The plantings below allotment have been especially severe in the South. We are the region of many small farms. We are also the region that suffered in 1967 the worst cotton crop disaster in history. Therefore, many of our large farmers are inclined to plant only around 65 percent of their allotted acres, the "domestic allotment" part which has price-support payments.

We must find a way to handle the domestic payment so that these payments are not an incentive to plant only 65 percent of our allotment. Unless we do this and remove the enticement to get small farms out of production, many more thousands of our farm people will become refugees in the South and many will find their way to the cities to burden relief rolls.

Mr. Chairman, we are here to endorse the general cotton program proposal submitted by the National Cotton Council. We participated in the development of these proposals last summer. With greater emphasis, we have come here to plead for fairness in the law and its administration. We support every proposal of special consideration for the small cotton farmer, but we vigorously oppose any scheme or gadget that takes or entices farmers out of production and off the land.

We have brought to you recommendations that, we believe, will help our region—in the words of President Nixon, referring to the whole rural America—"once again, become an area of opportunity." These are our proposals to the Cotton Subcommittee of the House Committee on Agriculture:

1. Extend the one-price cotton law for 4 years, with revisions and refinements removing inequities and strengthening the program. The evolution and science of agriculture move too swiftly to be comprehended by any permanent farm law.

2. Keep the 16 million national acreage allotment.

3. Eliminate the voluntary acreage diversion feature of the present cotton law. When a reduction in arceage below the 16 million total allotment is needed, to prevent new surplus accumulation, let the percentage of the national allotment reduction apply to each individual farm allotment, with no acreage diversion payment beyond the mandatory cut. Payments on voluntary acreage retirement is ruining the cotton economy in regions with numerous small farms.

4. Repeal the cropland adjustment program outright, and forthwith, and avoid all soil bank approaches to agriculture's problems, by whatever name presented. Such programs decimate the farm population, create ghost towns, and dump rural people upon relief rolls of the cities. The cost of bloated welfare payments in the cities is far greater than any farm program which enables people to remain upon the land and in our rural towns.

5. Provide in the new law that each cotton allotment holder must plant, lease, release, or lose his allotment. Maintain adequate protections for small farmers who plant, cultivate, and harvest their allotment acres. Provide that unused allotments would return to the county committee for reassignment within the county or State.

6. Liberalize the law as it relates to transfer of cotton allotments by purchase or lease, within a State, to encourage movement of acreage from allotment holders who do not want to produce cotton to those who do want to produce.

7. Write into the new law provisions making certain the United States regains its rightful position in the world export markets. Let our exports sell cotton in direct competition with foreign growths and then receive an adjustment representing the difference between the importation of raw cotton. Parenthetically: this was done with price paid for American cotton by all exporters, with a margin representing a reasonable profit for careful and efficient operators in the export trade; hold weekly or monthly CCC cotton auctions, in convenient lots, for sale to the highest bidder for export.

8. Protect the American textile industry from the great influx of cheap cotton goods from abroad. As a first step, define yarn as a raw cotton so that yarn comes within the limitation now placed upon the importation of raw cotton. Parenthetically, this was done with pickerlap.

9. Write new protections against havoc caused by natural disasters, so that farmers who are victims of such disasters may receive easier credit and may use yield records of normal production years, when all requirements and benefits under the cotton program are assigned.

10. Implement fully the research program now provided for in the cotton law.

11. Revise CCC regulations to allow the producer to better use loan provisions as a marketing tool. A loan maturity date based on date of loan entry interest and encompassing two marketing seasons will do much to accomplish these objectives. Let us have our cotton in the loan long enough to try to sell it.

You will note, Mr. Chairman, our recommendations embrace no proposal with respect to limitations of payments to individual producers. In view of what recently has happened in the Congress, we must recognize that some limitation apparently is inevitable. Frankly, we are unable at this time to present any plan for limitations that will not cause wide distortions in the cotton producing enterprise and will not endanger the structure of any cotton program that may be under consideration here.

Mr. Chairman and members of this committee, we have faith that you will not rush us into something new and untried. We are confident you will keep the best of the program we have, but adjust it to treat every

cotton producer and every region fairly and then proceed in the direction of recapturing cotton markets and reestablishing the undisputed supremacy of cotton in the fiber markets of the world.

Thank you very much.

Mr. ABERNETHY. Thank you, Mr. Smith. I want to commend you for the rapidity with which you read this statement. I am sure you realize that time is a problem with us.

I also want to suggest—or say, rather, that we are going to do the best we can. Some of us—maybe all of us, I do not know—are very sympathetic with the views you have expressed, but we have a problem where a meeting of the minds has got to be made between the administration and the cotton industry and the Congress itself.

I suggested last week that if there was not such, that if the people downtown as well as the Congress and the farmers could not reach a meeting of the minds we would be stuck with this old act which we will revert to beginning in 1971. There has got to be some giving in somewhere. Up to now, we have not seen any evidence of it, but there is going to have to be if we get any kind of legislation. That is quite evident. We might as well face it.

Now, as I understand, and I am sure you understand, the administration has, at least, said that it has not taken a firm position on anything, but they have submitted a generalized proposal. Have you had an opportunity to examine this?

Mr. SMITH. No, sir.

Mr. ABERNETHY. You have not? You have formed no opinion on it, then.

Do you have any questions?

I will start with Mr. Jones.

Mr. Jones, do you have any questions?

Mr. JONES of Tennessee. No.

Mr. ABERNETHY. Mr. Burlison?

Mr. BURLISON. No.

Mr. ABERNETHY. Mr. Sisk?

Mr. SISK. No questions.

Mr. ABERNETHY. Mr. de la Garza?

Mr. DE LA GARZA. No.

Mr. ABERNETHY. Mr. Mathias?

Mr. MATHIAS. No.

Mr. ABERNETHY. Well, I want to ask you one question.

I think I understood you to make a point in your statement that your people, if there are to be payments, they want them to be paid for producing and for no other purpose?

Mr. SMITH. This is true, yes, sir. This is true.

Mr. ABERNETHY. All right.

Thank you very much, Mr. Smith.

The next witness will be Mr. B. F. Smith of the Delta Council.

I would like to say that Mr. Smith is my own constituent. We are happy to have you, B. F.

STATEMENT OF B. F. SMITH, EXECUTIVE VICE PRESIDENT, DELTA COUNCIL, STONEWALL, MISS., ACCOMPANIED BY WILLIAM A. CRAIBLE

Mr. SMITH. Thank you, Mr. Chairman, and members of the subcommittee.

I have with me one of our past presidents, Mr. William A. Craible, who is also a cotton farmer of Quitman County, Miss.

Mr. ABERNETHY. We are happy to have Mr. Craible. I know Mr. Craible and his family quite well. He is an excellent farmer.

Mr. SMITH. My name is B. F. Smith. I am executive vice president of Delta Council, an organization supported by the agricultural, business, and professional leadership of the Yazoo-Mississippi Delta area and by boards of supervisors representing the 18 delta and part-delta counties. Delta Council is authorized to represent the common interests of the more than 600,000 people who live and do business in this area. Cotton is the principal source of income of the delta and Delta Council represents the cotton farmer's viewpoint.

The cotton industry is an extremely important segment of our national economy. An estimated 1,300,000 people live on farms that grow cotton. An additional 5 million people depend to an important extent upon employment concerned with producing, marketing and processing cotton and cottonseed. The total investment in the production and processing of cotton in the United States is estimated at more than $24 billion with about $11,750 million represented by farm real estate.

In our State, cotton is even more important relatively. The number of people living on cotton farms amounts to 233,000 individuals. Returns from the cotton crop in 1968, even with reduced acreage, amounted to $343 million.

This was more than the value of all other crops combined and anything that affects cotton also affects all other segments of our economy.

I am sure that each member of the subcommittee is fully aware of the fact that the cotton industry today faces a supply situation that is vastly different from that which prevailed when the Agricultural Act of 1965 was enacted. Cotton is not now a surplus crop. In fact, the carryover is at a level that is considered to be "minimum safe." There is now a great need for Government policies and a program that will permit cotton farmers to produce the supplies and qualities needed for domestic consumption and for export in an efficient manner and with the objective of market expansion.

While cotton must be relatively competitive in price and quality, one of the most important requirements of such a program is that it be aimed at producing an adequate supply. Time was when a short supply of cotton could result in higher prices to farmers with no long-range adverse effects on markets. This is no longer true. Shortages are quickly reflected in market losses. Simply stated, "You cannot do business out of an empty wagon."

Another important requirement is: to produce and maintain an adequate supply, farmers growing cotton must receive returns from cotton that will exceed their costs of production. Once it was a commonly accepted fact that farmers would grow more cotton to make up for lower prices and, given the opportunity, farmers would plant from fence row to fence row. This is just no longer true. Cotton produc-

tion input items now represent cash costs and these funds are controlled to a large extent by production credit agencies and not the farmer.

Mr. Chairman, we have been working to develop a program to meet the following criteria:

1. Provide an adequate supply of cotton.
2. Reduce the cost of the program to the Government.
3. Maintain farm income.
4. Minimize the threat of limitations on participation in the program by individual farmers.

We believe the basic components of a program that will fill these requirements are:

1. The establishment of an annual production goal to provide adequate supplies of cotton needed to maintain and expand domestic consumption and exports and provide reasonably safe carryover stocks.

2. Provide for a nonrecourse CCC loan at 90 percent of the average world price. This is needed for orderly marketing.

3. If the cost of producing cotton is appreciably more than it will sell for in the market, as is now the case, provide for a production-cost adjustment in the form of a negotiable certificate that will have a per-pound value equal to the difference between the average price received by farmers for their cotton and the average cost of production as determined by USDA studies. This cost-of-production adjustment certificate would be cashable by the first buyer and would be made to the commodity and not to the farmer. It is important that this production cost adjustment be recognized as necessary to bridge the gap between prices received by farmers and production costs and not be confused with "income supplement payments."

Let me say also that this cost of production would be paid on the entire amount that was considered necessary to fill domestic consumption and export. In other words, the entire crop.

Mr. ABERNETHY. You mean, across the board?

Mr. SMITH. That is right, yes, sir.

4. In addition, provide for an income supplement payment to permit some measure of stability in farm income, especially for small- and medium-size farmers. These income supplement payments could be limited or based on a graduated scale without destroying the cotton program and the cotton industry.

5. Provide for both the cost-of-production adjustment certificate and the income supplement payment to be based on actual yields rather than on projected yields.

6. Strengthen and modernize the crop insurance program to provide adequate protection for high-risk crops such as cotton.

7. Eliminate the 100-acre limit on cotton acreage that may be transfererd within States from farm to farm by lease or sale.

8. Safeguard the sale of CCC stocks to prevent disruption of the marketing system.

We believe that a program of this kind would provide needed supplies of cotton at substantially lower costs to the Government. Production shifts could be made on a long-range basis without violent disruption and dislocation of individual farmers or to the income of farming communities.

Such a program would be market oriented in that the value of the certificates would reflect average prices received in the market. Also, the value of the certificates could be reduced as market prices strengthen or as production costs are reduced.

It is our idea that the preliminary cotton recommendations submitted to this subcommittee by the USDA fall short of providing the kind of program that cotton must have in order to maintain and expand domestic markets and exports. In the interest of time, I will not go into detail but would like to comment that the most obvious defect of the program is that in our opinion, simply, it will not produce the needed cotton. Without an adequate supply, we cannot hope to even hold markets, much less expand off-take.

Mr. Chairman, I will not comment, in detail, on payment limitations except to say that the imposition of limits on program participation as have been proposed would be disastrous to many farmers and to the cotton industry.

Action is needed as soon as possible to remove the cloud of uncertainty that exists today with regard to the kind of program that cotton will have over the next several years. We believe that a program along the lines we are recommending will help restore confidence in cotton and will permit farmers and other segments of the industry to move ahead in making the investments that are necessary for efficient production.

We are convinced of the fact that substantial gains can be made in reducing production costs. These gains will depend, however, upon traditional research and we respectfully request the all-out support of this subcommittee in implementing the already authorized cotton research program to the fullest extent possible.

While not directly related to cotton program legislation, we wish to again emphasize the need for quantitative controls to provide reasonable restraints on cotton textile imports. These imports, consisting largely of textiles made from foreign-grown cotton, represent the equivalent of more than 1 million bales annually and they are trending rapidly upward. This represents a serious problem to the U.S. cotton farmer whose biggest market is being undermined by foreign-grown cotton. We do not believe that voluntary restraints are either practical or possible unless they can be implemented more effectively. From past history, this does not appear likely to happen.

Mr. Chairman, we are grateful to this subcommittee and to the House Agriculture Committee for your sympathetic consideration of cotton's problems. We believe that a strong, healthy, expanding cotton industry is in the national interest. While cotton faces very tough problems, we believe that, with your help, it will be possible to solve these problems.

Thank you.

Mr. ABERNETHY. Thank you, Mr. Smith.

Mr. Smith, may I say that it really amazes me that the cotton industry of America is forced to continue to struggle with the problem of imports.

Now, this is not something I am trying to gig the present administration with, it is just a fact of life; it is something that has existed not only in this administration but existed in the Johnson administration and in the Kennedy administration and in the Eisen-

hower administration and in the Roosevelt administration. I served under all of these Presidents and most of them—all of them, actually—came into office, as I said the other day in the committee, to do something about it, and, actually, we have done nothing about it. We have had some meetings with the people who import this merchandise to America, and I understand that our State Department and Agriculture people, as well as others, have had these meetings, but we never get anywhere. The situation gets worse and worse.

Right at this time, negotiations have been going on about the return of Okinawa to Japan. I understand that some reference has been made to the tremendous imports of textiles in connection with that subject, but no particular progress was made on it.

Certainly, that offered us an opportunity for such, and maybe the opportunity is still there, I do not know.

Mr. SMITH. We are amazed also, Mr. Chairman, that this problem has gone on as it has, and we can see no end to it. Certainly, these same countries that export into our country have all types of restraints upon the shipment of goods into their countries.

Mr. ABERNETHY. The shipment of our goods, particularly.

Mr. SMITH. Yes, sir.

And while we subscribe to a reciprocal trade, as we understand the definition of the word "reciprocity," this means a two-way street, running both ways.

Mr. ABERNETHY. Now, as I gather, the high point of your statement is that if we have what amounts to a dual-allotment program with the domestic allotment being a fixed amount, fixed acreage and the remainder of it, which has been referred to as approximately 4 million bales by people from the Department, left open—if that is left open for the farmers to plant just as they will or want, your opinion is that they in all probability will not plant?

Mr. SMITH. This is correct. We do not think they will plant it. We do not think they will plant it for the simple reason that the price prospect and the cost of production, these items are factors that they will take into consideration. Farmers, in general, have not had good crops this last year, and they are going to plant pretty close to their 65 percent, and I would say that if this 65 percent is lowered to 50 percent, they would plant pretty close to the 50 percent. It would be disastrous not to produce the cotton that is needed.

Mr. ABERNETHY. But it does leave to chance the end result, does it not?

Mr. SMITH. Yes, sir.

Mr. ABERNETHY. We do not know whether we will get exactly the amount needed or too much or too little?

Mr. SMITH. Right.

Mr. ABERNETHY. Mr. Mizell?

Mr. MIZELL. No questions, Mr. Chairman.

Mr. ABERNETHY. Mr. Jones?

Mr. JONES of Tennessee. No questions, Mr. Chairman.

Mr. Burlison?

Mr. Mathias?

Mr. Sisk?

Mr. SISK. Mr. Chairman, I just want to welcome Mr. Smith here. I think you made a very excellent statement, and I appreciate your concern.

One question, Mr. Chairman, and I recognize the time problem.

Mr. ABERNETHY. Well, the time situation is going to be a little better than I thought, so do not be afraid to use a little more time.

Mr. SISK. In connection with the goals which you set forth starting on page 2, Mr. Smith, and going over to page 3. These are worthy goals in connection with the things we seek to accomplish, but let us take, for example, a brief comparison.

I am talking now of the immediate future.

Your No. 2: "Reduce the cost of the program to the Government," and No. 3: "Maintain farm income." I am not critical of these, because these are goals which I think all of us objectively share, because we recognize the pressure is on the Government to cut costs and at the same time we realize, I think, the necessity of maintaining farm income or else seeing the farmer really go bankrupt. He is certainly on that borderline now, in many areas. But for the foreseeable future—and I am using the approximate figure that I understand this year is the estimate of what we will spend on the cotton program which is about $820 million—can you see any opportunity that we can have a program that would be worthy of consideration, that would have any chance of producing the amount of cotton that we need, to reduce any, certainly within the next 2, 3, or 4 years?

Mr. SMITH. Yes, sir; I very frankly do. I think we are paying for something that we are not getting right now under this program.

Now, there are parts of this program, Mr. Sisk, that farmers like in terms of the protection they give them, but they are expensive and may be provided, maybe a little better, some other way. If I might hazard some estimates—and this is a very difficult field to get in: What we are proposing here, say, the production goal that we set would be 12 million bales. You were going to make payments on the production adjustment on actual yield, and I am assuming—and now these are just assumptions: Say that the average cost received by farmers is 22 cents. Now, these things are determined, they are official records in the Department of Agriculture on average prices, and you could use the prior year, say, 22 cents. The average cost of production in 1966, the last official year that we have for study was 26.6 cents per pound. The costs have increased since this time.

Mr. SISK. That is right.

Mr. SMITH. I would say 30 cents. So, that is 8 cents. Now, that would be $40 a bale and would be $480 million. But this payment would be made on actual production. This would bring the average the farmers receive up to 30 cents a pound for the 12 million bales. Then this would be the basic portion, basic part of your income supplement payment, then your income supplement payments above this could be scaled anywhere you want them. I mean, if you wanted to make it more liberal that would be fine, but this would be entirely controlled. And, of course, I think they add into the cost of the cotton program some other costs that I do not think are justified. I believe they add Public Law 480 costs into the cost of the cotton program, do they not? But you would have your basic costs that would be $480 million plus whatever you would do on an income supplement which, if you were to say $100 million there, would be $580 million. I think for around $650 million or $600 million, you could have a program that would actually produce the cotton and maintain reasonable farm income and some stability in this industry.

I am definitely afraid that what we are going to do is shorten this market and we will set off another round as we had in 1967 and we lost markets that we will never regain, from that situation.

Mr. SISK. Well, I agree with you completely, that the necessity is to stabilize the market and to stabilize the production so that there is assurance to the textile industry—to the purchaser that there will be an adequate supply of cotton at a reasonable price year-in and year-out. This, of course, is the ideal of what we all seek, but I simply want to inquire. There has been a very substantial feeling, I know, by a lot of people, that the opportunity, at least in the immediate future, to substantially cut costs is to simply cut the income of the American farmer today. I just wanted your comments on it. I realize that we are dealing in a lot of uncertainties and assumptions here. There is just no way of knowing, of course, exactly what is going to happen. I think that we have to assume demand; we have to assume what we do in the way of merchandising. Of course, I am hopeful that you folks will continue to push on this business of promotion and merchandising and research and doing a better job of selling your cotton, because, as we have indicated before, I think this is where the cotton industry, unfortunately, is falling down.

Thank you, Mr. Chairman.

Mr. ABERNETHY. Mr. de la Garza?

Mr. DE LA GARZA. Mr. Smith, on page 3 of your statement, item 2: "Provide for a nonrecourse CCC loan at 90 percent of the average world price."

Mr. SMITH. Yes.

Mr. DE LA GARZA. "This is needed for orderly marketing."

Would you expand on "This is needed for orderly marketing"?

Mr. SMITH. Yes, sir. The cotton crop is all produced, it is coming on the market, Mr. de la Garza, within a very short period of time. It does not have a home in the market itself. By providing a loan, the farmer can market part of his crop and put part of it in the loan and carry it and market it out through the year in an orderly manner; whereas, if he had to sell it all at that time, the sheer weight of that volume on the market would depress prices.

By providing the loan to carry this cotton, even though he only gets a part of the value advanced at this low-loan rate, he is able to meet his obligations and sell it out over a period of time.

Mr. DE LA GARZA. There is some difference of opinion among members of the committee. Have you ever adhered to the proposition that once you set the loan rate, you, in effect, set the world price?

Mr. SMITH. Yes, sir. Yes, sir, I have. And I think this has a large measure of truth under the situation that we are in today. But I understand that this loan rate should be as near accurately set to reflect the world price, 90 percent of the world price, as it is possible to set it. I personally think that the advantages of maintaining a loan outweigh the disadvantages.

I recognize the argument is that as long as we have a loan as an umbrella—they say remove it altogether and see what will happen. Well, I am not sure what will happen, and I do not know that we can take the chance on what will happen. I do know that this would make us more dependent than before on payments as part of our income, and you know the hazards that we have right now, and, so,

it is something that we think that is sound and that we had better stay with it.

Mr. DE LA GARZA. Thank you.

Mr. ABERNETHY. Your point in item 3 on page 3 was not so much on the level of the loan as the necessity for having a loan thus providing for orderly marketing, an orderly marketing system?

Mr. SMITH. Right; this is right.

Mr. ABERNETHY. Thank you very much, Mr. Smith. We appreciate your presence.

Mr. SMITH. Thank you.

Mr. ABERNETHY. The next witness will be Mr. J. S. Francis, Jr., of the Arizona Cotton Growers Association.

Mr. FRANCIS. Thank you, Mr. Chairman.

Mr. ABERNETHY. Mr. Francis, may I say to you and your colleagues that we are most happy to have you. You have come a long way. I am not going to push you as hard as I did the others on time.

Mr. FRANCIS. Thank you, Mr. Chairman.

Mr. ABERNETHY. Anyone who comes that far, as far as you have, is entitled to a little extra time.

Mr. FRANCIS. We get out here a lot faster than we used to, by jet.

STATEMENT OF J. S. FRANCIS, JR., CHAIRMAN, LEGISLATIVE COMMITTEE, ARIZONA COTTON GROWERS ASSOCIATION, ACCOMPANIED BY ARDEN PALMER, PRESIDENT, ARIZONA COTTON GROWERS ASSOCIATION, AND JOE SHEELY, CHAIRMAN, ARIZONA STATE ASC COMMITTEE

Mr. FRANCIS. Mr. Chairman, I am a cotton farmer and producer from Peoria, Ariz., and I serve as the chairman of the Arizona Cotton Growers Association's legislative committee. I am accompanied today by our association's president, Mr. Arden Palmer of Thatcher, Ariz., and Mr. Joe Sheely of Tolleson, Ariz., who is the chairman of the Arizona State ASC committee. The Arizona Cotton Growers Association is an association that represents more than 70 percent of Arizona's upland cotton production.

Arizona is a major cotton-producing State, reigning fifth in the Nation. Of Arizona's 1.2 million cultivated acres, almost 30 percent of them are devoted to the production of Upland cotton. Upland cotton produces more than 20 percent of the total agricultural wealth generated each year in our State and is the foundation of our row-crop economy.

Arizona's cotton problem parallels our country's cotton problem—the problem is simple, it seems—it costs about 30 cents to produce a pound of cotton. The market price, its value, because of competition with synthetics and foreign cotton, is about 20 cents. That's the problem. I am sure it is not difficult to see why we believe some type of program which will include the direct concept is necessary. The alternative is to write off the raw-cotton industry. In addition to the disaster that would be caused in the cotton industry, I cannot fathom what we would do with 16 million extra acres. We believe that what is needed is a live, viable cotton industry. One that can pay good wages, one that can compete for good workers. Specifically, we feel we must

first of all have a long-range cotton program that is geared to a fully implemented and funded cost-cutting research program. With respect to some particulars, let me say this:

Payment limitations: The producers of cotton in Arizona are against payment limitations for sound, economic reasons. A payment limitation of $20,000 on Upland cotton only would cause more than 45 percent of Arizona's domestic cotton allotment to be ineligible for payments. This means that of Arizona's 324,000 acres of effective cotton allotment, more than 200,000 acres would not qualify for any payment. Even if we should double our limitation figure and make it $40,000, we would find more than 25 percent of Arizona's domestic allotment would be ineligible for payments. This would reduce Arizona's one-half million acres of effective allotment nearly 50 percent.

Attached to my statement, Mr. Chairman, is an economic study performed by the University of Arizona, in Arizona's largest cotton county. In summary, it said:

> There is no net return to land and management on a typical Pinal County farm without Government payments when cotton sells at 22 cents a pound.

Limitations in this county would honestly create a disaster area of hundreds of thousands of acres.

USDA program: Today, however, we should like to confine our remarks within the broad outline as laid out to you by the USDA known as the "set-aside" approach.

Repeal marketing quotas and the domestic allotment concept: The repealing of marketing quotas on Upland cotton must occur if you accept the domestic allotment and "set-aside" concept. These concepts are totally incompatible as a part of marketing quotas. We are fearful that the repealing of the marketing quotas on Upland cotton will, in itself, be inadequate as far as providing enough cotton to satisfy our raw cotton requirements. The domestic allotment concept, in our judgment, has but one major fault. It could cause a cotton shortage. In fact, we think that the domestic allotment concept as presently presented will result in a cotton shortage. We think that if one lowers the domesic allotment, lowers the payment rate, lowers the loan, and lowers the projected yield, then, these factors, without the additional impact of a payment limitation, would result in cotton crops considerably smaller than the one we are presently harvesting.

I shall not recite to the members of the committee what happened during the last cotton shortage that really wasn't a cotton shortage. Surely, we must be on guard to prevent a reoccurrence of this sort of calamity. It seems to us that a system could be devised in which the Secretary, after polling the producers of cotton as to their planting intentions, would have the latitude to pay for additional production, if needed, so that we could assure our users that we would produce an adequate amount of cotton each and every year.

The bid plan: The National Cotton Council's plan B—the bid plan—seems to us to contain several advantages, for example, (1) adequate production is assured, (2) those who can and will grow cotton, at the least cost, will be given the opportunity to do so, and lastly, (3) the cost to the Government of getting the needed cotton produced will be held to the lowest practical level.

Sale and lease: The provisions on sale and lease of allotments, for example, the elimination of the 100-acre minimum and referendum

requirement for transfer of allotments across county lines, coupled with the elimination of the December 31 deadline, as suggested by the Secretary are excellent. The elimination of the marketing quotas does not eliminate the need for the domestic allotment to move to low-cost areas. This major cost-saving factor should be authorized and most certainly no restrictions should be made to prohibit a farmer from selling his allotment if limitations are imposed.

Allotment retirement: The suggested total retirement of a cotton allotment in 4 years by, I assume, paying the producer the full payment each year on that portion of his remaining allotment could be disastrous and terribly expensive. We are not opposed to this type of retirement—provided the allotment is redistributed on a national basis—if needed. But we might suggest a rate of certainly no more than half of the payment. We think this rate would be adequate and would retire many marginal acres all across the belt.

Projected yields: The suggested freezing of projected yields if we are allowed to adjust for abnormal factors would, in our judgment, have the effect of lowering the cost of production. It would cause producers to return to practices based on dollars returned rather than pounds of production. It would, in my State, reduce some skip-row planting. It would aid in pink bollworm control and, interestingly enough, as it lowered production cost it would reduce our borrowing requirements thereby reducing our interest cost.

Loan level: As to the Secretary having the discretion to set the loan at a level between 80 percent and 95 percent of the preceding 3-year average price of cotton in designated spot cotton markets, may we suggest this grant of authority be restricted to about 90 percent.

Price-support payment: With respect to the payment rate, we feel that this cost adjustment must be related to cost of production. By that I mean this: The price-support payment should be the difference between the average cost of production and the average selling price or loan level. This payment must not be limited. It will in no way be an income supplement. It must be recognized for what it is—a cost of production allowance.

Set-aside: Requiring farmers to idle as many acres as his domestic allotment would not make a great deal of difference to a small portion of Arizona. But, in the vast majority of my State, it would do great economic harm for it would raise our costs. Taxes, assessments, overhead—all fixed costs—would have to be transferred from our set-aside acres to our cultivated acres. Why add to the cost of production? "Set-aside" will result in a higher cost of production. "Set-aside" does not seem to us to be a necessary item in a cotton program.

Scaled payments: In our considered judgment, absolutely no limit should be placed on the amount of payment that a cotton farmer receives for his cost of production adjustment. A limitation on this will destroy agriculture—all agriculture—in my State.

Closing statement: Finally, Mr. Chairman, let me say this: Cotton's ultimate answer, whether it is grown in Arizona or Arkansas, is not greater dependence on Government programs; it is, instead, our being able to produce a wanted and needed raw product at a competitive price on a continuing basis. This can be accomplished by first our supporting a fully implemented and funded cost-cutting research program and by some of the other things I have mentioned here today.

I hope that such an answer will be forthcoming in the near future and pledge Arizona's cotton producers to cooperate with you in working toward this goal.

(The appendix to the prepared statement presented orally by Mr. Francis, entitled "Government Payment Limitations—A Threat to the Agriculture of Arizona and Especially Pinal County," follows:)

GOVERNMENT PAYMENT LIMITATIONS—A THREAT TO THE AGRICULTURE OF ARIZONA AND ESPECIALLY PINAL COUNTY

(By Robert S. Firch)

The success of Arizona's large-scale cotton production has been placed in jeopardy by the present threats of limits being placed on Government payments to individual farms. The U.S. House of Representatives in both 1968 and 1969 passed legislation which would limit Government payments to individual farms to no more than $20,000. In 1968, the Senate refused to endorse the payment limitation feature, and as of the date of this writing, the Senate appears likely to block the payment limits again in 1969. But, the sentiment in the Congress for payment limits seems to be growing. Relatively few people realize the extent to which the effects of payment limits would be concentrated geographically.

Under the Government program for upland cotton for the 1969 crop, producers are paid a price support payment of 14.73 cents per pound of lint on the projected yield of their domestic allotments. The domestic allotment is equal to 65 percent of the total upland cotton acreage allotment on each farm.

Arizona farmers have been very successful in gaining control of and effectively combining large quantities of resources into large, efficient farming operations. Income per Arizona farm leads all other States and surpasses the State with the next largest income per farm by a wide margin.

The accompanying table shows that this large, efficient organization of Arizona farms also has been achieved in cotton production. The average upland cotton acreage allotment per Arizona farm having an allotment is 158.0 acres, whereas the same average for the entire United States is 32.8 acres. With the exceptions of California with 104.6 acres and Texas with 64.8 acres of cotton per allotment farm, all of the other major cottongrowing States have averages of less than 43 acres. Pinal County has an average allotment per farm which is almost twice the size of the State average.

EFFECTS OF PAYMENT LIMITATIONS ON UNITED STATES, ARIZONA, AND PINAL COUNTY UPLAND COTTON PRODUCTION

	United States	Arizona	Pinal County
Cotton allotment, acres per farm	32.8	158.0	293.3
Acres of domestic allotment	9,248,768	210,913	82,021
Maximum payment per farm	**Acres excluded from payments**		
$10,000	1,495,780	136,305	61,347
$20,000	769,592	97,958	47,468
$30,000	514,617	75,471	36,154
$40,000	433,680	59,046	29,813
$50,000	336,555	49,192	24,545
Maximum payment per farm	**Percent of Domestic allotment qualifying for payments**		
$10,000	83.8	35.4	25.1
$20,000	91.7	53.6	42.1
$30,000	94.4	64.2	55.9
$40,000	95.3	72.0	63.6
$50,000	96.4	76.7	70.0

Evidence of the success of these large-scale farming organizations is seen in the fact that Arizona farms with 15 to 30 acres of upland cotton allotment have an average projected yield of 1,072 pounds of lint per acre, while farms of 350 to 500 acres have an average of 1,257 pounds and farms with over 1,000 acres of upland cotton allotment have an average projected yield of 1,187 pounds. The decline in yield from the 350- to 500-acre class to the over 1,000-acre class of farm is probably more than offset in per unit cost of production by additional economies in the purchase of inputs and utilization of machinery.

A publication by the Agricultural Stabilization and Conservation Service titled, "1968 Feed Grain, Wheat, and Cotton Programs: Frequency Distribution of Participating Farms by Size of Allotment or Base," provided the basis for an analysis of the effects of payment limitations on the United States and Arizona. Pinal County was selected for more detailed study because it has larger allotments per farm than other Arizona counties and each of its 430 allotment farms was studied individually. The results reported in the accompanying table are definitely lower limit estimates of the effects of payment limitations since they ignore the fact that many of these farms grow American-Egyptian cotton and other crops that also receive direct Government payments. The analysis also ignores the fact that some of the larger farms may also grow cotton in other counties in addition to Pinal.

The table shows for the United States, Arizona, and Pinal County the number of acres of domestic allotment. This is the maximum number of acres eligible for payments with no restrictions on maximum payments per farm. The next section of the table shows the number of acres excluded from payments by payment limitations of $10,000 to $50,000 per farm. It can be seen that a limit of $20,000 per farm would exclude over three-quarters of a million acres of upland cotton from payments for the entire United States. The acres excluded for Arizona and Pinal County at the same payment limit level would be about 98,000 and 47,500.

The bottom section of the table gives the percent of the domestic allotment qualifying for payments at various payment limitation levels. With a $20,000 per farm limit, over 90 percent of the domestic allotment for the United States would still qualify for payments. For the state of Arizona a little over half would still qualify, while in Pinal County only a little over 40 percent of its domestic allotment would still qualify for payments with a $20,000 limit. It is clear from this table that Arizona would be affected a great deal more by payment limitations than the United States as a whole, and Pinal County would be affected significantly more than the State of Arizona as a whole.

To the extent that cottongrowers still found it profitable to grow cotton on the land without the direct Government payments, the effect of payment limitations would be borne almost entirely by the owners of the land excluded from payments. In the current crop year the difference between the total allotment and the domestic allotment is not eligible for Government payments if either planted or not planted in cotton. Apparently, a large number of cottongrowers in Pinal County found it unprofitable to grow cotton without the direct Government price support payments because only 40 percent of the land that could have been planted in cotton in 1969 without the payments was actually planted. Of this land not planted to cotton, about half was planted to other crops and half remained idle. It appears then that payment limitations would result in substantial reductions in land planted in cotton and substantial effects on firms supplying inputs used in cotton production, as well as local merchants in cottongrowing areas of Arizona.

Mr. ABERNETHY. Well, we thank you very much, Mr. Francis.

Do the gentlemen with you care to make statements, or are they here just to scotch for you?

Mr. FRANCIS. Moral support, Mr. Chairman.

Mr. ABERNETHY. Thank you very much.

Are there any questions from the members of the panel?

Mr. DE LA GARZA. Mr. Chairman?

Mr. ABERNETHY. Mr. de la Garza.

Mr. DE LA GARZA. It is not really a question, being more of a request. But part of the problem we have here in the Congress, Mr. Francis, is the lack of knowledge by many of the Members of the problems of

agriculture, specifically, cotton, and one of the problems, of course, is the imposing of limitations. Many of my colleagues, as hard as we try to convince them, they fail to understand when they see a figure of $50,000, $100,000, and they think this is given to the farmer and he takes it to the bank and it is all profit for him to do as he pleases with.

I was wondering if you could provide the committee with an average farm in Arizona, not naming the individual but giving his cost of production, what his operation costs, what his payment was, and how much, if any, he had left as pure profit from the cotton operation, including any other operations he might have on his farm.

I neglected to ask the gentleman from Mississippi, but I guess we can go back, because I think this would be very helpful to us, not really in formulating the legislation but in trying to explain the reason for some of the things we do, to some of our colleagues from the big cities and from the northern part of the United States who, as hard as we have tried to convince, we still seem to be unable to convince.

Mr. FRANCIS. The University of Arizona is presently working on a project that would answer your request, and it should be available to us in the very near future, and I shall be more than happy to send it to you.

Mr. DE LA GARZA. Would you be so kind to forward it to us. Thank you, Mr. Francis.

Mr. ABERNETHY. Mr. Francis, as I interpret your statement, that is, in a general way, the farmers of Arizona do not wish to leave to chance the production of the desired goal and the desired needs, that is, the quantity that we would regard as needed annually, you do not want to leave that to chance, you feel that should be settled before the program, or before the annual crop year gets underway?

Mr. FRANCIS. Absolutely, Mr. Chairman. We do not believe an adequate amount of cotton will be produced with a domestic allotment concept, period.

Mr. ABERNETHY. All right. Now, how general has that been discussed among Arizona farmers?

Have you had any meetings where a concept of a domestic allotment and then leaving to chance—and I do not use that word critically, but I do not know of any other way to describe it—the production of the remainder of the goal? How generally has it been discussed?

Mr. FRANCIS. This has been discussed in several meetings in the State of Arizona. In Arizona, we have the second highest cost area and the lowest cost area within one State. In the high-cost area the domestic allotment will be planted, period. In the low-cost area, there is some interest in planting beyond an allotment, provided that there is no restrictions, that is, that it would not be restricted, as an example, by saying that you could plant your allotment plus 100 percent more. If a farmer wants to do this, I believe he has to do it in a big way, and it is, of course, dependent upon the price he can get for his cotton. A lower loan level would result in perhaps no cotton being planted, even in our low-cost areas.

Mr. ABERNETHY. Well, under this system of leaving to chance—and, of course, the word answers the question itself—nobody knows, actually knows, what the end result will be.

Would you not say that that is an accurate statement?

No one knows whether they will produce the cotton, or not?

Mr. FRANCIS. Absolutely, until it was planted, and until it was harvested. You would have an idea at planting time only.

Mr. ABERNETHY. In your area, would your farmers produce it at world price or at whatever they could get for it?

Mr. FRANCIS. There would be some cotton planted outside of the program to get a competitive price, particularly the first year.

This would only be done by the farmers that could get financing, as B. F. pointed out. It is a matter of financing cotton without a payment, which is most difficult.

Mr. ABERNETHY. Well, of course, with the investment already made in machinery on a contract to purchase, they have got to carry through on the contract, and they would, some of them would, no doubt, produce until that machinery wore out. Now, that is true, is it not?

Mr. FRANCIS. Yes, sir.

Mr. ABERNETHY. When that machinery is gone, what would they do if the world price was considerably below the average price of production in the United States?

Mr. FRANCIS. They would be bankrupt.

Mr. ABERNETHY. Well, of course, if they tried to produce any more cotton they would be.

Now, that is the position of the farmers in Arizona?

Mr. FRANCIS. Yes, sir.

Mr. ABERNETHY. Well, I just want to say that you have tied in with the position of every single witness, that has been before this committee. There has been no difference. We are getting a different view from the Department. As I said last week, somebody has to get together around here. We are left in the position of arbitrating between the Department and the producers. Up to now, there has been no meeting of the minds; there has been no agreement on these things.

I just hope—and I would like to say it again, that I just hope the appropriate people will get around the table and see if they cannot work this out. This is not any particular criticism of you, I am just pointing out the problem, to the Department, and to everyone in the United States who is interested in this cotton problem.

You do not want to leave this to guesswork or to chance, do you?

What is your position on making payment to those who actually do not produce their crop?

Do I understand that you pay only on what they produce, or do you want to pay whether they produce or not?

Mr. FRANCIS. We feel that farmers who do not want to produce cotton should be taken out of the farming business.

Mr. ABERNETHY. You do not think they should be paid for it, do you?

Mr. FRANCIS. We do not have this problem in Arizona of farmers getting a payment for doing nothing.

We do not have the small-type farms in our State.

Mr. ABERNETHY. I do not favor that. Do you favor it? Do your people favor it?

Mr. FRANCIS. I feel that the farmers in Arizona would like to see the farmers in the rest of the country and our State that have an allotment which has some value—they would like to get the value out of the allotment.

Mr. ABERNETHY. There is a difference between selling and an allotment and paying them for not producing anything, is there not?

Mr. FRANCIS. Yes, sir.

Mr. ABERNETHY. Well, I am willing to buy the allotment and pay them something, but I just do not think it makes sense to pay anybody not to produce and then they hold on to the allotments.

Mr. FRANCIS. We agree, Mr. Chairman.

Mr. ABERNETHY. Well, thank you very much.

Are there any other questions from the members of the panel?

Thank you very much, Mr. Francis, you and your colleagues.

The next witness will be Mr. Norcross, Agricultural Council of Arkansas.

Mr. Norcross?

Mr. NORCROSS. Mr. Chairman, and members of the committee, I have with me Mr. Cecil Williams who is executive vice president of the Arkansas Agricultural Council.

Mr. ABERNETHY. Why didn't you bring our old friend, Took Gathings, with you?

Mr. NORCROSS. Old Took has been kind of poorly lately.

Mr. ABERNETHY. Well, will you give him our best?

He served as a member of this committee for at least 26 years and maybe longer, I do not know. We all loved him. He is a great fellow. We regretted his retirement. We would welcome the privilege of again having him visit us in this room.

Mr. NORCROSS. Well, we are quite proud of Took.

STATEMENT OF ROBERT NORCROSS, FIRST VICE PRESIDENT, THE AGRICULTURAL COUNCIL OF ARKANSAS, TYRONZA, ARK., ACCOMPANIED BY CECIL WILLIAMS, EXECUTIVE VICE PRESIDENT, THE AGRICULTURAL COUNCIL OF ARKANSAS

Mr. NORCROSS. Mr. Chairman and members of the committee, my name is Robert Norcross. I am a cotton farmer from Tyronza, Ark. The Agricultural Council, which I serve as first vice president, represents and has represented for 30 years the commercial farmers of eastern Arkansas. Cotton is the primary crop in this area and the economic well-being of most people in the region is tied to this crop.

We are well acquainted with the many problems now facing cotton. And we are convinced that the greatest threat to the industry is the danger of a shortage rather than the surpluses of the past.

It is also obvious that if cotton is to remain competitive, which it must do to survive, some type of cost adjustment must be provided if producers are to stay in business. Such adjustment should provide reasonable returns for labor, management, and investment.

Any limitation on the cost-adjustment program would render it ineffective and would destroy the capability of growers to provide the supplies of cotton needed to support domestic consumption, exports, and a carryover adequate to meet expanding offtake.

We, therefore, urge that new legislation be developed that will maintain competitive one-price cotton. To accomplish this, we recommend providing for a loan level of 90 percent of the world price with the determination of such price being made in a manner which will accurately reflect market conditions for the immediately preceding year or years.

As a step toward assuring adequate supplies, we propose a program that would provide for the establishment of an acreage allotment system aimed at providing the production needed each season.

As a means of bridging the gap between the high production cost and low sales price, we support the cost-adjustment concept as a basis for price supports. Such cost-adjustment payments should be made on actual yield from the total allotment assigned to any given farm.

Payment on actual yields would result in a program designed to maximize returns by encouraging production of the highest possible yields on the total allotment. We feel that any cotton program should provide an incentive to produce maximum yields because increasing per acre yields has proven to be one of the most effective ways of improving efficiency. And this Nation has achieved an enviable record by producing evermore efficiently in all types of business. In addition, payments based on actual production would remove most of the inequities inherent in the projected yield system.

Of course, such a program as outlined would necessitate updating and strengthening the crop insurance program to provide protection for high-cost, high-risk crops such as cotton. We strongly recommend this and feel it should be done regardless of the type farm program ultimately passed.

The Agricultural Council of Arkansas endorses the testimony presented to this committee November 19, 1969, by Mr. J. E. Mayes and Dr. C. R. Sayre on behalf of the National Cotton Council. Our representatives have attended many meetings during the past 2 years to help mold the Cotton Council proposals. We feel that plan A presented by Dr. Sayre provides for a workable and a positive method of achieving the desired production.

We feel compelled to register our objection to the so-called set-aside proposal as applied to cotton. Under previous programs, cotton producers have drastically reduced their allotted acres and feel that idling a portion of their allotments should not be a prerequisite for future program benefits. Growers have also been required to considerably reduce their income potential and a massive set-aside program would endanger this potential even more.

In closing, we wish to reiterate our strong opposition to any form of limitation on program benefits. We could easily spend 30 minutes discussing the many arguments against limitations, but at this time we will simply say that payment limits on any type of cotton program would make it virtually impossible to obtain the production necessary to fill market needs. We are attaching a summary of arguments against payment limitations.

(The attachment entitled "A Summary of the Arguments Against Payments Limitation" follows:)

A Summary of the Arguments Against Payments' Limitation

The imposition of a limitation on farm program payments to individual farmers:

1. Would strike at larger producers who are generally our most efficient and as such the leaders of the industry.

2. Would reduce or eliminate profits from those who are the innovators, those who adopt new technology, thus largely removing their incentive to perform this function.

3. Would adversely affect participation in self-help programs for cotton such as CPI.

4. Would seriously impair the ability of farmers to produce sufficient cotton to meet export and domestic market demand. To jeopardize U.S. cotton supplies will inevitably result in manufacturers, who must have an assured supply of raw material, turning to other sources of supply—synthetic fibers and foreign-produced cotton.

5. Would depress land values which in Cotton Belt are geared to great extent to value of cotton allotments. Would severely restrict the amount of financing that a farmer could obtain and thus tend to keep him from producing beyond the level at which he could receive payments, even if he wanted to.

6. Would tend to create an imbalance in agriculture by forcing farmers under limitation into production of substitute crops, demoralizing markets for those crops.

7. Would restrict and impair inclination of those covered (they are community leaders) to work for civic and social improvement in schools, health programs, and other programs designated to enhance community life.

8. Would cause unemployment of people with limited skills which would be likely to occur, and precipitating their migration to the already overcrowded cities.

9. Would establish a precedent that would inevitably result in the limits being lowered to a level that would reduce cotton to the role of a minor crop.

10. Would reduce the degree of competition among fiber producers and tend to increase prices, reduce research expenditures and serve the consumer less efficiently.

11. Would adversely affect suppliers, seed dealers, machinery manufacturers and dealers, chemical companies, banks, and other credit institutions, and in many instances have a pronounced effect on the economies of whole sections.

12. Would seriously curtail the incentive for young farmers to enter cotton production.

13. Would tend to encourage evasion of law.

Mr. NORCROSS. Mr. Chairman, in an effort to be brief, we have tried to devote our remarks to those points we feel to be absolutely essential for a sound cotton program. We believe that a program incorporating these points would considerably reduce Government expenditures.

We would like to thank the committee for giving us the opportunity to express our views.

Thank you, Mr. Chairman.

Mr. ABERNETHY. Thank you very much, Mr. Norcross.

Do I understand that the farmers of Arkansas, who have been meeting and discussing this problem in recent weeks, support the idea of a program which guarantees across-the-board cost of production with an income payment above that?

Mr. NORCROSS. Yes, sir.

Mr. ABERNETHY. Now, I am well aware of the limitation situation, and I am sure you are, and you know we are facing a practical situation there, I am sure; do you not?

Mr. NORCROSS. Yes, sir.

Mr. ABERNETHY. Are there any questions?

Thank you very much, gentlemen.

Mr. NORCROSS. Thank you, sir.

Mr. ABERNETHY. We appreciate your counsel and your presence.

The next witness will be Mr. Jack H. Tipton of the Missouri Cotton Producers Association.

Mr. BURLISON. Mr. Chairman?

Mr. ABERNETHY. Yes, sir.

Mr. BURLISON. I would like the committee to be cognizant of the fact that this gentleman is a very respected and successful farmer from my district. He is president of the Missouri Cotton Producers Association which is made up of farmers and processors in the seven counties that produce cotton on a fairly large scale in the State of Missouri.

He is also accompanied by the executive vice president of that organization, Mr. James N. Conner. I am extremely pleased that these gentlemen have appeared to present the views of their association before this committee.

Mr. ABERNETHY. Thank you, Mr. Burlison.

Your Congressman is a very valuable member of this committee. We are very happy to have him.

Mr. CONNER. We had a pretty good one here before.

Mr. ABERNETHY. Well, you beat me to it. I was going to talk about Paul Jones. I might also say that he was a very popular Member of the House, a very able man and had a long service as a member of this committee. We ask that you extend to him and his very charming wife, Ethel, our good wishes.

All right, sir.

STATEMENT OF JACK H. TIPTON, PRESIDENT, MISSOURI COTTON PRODUCERS ASSOCIATION; ACCOMPANIED BY JAMES N. CONNER, EXECUTIVE VICE PRESIDENT, MISSOURI COTTON PRODUCERS ASSOCIATION

Mr. TIPTON. Mr. Chairman, my name is Jack H. Tipton. I am a cotton farmer of Caruthersville, Mo., in Pemiscot County. I own 1,575 acres of which 375 acres is my cotton allotment. I live on this farm and farm it myself. I am president of the Missouri Cotton Producers Association which represents cotton producers and allied industry in southeast Missouri.

My appearance here is in behalf of the Missouri Cotton Producers Association, which has headquarters in Portageville, Mo. The Missouri Cotton Producers Association was chartered May 11, 1949.

The Missouri Cotton Producers Association represents cotton producers, ginners, banks, warehouses, cooperatives, cotton merchants, implement and fertilizer dealers, and cottonseed crushers.

The Missouri Cotton Producers Association is a nonprofit organization; therefore, we do not market commodities.

Here with me in behalf of the Missouri Cotton Producers Association is the organization's executive vice president, James N. Conner, Kennett, Mo.

It is indeed a great privilege for me to have this opportunity to submit to you the Missouri Cotton Producers Association recommendations for farm legislation:

1. Maintain competitive one-price cotton with flexibility and supplemental programs that would increase offtake and eventually achieve full utilization of U.S. capacity to produce;

2. Provide for a loan level of 90 percent of the world price, with the determination of such price being in a manner which will accurately reflect market conditions for the immediately preceding year or years;

3. Provide for dependable supplies of American cotton which are fully capable to meet the requirements of modern competition at home and abroad;

4. Provide that an anniversary type loan be adopted and that the release of Government stocks may occur only at price levels, clearly defined by legislation, which will allow the marketing system to function effectively in adjusting supply-demand relationships between the dif-

ferent qualities of cotton, and which will permit farmers to make maximum use of normal trade channels in selling their current crop;

5. Establish an acreage allotment system aimed at providing the production actually needed each season for domestic consumption, exports, and a carryover adequate for an expanding offtake;

6. Maintain language in the present farm law as it pertains to the sale and lease of allotments;

7. Recognize that the industry's most urgent problem is to reduce production and marketing costs; and place maximum possible emphasis on a crash program of research and education to overcome that problem and permit the industry, within a reasonable time, to achieve self-sufficiency in meeting price competition;

8. Recognize that in the immediately foreseeable future, some form of cost adjustment must be provided in order for producers to sell at a competitive price and receive a reasonable return for labor, management and investment;

9. Provide that such cost adjustment be made to the commodity rather than to the producer;

10. Strengthen the crop insurance program to provide adequate protection for high-cost, high-risk crops such as cotton;

11. Strengthen to the greatest extent possible industry advice and participation in the administrative decisions made with respect to the cotton program;

12. Reaffirm previous Missouri Cotton Producers Association resolutions which (*a*) recognize the necessity of quantitative restraints on the expansion of textile imports; (*b*) recognize that an adequate export market is vitally dependent on product development and promotion together with dependable supplies and competitive pricing; and (*c*) oppose limitations on any farmer's benefits from a price support or payment program.

I would like now to discuss the probable results of limitation of payments.

Officials in the USDA apparently are saying that the effectiveness of the cotton program would not really be hurt by limitations of payments. To prove their claim that the effectiveness of the program would be hurt, cotton producers representing the entire cotton belt have prepared a list of 13 reasons which I would like to read to you now.

This first reason, I might add, is an understatement.

1. Payment limitations would strike especially hard at larger cotton growers, who in most cases are the most efficient and are the industry's leaders.

2. Limitations would reduce or eliminate profits from those farmers who are innovators and pioneers in new growing and farming methods. The very group of farmers who are quickest to adopt new technology and therefore perform a valuable service to the thousands of growers who adopt the new methods later with little risk because of the groundwork laid by the innovators.

3. Limits also would seriously affect grower participation in self-help programs for cotton, such as Cotton Producers Institute.

4. Limits would interfere greatly with the ability of growers to produce enough cotton to meet domestic and overseas needs. This, in turn, would lead fabric makers into still further use of synthetics,

drying up more and more cotton markets beyond the possibility of ever gaining back these markets for cotton.

5. Limits would cut land values in the Cotton Belt, where land is valuable because cotton is valuable. Land prices in cotton-producing areas are tied to cotton. This is in addition to the harm that would be done by the difficulty of getting adequate financing. Questionnaires were sent to banks, production credit associations, crop financiers, and other agencies that lend money to cotton farmers. These lending agencies said a strong net worth on the part of the farmer would qualify him for a bigger loan, but, otherwise, the limit would be the limit. Although this policy was expected by the cotton growers it was a very strong answer. It means except in the case of a very few farmers who have a high net worth, you could get a loan only up to $20,000 if that was the legally established limit at that time, you could only go that high regardless of how much land you wanted to farm.

6. A ceiling on payments that could be received by any one farmer would also cause great upheavals in the total agriculture system forcing growers to switch out of cotton into alternate crops. This imbalance would be widely felt and would demoralize markets all over the country for these alternate crops, affecting areas far from the Cotton Belt.

7. Payment limitations would remove much of the incentive for farmers who are community leaders to participate in programs of benefit to the overall community.

8. Limits on farm programs payments would cause widespread unemployment of persons with limited skills, forcing even greater migration of these persons to cities already overcrowded and unable to care for such persons.

9. Limits in any amount would set a precedent that would lead to still further reductions until cotton would be a minor crop.

10. Limits also would cut competition among the various fibers now available, tending to raise consumer prices, cut research funds, and serve the American consumer less efficiently.

11. Limits would have their effects upon a host of agricultural suppliers, such as those who furnish chemicals, machinery, seed, and other production items, as well as lending agencies, and would in many cases seriously cripple the economies of big sections of the country.

12. Payment limitations would reduce the incentive for young men to go into farming, and

13. Payment limitations would tend to encourage evasion of law by farmers.

Gentlemen, I would like to thank you for letting me have this opportunity of presenting the recommendations made by the Missouri Cotton Producers Association in the interest of the Missouri cotton farmers.

Thank you.

Mr. ABERNETHY. Thank you very much, Mr. Tipton.

We also thank your colleague.

I am sure you understand, do you not, that the payments-limitations problem is not one that is necessarily a problem in this committee?

The problem is over on the House floor and the Senate floor.

I might also add that these arguments which you make are well recognized by the members of this committee. They have been used in opposing the attempt to impose limitations.

We are faced with the practical situation which I trust you are cognizant of and that your farmers likewise are cognizant of.

Now, you mentioned crop insurance. How many counties in Missouri where cotton is produced is the crop insurance program available?

Mr. TIPTON. All seven major counties.

Mr. ABERNETHY. When you suggested it be strengthened, then, what do you mean?

Mr. TIPTON. The problem is to make the coverage adequate to where it would not be totally disastrous in case of a year like 1967, to where they could get their cost of production back.

Mr. ABERNETHY. Well, what limitations are there on coverage now?

Mr. TIPTON. The coverage now, it is very inadequate. It does not cover the cost of production. There is no way through Federal Crop Insurance to regain the production costs, because of the increased cost of production.

Mr. ABERNETHY. Well, do you think it is possible to strengthen it to the point where the program would be self-sustaining?

Mr. TIPTON. Because of the increased cost of production, it would be extremely difficult. I do not know. I am not an insurance man, and I wish I had better knowledge of it.

Mr. ABERNETHY. What you have in mind—and I am not being critical—is an insurance program which would carry coverage to the extent that the premiums would not actually meet the coverage and therefore it would be more or less a subsidized crop insurance program; is that not what you have in mind?

Mr. TIPTON. It is not truly what I have in mind, but unfortunately it would be hard to visualize a program that would not make that partially true.

Mr. ABERNETHY. Well, that is a bad word to use around here.

Mr. TIPTON. Yes, sir.

Mr. ABERNETHY. But that is what it would amount to. In other words, that the program would hardly be able to carry itself.

Are there any questions from the members of the committee?

Mr. Burlison?

Mr. BURLISON. Mr. Chairman, I would just like to commend my colleagues from Missouri's 10th District for their appearance and for their fine presentation before this committee.

Thank you.

Mr. ABERNETHY. Are there any other comments or questions?

Thank you very much, gentlemen.

We appreciate your presence.

I might say that we concluded much earlier than I anticipated today.

The next meeting, the gentleman from Texas is on the second day of his summary, I believe—the second and third. That will conclude the testimony from the producers and the service organizations such as the warehouses and so forth, and after that I am sure the Department would like to be heard, and I think we have set aside the 8th of December to hear the Department.

I thank all of you very much, and the committee will stand in recess until the call of the Chair or until December 3.

(Whereupon, at 11:25 a.m., subject to the call of the Chair or the reconvening on December 3, 1969, the subcommittee stands in recess.)

COTTON

TUESDAY, DECEMBER 2, 1969

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COTTON OF THE
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10 a.m., in room 1302, Longworth House Office Building, Hon. Thomas G. Abernethy (chairman of the subcommittee) presiding.

Present: Representatives Abernethy, de la Garza, Sisk, Burlison, and Price.

Also present: Representatives Poage (chairman of the full committee), Mahon, and Alexander.

Mrs. Christine S. Gallagher, clerk; and Lacey C. Sharp, general counsel.

Mr. ABERNETHY. This subcommittee is convened again this morning for the purpose of taking testimony on legislation relating to the cotton program.

Again, I would like to suggest that we are confronted with a time limitation. Up to now the witnesses have been very cooperative. They have taken into account the fact that we are limited as to time. And while I don't wish to unusually press anyone, I want all of you to feel free to express yourselves fully. However, as you are testifying, just bear in mind that there are others that are behind you, most of whom have come a long way, and they too would like to have an opportunity to present their views.

The first witness this morning will be Mr. Joe B. Pate, Jr., of Lubbock, Tex. He will be accompanied by Mr. Donald Johnson, of Lubbock; Mr. Charles Bragg, of Stamford, Tex.; and Mr. Robert W. Heard of Victoria, Tex. And of course they are also accompanied by a very potent and popular gentleman here in the Congress, Mr. George Mahon, who controls the purse strings of this Government, and does an excellent job not only in that capacity, but in numerous other ways.

Mr. Mahon, we are happy to have you present. And if you so desire, we would be pleased to have you sit at the table, or you can sit out there with the voters. And I think I have an idea where you will sit.

Mr. MAHON. Mr. Chairman, you have judged me correctly. I want to sit out here with the voters.

I have a number of fellows from Texas who are here. They have an innovative presentation to make. I have listened to it and I have found it very interesting and provocative. And I think the subcommittee will find the testimony very interesting.

Thank you very much.

Mr. ABERNETHY. Glad to have you.

Mr. Pate, you may proceed.

34-326—70—pt. 3——7

STATEMENT OF JOE B. PATE, JR., LUBBOCK, TEX., CHAIRMAN, TACPO (TEXAS ASSOCIATION OF COTTON PRODUCERS' ORGANIZATION); ACCOMPANIED BY: DON ANDERSON, DONALD JOHNSON, CHARLES BRAGG, STAMFORD, TEX., REPRESENTING ROLLING PLAINS COTTON GROWERS, INC.; AND ROBERT W. HEARD, EXECUTIVE DIRECTOR, SOUTH TEXAS COTTON AND GRAIN ASSOCIATION, VICTORIA, TEX.

Mr. PATE. Chairman Abernethy, distinguished members of the committee and honored guests, I am Joe Pate, Jr., a cotton producer from Lubbock, Tex., and the chairman of TACPO.

The Texas Association of Cotton Producers' Organizations is an affiliation of the six cotton producer organizations holding charters under the Texas nonprofit corporation law. Member organizations of TACPO are:

Blackland Cotton and Grain Association.
El Paso Valley Cotton Association.
Plains Cotton Growers, Inc.
South Texas Cotton and Grain Association.
Trans Pecos Cotton Association.

Texas produces about one-third of the cotton grown in the United States. The six organizations that comprise TACPO have memberships encompassing every major cotton producing area in the State. Their members produce in volume a full range of U.S. cotton qualities under growing conditions which duplicate those across the belt.

We are seriously concerned with the ability of the cotton industry to survive in a multifiber world.

Two major acts which deal with this problem have been passed by Congress in recent years. They are the Agricultural Act of 1965 and the Cotton Research and Promotion Act of 1966.

In general, these laws have served the industry well. At this time, however, we will not dwell on accomplishments under this legislation, but will discuss adjustments which experience has shown to be in order.

Under existing legislation, there are three major problems.

Our industry is not yet self-reliant.

Because of this, Government costs are high—and mounting.

And, many of our efficient farm units may be crippled by limitations.

Today, we will discuss each of these topics in turn, and present our recommendations.

A SELF-RELIANT INDUSTRY

A self-reliant industry must be based on—

1. An effective marketing program;
2. Adequate production;
3. A competitive price; and an effective marketing program.

In 1966, Congress approved the Cotton Research and Promotion Act which created the uniform collection system. This act is the cornerstone of the present self-help program of our industry in our marketing competition with manmade fibers.

We believe this act should be amended as the new cotton program under consideration by your committee evolves.

Amendment is necessary because of the nature of present fiber competition.

Our competitors do not speak of adequate production or competitive price. Manufacturers of manmade fibers take these factors for granted. Instead, they compete through well-designed marketing programs.

The fight for markets in this country revolves around market research—blends—product innovation—brand merchandising—technical assistance. In short, the tools utilized through effective business strategy to take and hold markets. These, together, constitute the market program of our competitors.

How can the new cotton program succeed if we do not make adequate provision to compete more effectively in this arena?

For it is clear that cotton is not meeting competition in the area of marketing. The fact is that use of manmade fibers in this country is soaring while domestic cotton consumption is shrinking. Neither cotton's price nor supply are basic problems in the U.S. market. We are losing out to the superior marketing programs used to sell manmade fibers.

If our present marketing program for cotton is insufficient, why hasn't it been adjusted under present legislation?

We are investing $1 per bale in our market program because this is deemed to be the maximum that can be collected under the system authorized, not because this is the amount necessary for an effective program.

To compete more effectively in domestic marketing, our industry must find a way to have a more adequate and dependable source of funds to be used for this purpose.

To provide an effective program we favor—

1. An increase in the marketing funds invested by productions;
2. A revised collection procedure; and
3. Broadened power for the Cotton Board and CPI, if this is necessary for effective competition with manmade fibers.

Several plans might accomplish our objective. We will outline one, however, to indicate the type of program we have in mind.

Well in advance of planting time, the cotton board and CPI would study the marketing operations necessary to move the crop. A proposed program and budget would be submitted to the Secretary for approval.

Prior to the annual producer referendum, the USDA would announce proposed details of the total cotton program for the year: marketing quotas, acreage allotments, loan level, price support payment rates, and the amount to be retained by the cotton board from the price support payment to fund the marketing program.

Producers would then vote on the proposed program. If approved, this would provide a cotton program for the year with balanced provisions for creating consumption as well as inducing production.

It might be wise for the Government to remit to the cotton board that portion of the price support payment designed to offset the high cost of production in this country. The cotton board could then deduct from its cost adjustment payment to each producer the amount of marketing retain approved in the referendum.

Price support payments have been authorized by Congress to compensate for the difference between U.S. production costs and the world market price for cotton, and are intended to provide subsidization of an industry in the national interest, not a subsidization of individuals.

Therefore, payment of the cost adjustment through the cotton board of the industry would seem appropriate.

Our intent is to find an adequate and dependable source of funds for the effective self-help marketing program so vital to our survival as an industry. We will support any reasonable plan which will accomplish this objective.

It is essential that funds collected be spent wisely. Present powers and operations of the cotton board and CPI should be analyzed to be sure that adequate authority exists for the board to implement the marketing program needed. We recommend amendment to the law to confer such authority where necessary.

We hope these recommendations will generate discussion which will lead to a solution of the problem of effective marketing—a matter that has received less attention than it deserves.

ADEQUATE PRODUCTION

An adequate supply of cotton for our markets, both domestic and export, is a primary concern of all serious cotton producers. To secure an adequate cotton supply in this country, we must have a Government to provide effective production incentives to growers because the world price for cotton is several cents per pound below our cost of producing the crop.

It is generally accepted there must be a program incentive to grow cotton for the domestic market. Congress has recognized this fact by authorizing price support payments on production from domestic allotments.

If such an incentive is necessary for domestic production, it is equally essential in order to provide production for export. It costs just as much to grow cotton for export as it does for domestic use.

We are told that a program with payments on domestic production, coupled with provisions for unlimited plantings, will provide necessary supplies for all our customers. We do not agree.

In our judgment, such a program will not get the cotton produced for both our domestic and export markets. This considered view is based

1. On experience with the domestic allotment system during the last 4 years.

2. On prospective unlimited plantings calculated from production cost figures developed by the USDA, and experience with the Export Acres Program since 1965.

3. On our careful assessment of this matter in Texas where four of the seven low-cost production areas are located.

Without program incentives to produce cotton for export, we believe our foreign market will be lost forever.

Included in our statement today are two attachments.

Attachment A summarizes some of the consequences should this occur.

We therefore recommend that an effective incentive to produce cotton for export be included in the legislation now under consideration. We will support any reasonable plan whereby this is accomplished.

COMPETITIVE PRICE

Some believe that U.S. cotton has been priced too high under the act of 1965. We do not agree.

Production under the act is expected to total about 37 million bales through this crop year. Sales are expected to be about 47 million bales in the same 4 year period.

During these 4 years we will sell a quantity of cotton equal to total production, plus 10 million bales of reserve. And we expect cotton stocks to be dangerously low by next summer.

This record does not indicate that prices have been excessive.

Therefore, we recommend no major departure from the pricing mechanism established by the act of 1965. But we do suggest certain adjustments in establishing the loan level and related policies.

As a broad criteria, the loan level should be established at a level high enough

1. To provide market incentives to encourage adequate production and to facilitate crop financing.
2. To provide market stability so essential to successful textile manufacturing operations.
3. To provide price stability vital in our competition with man-made fibers.
4. To reduce the need for high Government payments to bridge the gap between market price and the producer income objective.

Yet, the loan should be set at a level low enough—

1. To allow a competitive price in the domestic and export market.
2. To discourage commitment of resources to the production of competing fiber.
3. To stimulate marketing through trade channels with minimum cotton acquisition by Commodity Credit Corporation.

We believe an acceptable compromise between these somewhat conflicting objectives would be a loan level at 90 percent of the market price of the two preceding years. We cannot recommend a loan level that changes within a crop year.

Experience indicates the flow of cotton into CCC ownership may be influenced as much by the duration of the loan, redemption cost, and CCC sales policy as by the level of the loan itself. A recent study of this subject by grower groups across the belt resulted in conclusions described in attachment B to this statement.

We believe the proposals contained in attachment B should be adopted and clearly defined in the new legislation under consideration to remove market uncertainty and encourage development of a healthy merchandising industry.

Of the three essentials we have outlined for a self-reliant industry, we now have a competitive price. We still need a way to encourage production of cotton for export, and a way to meet domestic competition of manmade fiber through a more effective marketing program.

HIGH GOVERNMENT COST

To reduce Government cost we must establish a self-reliant industry. This can be done through judicious adjustment of Federal legislation to encourage an effective self-help program by the industry, and by incentives to provide an adequate volume of production until self-help measures become totally effective. In no other way can Government expenditures be lowered without drastic repercussions within the cotton industry, rural America, and our Nation's economy.

LIMITATIONS

Limitation of payments to producers of agricultural commodities would have serious consequences. Limitations are incompatible with the American economic system; would disrupt most phases of agriculture; would deny many agricultural producers a just return on their labor and investment; and would nullify much of the effectiveness of the farm program.

Imposition of limitations would be nothing less than land reform forced by Federal economic pressure.

We wish to commend those members of this committee and of Congress who have taken a strong stand in opposition to limitations. You have shown a true concern for the economic well-being of agriculture and the Nation.

We urge continued efforts to prevent adoption of limitation of payments.

We recognize that sincere individuals hold views contrary to our own.

As Congress moves toward resolution of this issue, we hope a consensus will support separation of the income supplement aspects of payments from that amount necessary to compensate the industry for high U.S. production costs. We wish to emphasize that the problem of inflated production cost should be treated at the industry level, rather than an individual basis.

OTHER CONSIDERATIONS

We wish to comment on four other items of major importance: Producer income level: We feel the loan and price support payment structure for cotton should be tied to an index related to the general level of prices within our economy, such as the parity system used in the past.

Cotton production involves substantial capital expenditures which must be amortized over a long period of time. Unless cotton producers have assurance their returns from cotton will remain at a reasonable level for several years, many will be unable to secure necessary financing. We cannot build a stable industry when producer income is wholly dependent on administrative decision.

Using parity as a base, since we are all familiar with this index, we recommend the return to the cotton producer be set at not less than 65 percent of parity. We believe this minimum income level, based on whatever index is selected, should be a part of the legislation under consideration.

FEDERAL RESEARCH

In 1964, Congress authorized a $10 million research program to reduce the cost of cotton production, but that program has not been fully funded. There is a great need for this research effort. We ask that it be implemented as rapidly as possible.

Some believe that any increase in research financed by producers will be nullified by reductions in federally funded projects.

It is essential that the Federal research program for cotton be fully adequate to refute this supposition.

TEXTILE IMPORTS AND DOMESTIC MARKET INCOME

We recognize that textile imports pose a serious threat to American mills and to our domestic cotton market. We recommend that steps be taken to alleviate this problem.

Concurrent with the resolution of the textile import issue, we recommend that a way be found to increase domestic market income to producers without jeopardy to exports.

We stand ready to work with all groups to accomplish these two related goals.

CONTINUING LEGISLATION

Stability is important to our industry and all agriculture. We urge that the agricultural program be made permanent.

Texas producers represented by TACPO support this outline as the broad direction toward which the industry should proceed under appropriate legislation.

We appreciate your consideration.

And I might say, Mr. Chairman, that we have directed our attention primarily to generalities, particularly on the marketing program. But we would be glad to answer any questions that you gentlemen might have.

Mr. ABERNETHY. Thank you very much, Mr. Pate. You have made a good statement.

Your suggestions regarding imports, research, and limitation, parallel those that have been made by other witnesses. Of course, as you know, we have no control over the appropriations that are made for research. That comes through another committee. We do have an interest in it. And we make recommendations. We have little control, in fact we don't have any, over imports. I wish we did. This is a matter that is vested in the Ways and Means Committee as well as in the policy of the Administration.

I stated here in other hearings that I have served under six Presidents. All of them have come into power with promises that something would be done about the import problem that has been visited upon the textile industry of this country. While it is not my purpose to direct any special criticism to any of our Presidents, the fact is that up to now they have done nothing, or very little, and the imports continue to increase.

This is a very serious problem. I don't know what will be done about it. But I hoped that after attending a meeting with Secretary Stans earlier this year that we were going to get some relief. Up until now that has not been forthcoming.

We are faced with a practical situation regarding limitations. I don't say such are inevitable, I just say we have a problem.

I don't exactly understand your recommendation regarding the self-help research and marketing program. You suggest that it be amended and expanded. How do you get that additional money.

Mr. PATE. Well, sir, our thinking is that if we had a program that was outlined in detail—and we have of course checked with many of our producers in trying to develop this—that the producers recognize there is a need for substantial additional funds.

Mr. ABERNETHY. Over and above the dollar per bale?

Mr. PATE. Yes, sir; that is correct.

Mr. ABERNETHY. Does the law now put a ceiling of a dollar a bale?

Mr. PATE. Yes, sir; that is correct. The law would have to be amended if this were changed.

Mr. ABERNETHY. And that ceiling would be limited?

Mr. PATE. Yes; that is correct.

Mr. ABERNETHY. And it would be left to the judgment of whom as to the amount that would be levied?

Mr. PATE. Under our proposal the matter would be reviewed by whatever the board might be. Presently we have the Cotton Producers Institute and the existing Cotton Board. These bodies or other bodies that would be developed would make recommendations to the Secretary of Agriculture each year. This would be a flexible amount. And it could vary from year to year. We are thinking in terms of possibly $20, $30, $40 million total.

Mr. ABERNETHY. This expansion might result in less participation, might it not?

Mr. PATE. Yes, on a voluntary basis that is true. However, in this proposal we propose that the referendum be held each year coupled with the vote on marketing quotas and acreage allotments. And if a man voted for and accepted the benefits of government's participation in his operation, he would have a mandatory deduction for this marketing program.

Mr. ABERNETHY. That is what I was getting to. You actually recommend that it be taken out of the voluntary category?

Mr. PATE. That is correct.

Mr. ABERNETHY. I believe that is all.

Mr. Sisk.

Mr. SISK. Mr. Chairman, I want to commend Mr. Pate on what I think is an excellent statement. It contains a great deal of information that is pretty much in line with a lot of the testimony we have heard already.

This is really not a question, but perhaps a comment. I agree with you completely with reference to your statement regarding limitations. This business of limitations is incompatible with the American economic system. I recognize that as one who has fought limitations. And being from California, you can understand the situation with respect to cotton in California. I simply have to say in all frankness—and I think it is time that this information gets out to the cotton producers of America if it hasn't gotten out—that there are going to be limitations of one kind or another. We simply can no longer, in spite of the question as to the right or wrong of this situation, we simply can no longer continue the type of payment program that we had. And I am not sure whether my good friend from Mississippi has gotten the signal as strongly as I have.

Mr. ABERNETHY. I agree with you 100 percent.

Mr. SISK. But I feel that the time has come that we have to lay this out.

And in connection with that, I would like to ask you—we have an alternative suggested by the Department, that unless we ease the pain of limitation, or make it livable, it could literally destroy the cotton industry in this country. And one of those proposals has been the use of a similar type of limitation as contained in the Sugar Act. I assume you

are generally familiar with the Sugar Act and the graduated limitations in the Sugar Act, is that right?

Mr. PATE. Yes, in a general way.

Mr. SISK. It may be unfair, and maybe you do not wish to even comment on it. But there has been some discussion, in view of the fact that we have to have votes from a variety of places other than, say, representatives of cotton districts, and even representatives of farm districts to get something through, that possibly something that might be salable in this area— and it is a type of limitation we can live with— would be to encompass in new agricultural legislation generally the whole basic provision of the Sugar Act.

Now, this includes, you understand, in addition to a graduated limitation, which does run up substantially higher than any of the other graduated limitations, it also includes certain labor provisions such as the right of the Secretary to set minimum wage rates, and things of this kind.

Let me ask you how favorably or unfavorably would you view that as a possible type of limitation?

Mr. PATE. Mr. Sisk, I don't want to be evasive on the matter, but in TACPO we have never got into any depth in discussing this particular approach to limitations. And I would be reluctant to go on record as having a position at this time.

Mr. SISK. I recognize that you probably would be in no position to speak for your association. I simply thought I would explore it with you, because I know you are an expert in the cotton business. But this is one of the real serious problems we are faced with here, as to what we are going to do in this area, if we are going to have a program that is productive at all.

Mr. PATE. I will be a bit of a politician myself here, and I will defer this question to the chairman of the board of the Plains Cotton Growers, Mr. Don Anderson.

Mr. ANDERSON. Mr. Sisk, I would like to make this comment about the graduated scale. It is my personal feeling that a graduated scale would have a substantial impact on many of those producers who probably could pave the way for reducing costs and finding more efficient ways of production.

We suggest in our testimony that the matter of subsidy payments be classified into two categories. One category would be an industry subsidy sufficient to maintain our cotton production system. And then another subsidy of an income nature. And this subsidy could possibly be subject to limitation. And I think that we have to recognize that the cotton industry is an essential part of our agricultural scene, and that we can't destroy those operations through a graduated scale or any other limitation that would simply knock them down and put them out of business. And I think this would be the case.

Mr. SISK. I appreciate very much your comment. And I am inclined to agree with you. What I was trying to present here was, let's say, some practical, realistic problems that agriculture is faced with in this Congress, and I am sure will be faced with in any Congress in the future. And I was just trying to get any ideas that you gentlemen have that might be helpful.

There are proposals now pending providing for a cost of production differential across the board, and then some kind of a supplement in-

come payment, which would be subject to limitation. There have been of course, objections raised from some quarters to that.

Mr. ABERNETHY. Will the gentleman yield?

Mr. SISK. Yes.

Mr. ABERNETHY. That is what you had reference to, is it not?

Mr. ANDERSON. Yes, it is, Mr. Abernethy. In our testimony we support a separation of the income supplement aspects of the payments to which reference was made. We wouldn't want to recommend that there be limitations on an income supplement, but we recognize as well as you that there may possibly be some limitations. And if so, it should be in such a way that it would affect only net income and not those farms that would sustain the industry itself.

Mr. ABERNETHY. Thank you.

Mr. SISK. There is one other question, Mr. Chairman.

I believe your general position has been that you would prefer a payment across the board on all production rather than just a domestic payment, is that correct?

Mr. PATE. Yes, sir, this is the position we have taken. However, as we point out in this statement, we are certainly willing to explore all aspects, and we could be somewhat flexible on this position.

Mr. SISK. And you predicate that on your belief that that would be almost essential in order to get the production that is needed.

Mr. PATE. That is correct.

Mr. SISK. Do you feel that just a payment on domestic production alone would probably not produce the amount of cotton that, let's say, some people think it will, and it would probably run us out of the foreign market?

Mr. PATE. Yes, that is right. That is our concern in this area, and our sole concern.

Mr. SISK. Thank you, Mr. Chairman.

Mr. ABERNETHY. Mr. Burlison.

Mr. BURLISON. Mr. Pate, I would like to commend you on this statement.

I have only one line of questioning. I am just a bit confused as to the position of your organization on tying our loan level to parity, or whether it should be divorced from that and be placed on a sliding scale. I notice your statement on page 7 indicates to me—that is the second paragraph from the bottom—maybe you can straighten me out on this—that you are departing from the parity concept as it relates to the loan level. And then I notice that on pages 9 and 10 of your statement you strongly endorse retention of the parity concept, 65 percent index.

Mr. PATE. Yes, sir.

Mr. BURLISON. Can you straighten me out on what appears to be an inconsistency.

Mr. PATE. Mr. Burlison, we feel that the cotton producers in general—all of us know the parity concept, we have lived with it, and there is general support for this—we feel that there possibly could be other indexes used other than parity. But we feel that some definite index should be used—there should be some definite peg on these things rather than their being left to the discretion of the Secretary.

Mr. BURLISON. I fully agree with you. I am alarmed at the talk from the Department, as well as from others of departure from the parity

concept. And I agree with your position as you just stated here. But how does that jibe with that second paragraph from the bottom on page 7 where you say:

> We believe a separate and acceptable compromise between these somewhat conflicting levels would be a loan level at 90 percent of the market price of the two preceding years.

Mr. ANDERSON. Mr. Burlison, if I may comment there, I think we are talking about two different things here. One, the loan level that is referred to in the first part on page 7 is the loan level established for various qualities that the farmer can put his cotton in the Government loan at. The 65 percent of parity concept as referred to on page 10 would be that loan level plus whatever subsidy payment that would be made. The total of the two would add up to, let's say, 65 percent of parity. I believe that is the case in the present law, that the income of the farmer from the cotton itself plus the subsidy payment should equal 65 percent of parity.

Now, this is the difference in the reference on page 10 and page 7.

Mr. BURLISON. Thank you.

Thank you, Mr. Chairman.

Mr. ABERNETHY. I apologize for not earlier recognizing my chairman, Mr. Poage, a distinguished Texan.

Mr. Poage.

Mr. POAGE. Mr. Chairman, I appreciate that. And I can hardly resist the opportunity of course to get into something that I think is so important.

It is this loan level—and I know these gentlemen know my viewpoint as to the loan level—I think we ought to spread on the record here just how you expect to have a loan level of 90 percent as we have had in the past 2 years without progressively lowering the loan level, which would be your support price for your cotton. Doesn't it become a target for every foreign producer of cotton, to know that he can sell his cotton just under that amount next year, that he has the market, and we will not share in it? Isn't that true?

Mr. PATE. We appreciate this situation, Mr. Poage. However, as we have pointed out here, we have sold 10 million bales of cotton we have produced in the last four loans.

Mr. POAGE. You didn't sell a bale of cotton until everybody else had sold their cotton, did you? There wasn't any accumulation of cotton in Mexico, there wasn't any accumulation of cotton in Uganda, there wasn't any accumulation of cotton in Pakistan, was there?

Mr. PATE. That is quite true. As we both know, the foreign production is moved before ours is. And we are the residual supplier.

Mr. POAGE. Of course. You sell nothing except what is left after every foreign country has cleaned out its warehouses, isn't that correct?

Mr. PATE. Yes, that is right.

Mr. POAGE. And do not those foreigners know at the beginning of the year the price at which they can sell their cotton when we establish a loan level, let's say, of 20¼ cents? Don't they know that if they can get financed on a 19-cent basis that they can sell their cotton.

Mr. PATE. Well, it is our position, Mr. Poage, that the policies of the U.S. Government have been and will be such that we are not going to be in a position to go in and recoup many of these markets that we have lost to some of our foreign competitors anyway.

Mr. POAGE. Then do you mean that we are not going to sell but 2 million bales of export cotton, and if Brazil clears a little more for us, that we don't sell any?

Mr. PATE. No, sir; I didn't say that we would not curb expansion——

Mr. POAGE. I know you didn't say it, I asked you what you meant.

Mr. PATE. I feel that this might help to curb expansion, but it is not going to materially reduce present production.

Mr. POAGE. How is this going to curb expansion? It hasn't curbed any, has it?

Mr. PATE. Well, I think it has to a degree; yes, sir.

Mr. POAGE. That is the present law, which you are talking about.

Mr. PATE. Yes.

Mr. POAGE. You are not talking about something really new, you are talking about what we have.

Mr. PATE. Yes, sir.

Mr. POAGE. And the experience has been that we have lost our foreign markets, hasn't it?

Mr. PATE. For several reasons.

Mr. POAGE. I know there are other factors involved. But during the period we have had this kind of a loan we have lost our foreign market?

Mr. PATE. Well, sir, we just take the position that, as you well know, we must have a loan.

Mr. POAGE. I know you do. I think you are a reasonable man, and I think you take that position because you feel that you can't get sufficient Government payments to make up the difference between the world price and a fair price. That is the reason you take the position, isn't it?

Mr. PATE. Yes, sir. And with the situation we are now in, facing limitations, it puts more emphasis on it.

Mr. POAGE. It seems to me you ask the Congress to do the thing that we don't believe we can do. I have voted against limitations ever since they first began talking about them. I can remember the time when there weren't but two men in this Congress who spoke against limitations—one of them was the former chairman of this committee, Harold Cooley, and the other is the present chairman. We were the only men to do it. That was a good many years ago. I am opposed to those limitations. But I know that they are coming. If my experience in Congress is worth anything, I know they are coming. I don't know that you are completely whipped on this matter of getting payments. I am not nearly so sure of that. That is a difficult problem. But you are unwilling to try to get payment, you are unwilling to try to get enough payment to give your producers a fair return.

But you suggest to us that we ought to butt our heads against what we believe is Pikes Peak or some equally big mass of granite.

Mr. PATE. I am not quite clear on what you are referring to, the serious question.

Mr. POAGE. I am talking about the fact that we don't believe it is possible to avoid limitations of payments. I don't think there is a man on this committee that believes it, and I don't know a man in Congress that believes it.

Mr. PATE. We appreciate that situation.

Mr. Poage. And yet you have never made a statement before this committee in which you haven't told us that we ought to avoid these limitations on payments. You know we can't avoid them. You know that in order to get the extra time that we bought in the appropriations bill just 10 days ago, that we made it utterly impossible to ever hope from this committee to go without limitations, because the whole argument was made—and I joined in it, I am not condemning somebody else, I am not condemning you or George Mahon or anybody else, I joined with it. And Mr. Abernethy and Mr. Sisk and the rest of us all joined in it. We said that this is no place to put limitations on in an appropriations bill, go to the legislative committee. Well, you are before the legislative committee. And you know that when we come on the floor they are going to put it on.

Mr. Pate. Well, in our statement we are commending you for the work you have done and asking you to continue the good work.

Mr. Poage. I know, to continue to fight the limitations fight. You are asking us to continue to fight what we think is an utterly hopeless fight, but you are unwilling to make the fight that some of us believe we will win. Maybe we are wrong on that. But I think we have got a chance of winning. I think we have got a chance to do as much for cotton as we do for wool. I know there are a lot of people interested in cotton as they are in wool, but they haven't somehow or another reflected the interest. We do pay the difference, not between 65 percent in the world market, but between the market and about 75 percent of parity.

We pay it every year, and we haven't had a bit of trouble with it either, have we?

Mr. Pate. I am not familiar with the program specifically, but I think it has worked generally satisfactorily.

Mr. Poage. The Congress hasn't had any of these big fights on that. We have paid the difference between the market price and 75 percent of parity on wool. And we are doing it this year.

Mr. Pate. I don't believe there is a total parallel between wool and wool and cotton, I don't think there is a complete parallel between wool and cotton.

Mr. Poage. There are differences between cotton, too. Your cotton is not the same as John Appleby's that we will talk about in a minute. He goes to a different market. I recognize that. But I do know that the Congress has been willing to pay the difference.

But you folks have always been unwilling to make that fight. I just wonder why you are so determined not to make a fight which would give us an opportunity to get the returns into the hands of the cotton producers and still keep our cotton competitive.

Mr. Anderson. Mr. Poage, one of the reasons why we have supported, I think, historically, the loan situation in cotton was to prevent the wild cycles that can occur in price and supply, as a matter of fact, but primarily in price, and which could in the long run work to the disadvantage of cotton, particularly in the present scene where we are competing with another fiber, synthetic fiber. One of the most important things that the textile people tell us today is that we would like to see a price situation that is stable rather than one in which they can never anticipate what those price levels might be. And I think this is

basically the reason why we have supported the law in the past, so as to give stability.

Mr. POAGE. You don't think people would buy cotton if you had a stable price of 50 cents, do you?

Mr. ANDERSON. I think you could get beyond the point of being realistic as far as price is concerned.

Mr. POAGE. And there is another one of those variables that comes in here. If we could eliminate the competition of these foreign textiles, then we might do something for cotton. There is another big "if." The chances are small, but we have got some chances of winning. It is not as set, as concrete as the limitations of payments. I am going to make that fight.

But as long as your mills are facing a fiber that comes in here, that is produced with 18-cent cotton, they are certainly not going to be able to pay you 30, are they?

Mr. ANDERSON. We sure don't think they would be, unless we got a real good promotion program working.

Mr. POAGE. I don't care how much promotion you had, if you can bring in a fiber—if you can bring in a textile that is made out of 18-cent fiber, at a $2.40 a day wage, you can't very well compete with it paying 30 cents for the fiber in the United States and a $2 an hour wage.

Mr. PATE. We recognize that fact, Mr. Poage.

Mr. POAGE. It seems to me that we have got so much better chance of getting a fair return for our farmers if we will let our cotton move at the world price and pay the difference. In fact, I don't think you can move cotton into the world market unless you can let it move at a world price. And if you establish a loan that gets above the world price—you always establish it just below the world price—if the world price just gets under it you are not going to move any cotton. And all you are going to do, as I see it, year by year, is to lower it. You are going to lower that level.

Mr. PATE. We just don't see how the producer is going to get that adjustment facing limitations.

Mr. POAGE. I have been listening to you for 10 or 15 years, and you have never made an effort to get that difference—I don't mean you as an individual, Mr. Pate, but I mean the cottongrowers of the plains of Texas have never made an effort to get that difference, not one time. You have always said, give us a loan. Let's make an effort to try to get something that we think will do us some good. And if they show us—if we are in as bad a shape as we are on this limitation, I will turn around and go along with you.

Mr. PATE. We will be glad to discuss it with you once again.

Mr. POAGE. OK.

Thank you, Mr. Chairman.

Mr. ABERNETHY. Mr. de la Garza, do you wish to ask any questions?

Mr. DE LA GARZA. No questions.

Mr. ABERNETHY. Mr. Alexander.

Mr. ALEXANDER. Mr. Chairman, I think the subject has been adequately covered.

Mr. ABERNETHY. Thank you very much, gentlemen.

The next witness will be Mr. J. I. Burlison, Wardell, Mo.

Mr. Burlison happens to be the father of a distinguished member of this committee.

Mr. Burlison, now you have the opportunity to introduce your father and handle him just like Bob handled the other if you so desire.

Mr. B. D. BURLISON. Mr. Chairman, I appreciate that. I want to say that I didn't know that you were going to tell that he was my father.

Mr. ABERNETHY. But he is, isn't he?

Mr. B. D. BURLISON. Yes, he is.

But it happens that this witness back 55 years or so ago started helping drain and clear the swampland of southeast Missouri and he has been farming there ever since.

I also have another special affinity for him, in that he was my campaign manager and my financial chairman in the last campaign.

So I had a number of reasons why I wanted to give him an opportunity to testify.

I have to admonish the witness, be the first to admonish him that we are of course short on time. But we look forward to hearing what he has to say as a cotton producer.

Mr. ABERNETHY. Thank you, Mr. Burlison.

Mr. Burlison, you may proceed, sir.

STATEMENT OF J. I. BURLISON, WARDELL, MO.

Mr. J. I. BURLISON. I don't have a lot of written statements to make. I am just a farmer, and that is all the income I have ever had, is from being a farmer, except social security.

But I want to say to start with that I have read the testimony up here about the farm program that we have. We want to keep the farm program that we have. The farm program that you had when it went into effect in 1965 was a good program for the farmer. But it is not a good program today for the farmer. Because the cost of production has gone up, and the cost of the cotton has gone down, and his cottonseed.

I don't think you can get at the picture of cotton farming without—in the Mississippi Delta, I will say, I live in the Mississippi Delta in Missouri—you can't get at it without connecting it wth soybeans. Because we only get 20 to 30 or 33 percent of our cropland in the delta in cotton. You have got 65 or 70 percent to do something else with. And where I live, we don't have anything but cropland. We don't have any wasteland. The farm that I happen to have doesn't have an acre of wasteland on it, it is all cropland.

And I am not satisfied—I don't like to hear the 65 percent of parity. I don't know where I can go and buy anything for 65 percent of parity.

The consumer is getting subsidized, or also the processors are getting subsidized, one or the other, I don't know. And maybe it is both of them. But a farmer, he is just kidding himself if he thinks he can get along on 65 percent of parity for his income. I don't know of any other group of people that would even consider being satisfied with 65 percent of parity.

And I believe I have a sheet here that shows at the present time that our cotton is moving at 44 percent of parity, not including the Government pay. That is the market price.

Mr. B. D. BURLISON. Would you like to insert that statement in the record?

Mr. ABERNETHY. Would you like to put that statement in the record, Mr. Burlison?

Mr. J. I. BURLISON. I would like to, if you don't mind.

Mr. ABERNETHY. You don't have to read it in. It can be handed to the reporter, and it will be included in the printed record.

(The information referred to above follows:)

Parity on cotton, October 1965, 41.89.
Parity on cotton, October 1969, 48.06.
Prices received by farmers, October 1965, 29.62; 70.6 percent.
Prices of cotton, October 1969, 21.68; 45 percent.
Cottonseed, 40.00; 54 percent.
Prices received by mills for unfinished broadcloths, October 1969, 72.58.
Prices received by farmers, Ocober 1969, 24.98.
Mill margin (page 20, cotton prices), 45.55.
Prices paid for fibers to blend with cotton, 1969, 51.00 to 57.00.
Parity on cottonseed, $74.00.
Prices to farmers, $37.00 to $40.00.
Prices to gins, $50.00 to $52.00.
Prices on meal and cottonseed oil is higher than a year ago.
Parity price on soybeans is $3.60 per bushel.
Price received by farmers in 1969, $2.30 per bushel.

Mr. ABERNETHY. Are you still farming out in Missouri, Mr. Burlison?

Mr. J. I. BURLISON. Yes, sir. I am retiring at the end of this year.

Mr. ABERNETHY. What size farm do you operate?

Mr. J. I. BURLISON. I have a 600-acre farm.

Mr. ABERNETHY. How much cotton acreage?

Mr. J. I. BURLISON. My allotment, until they gave us a 6-percent raise in allotment, on a 600-acre farm, was 200 acres. And under the new program it is 223 acres.

Mr. ABERNETHY. And you still operate the farm?

Mr. J. I. BURLISON. I operate it, including this year. But I have rented the farm out.

Mr. ABERNETHY. After this great success that you had in politics in handling your son's campaign, do you feel that you could do better in that category than you could as a farmer?

Mr. J. I. BURLISON. I don't know. If I could come in on the salary I might do better.

Mr. ABERNETHY. Well, that brings up another question.

Mr. J. I. BURLISON. But I haven't got cut in on the salary yet.

Mr. ABERNETHY. Is he splitting it with you?

Mr. J. I. BURLISON. No. I think he has got a lot to pay up here.

Mr. ABERNETHY. Are you going to manage his next campaign?

Mr. J. I. BURLISON. I hope he won't have another one.

Mr. ABERNETHY. I want to say we do too. He is doing a fine job here, and both of you are to be congratulated.

Mr. J. I. BURLISON. In 1965 the farmer was receiving a parity of 70 percent of his cotton. And today—of course, we didn't have Government payments then—but now the price of cotton—he is receiving 45 percent of parity. And that, as I say, doesn't include the Government subsidy. And cottonseed, he received 54 percent of parity for his cottonseed this year.

That is one thing that I think has been overlooked. The cottonseed amounts to something like 20 percent, 15 to 20 percent of the gross income of the cotton farmer. I think that has been overlooked here, after we got ready to harvest this crop we got $5 a bale taken off us in the seed price. And in the country where I live we get $3 taken off on the "mike"—I don't know whether you gentlemen are familiar with the mike or not——

Mr. ABERNETHY. Yes, we are familiar with it.

Mr. J. I. BURLISON. But it hit me real hard.

Mr. ABERNETHY. It "miked" you down instead of up?

Mr. J. I. BURLISON. No, it "miked" me up.

I believe you all have the sheet showing that I ginned that. That is the one that shows the dollars and cents.

(The information referred to above follows:)

1969 MICRONAIRE

Farmer	Number of bales	Premium	5–5.2	5.3 up	Below 3.5
J. I. Burlison	203	59	99	45	
Percentage		29.1	48.9	22.0	
Total percent in discount range		70.9			
Loss in income from Micronaire		$668.25			
Troy and Bob McCulloch	237	46	62	129	
Percentage		19.4	26.2	54.4	
Total percent in discount range		80.6			
Loss in income from Micronaire		$1,305.50			
Jerry McHugh	155	33	84	38	
Percentage		21.3	54.2	24.5	
Total percent in discount range		78.7			
Loss in income from Micronaire		$603.75			
Watkins Farms	611	249	152	190	20
Percentage		40.7	24.9	31.1	3.3
Total percent in discount range		59.3			
Loss in income from Micronaire		$1,817.75			
Total 4 farmers	1,206	387	397	402	20
Percentage		32.1	33.0	33.1	1.8
Total percent in discount range		67.9			
Loss in income from Mirconaire		$4,395.25			

Note: Loss in income was derived as follows: Premium, +$2.25 per bale; 5–5.2, −$4 per bale; 5.3 up, −$9 per bale; below 3.5, −$3 per bale.

Mr. J. I. BURLISON. And it is also interesting to note how the "mike" has been used to progressively cut into the producer's income over the years.

MICRONAIRE DIFFERENTIALS 1964–69

1964

5.5 and above	−25
5.2 through 5.4	−10
4.9 through 5.1	even
3.7 through 4.8	+13
3.3 through 3.6	even
3.0 through 3.2	−50
2.7 through 2.9	−150
2.6 and less	−300

1965

5.5 and above	−50
5.2 through 5.4	−15
4.9 through 5.1	even
3.6 through 4.8	+14
3.3 through 3.5	even
3.0 through 3.2	−60
2.7 through 2.9	−165

1966

5.3 and above	−100
5.0 through 5.2	−20
3.5 through 4.9	+20
3.3 through 3.4	−30
3.0 through 3.2	−90
2.7 through 2.9	−175
2.6 and less	−300

1967

5.3 and above	−165
5.0 through 5.2	−45
3.5 through 4.9	+30
3.3 through 3.4	−35
3.0 through 3.2	−105
2.7 through 2.9	−215
2.6 and less	−335

1968

5.3 and above	−155
5.0 through 5.2	−40
3.5 through 4.9	+35
3.3 through 3.4	−35
3.0 through 3.2	−110
2.7 through 2.9	−225
2.6 and less	−350

1969

5.3 and above	−135
5.0 through 5.2	−35
3.5 through 4.9	+45
3.3 through 3.4	−45
3.0 through 3.2	−140
2.7 through 2.9	−255
2.6 and less	−390

Mr. ABERNETHY. Do you have anything additional you wish to say, Mr. Burlison?

Mr. J. I. BURLISON. I don't know as I do. I would be glad if you all would ask me some questions.

Mr. ABERNETHY. Thank you, Mr. Burlison. I think it is very thoughtful of you to come all the way to Washington to let us have your views. We appreciate your presence and we appreciate your views.

Now, we are going to let this fine son of yours cross examine you. I am sure this is the first opportunity he has had to do such.

Mr. Burlison.

Mr. B. D. BURLISON. Mr. Chairman, I appreciate that very much. But I realize that we have three other witnesses to follow——

Mr. ABERNETHY. I don't blame you. I wouldn't cross examine my dad either.

Mr. B. D. BURLISON. For the reason you just alluded to, and others, I am going to pass.

Mr. ABERNETHY. Thank you very much.

Mr. J. I. BURLISON. I would like to get in here again that I think the farmer should have at least 90 percent of parity in Government pay and loans together.

Mr. ABERNETHY. I think he should too, Mr. Burlison.

We appreciate your presence also, and also your statement. We wish you a nice visit in Washington and a safe journey home.

Mr. J. I. BURLISON. Thank you.

Mr. ABERNETHY. The next witness will be Mr. Thomas Keister Greer, attorney of Rocky Mount, Va.

STATEMENT OF THOMAS KEISTER GREER, ATTORNEY, THE GROVE, ROCKY MOUNT, VA.; ACCOMPANIED BY: EVERETTE SALYER, PRESIDENT, SALYER LAND CO., CORCORAN, CALIF.

Mr. GREER. Chairman Abernethy and members of the committee, my name is Thomas Keister Greer. And I am counsel for Salyer Land Co., a cotton producer in Kings County, Calif. I have been counsel for them, if I might interpolate, for 12 years.

Kings County is in the southern San Joaquin Valley; the headquarters of Salyer Land Co. is in Corcoran, Calif.

Mr. Chairman, something over 4 years ago, on June 10, 1965, I had the privilege of appearing before the full committee on agriculture in behalf of Salyer Land Co. At that time I suggested that Acala 4–42 (which is now SJ–1) ought to be permitted to be grown without acreage limitation provided the producer waived price or other governmental support. That remains the fundamental position of Salyer Land Co.

The predicate of the Salyer position has been and remains that cotton growers who can produce economically ought to be free to do so. In our view price support payments are simply a form of compensation for deprivation of the right to employ our land for its highest and best use. We have been on record for 4 years that we would rather not receive that compensation, and would prefer to be free to use the land to grow California cotton without limitation other than that imposed by the marketplace. The great fear of Salyer Land Co. now is that the Government will continue its restrictions on this company's use of its

land, but will at the same time so limit the compensation which is paid for those restrictions as to render it meaningless. Price support payments are not a subsidy. I have heard the term subsidy used here a number of times this morning. We don't regard them as a subsidy. We can recall numerous statements by the Secretary of Agriculture in previous administrations in which he has said that they are not a subsidy. To us they are moneys the Government in effect forces us to accept in return for forced limitations on the acreages we can plant to cotton.

And we repeat, we would gladly give up the payments if the Government would give up the limitations on our planting practices. But in the view of this company if there is some limitation on price support payments of say, $20,000, or some other like amount, but acreage restrictions remain in effect, the result is confiscation, a taking of property which the Congress of the United States ought in no way to countenance.

Mr. Chairman, I had been given to understand that there were right severe time limitations this morning. I didn't mean to limit my written presentation so as to seem abrupt. But I was given to understand that a page was perhaps all that I could be permitted.

In addition, the views of Salyer Land Co. are fully on the record in the 1965 hearings before the full committee. I would like to ask that our views as expressed at that time be considered a part of our presentation this morning.

Mr. ABERNETHY. Do you have a copy of a statement that you made at that time?

Mr. GREER. I have the printed record here, Mr. Chairman.

Mr. ABERNETHY. It is already, then, a matter of official print.

Mr. GREER. Yes, it is, sir.

Mr. ABERNETHY. It will be made a part of the record by reference, sir.[1]

Mr. GREER. Thank you, sir.

The only change in our situation is that at that time we had an allotment of about 7,000 acres out of about 60,000. The allotment now is about 7,500 acres, and is still around 60,000 acres of land.

I have read over the proposed bill—I suppose I shouldn't say the proposed bill, because the copy I got had a legend at the top saying that this language does not bind anyone as to anything, or words to that effect. And I saw provisions in there for limitations. It was not clear to me that acreage restrictions would not continue if payments were imposed.

Now, the difference between running a successful operation and running a failing operation now to Salyer Land Co. are the Government payments. We can't operate efficiently and successfully with an allotment of 7,500 acres. We are skip-rowing about 13,000 acres. I am hesitant to mention skip-rowing, because the chairman of the full committee cross-examined me right vigorously 4 years ago when I mentioned skip-rowing, and I made up my mind that I wouldn't say anything about skip-rowing today because I don't want to go through anything like that again.

Mr. ABERNETHY. We have a rule here that if you went through it once you don't have to go through it again. So go right ahead.

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[1] See hearings before the Committee on Agriculture, May–June 1965, "Cotton", Serial L, p. 373.

Mr. GREER. If we could solid plant the acreage we are now devoting to skip-rowing, even at the very low, the disgracefully low prices which cotton is now achieving, this company could operate at a profit.

And for Salyer Land Co. to operate at a profit is important not just to the stockholders of the company.

Mr. ABERNETHY. Would you want to put the whole 60,000 in cotton, is that the idea?

Mr. GREER. No. For one thing, Mr. Chairman, 10,000 acres of that land is under water now. That is another change I ought to mention from what it was when I was here 4 years ago.

Mr. ABERNETHY. You mean it was flooded?

Mr. GREER. Yes, sir. We have had a disastrous flood in California, the worst flood since 1906.

I mentioned that Tulare Lake was hazardous when I was here 4 years ago. And it got very hazardous this year. 80,000 acres are under water in that area right now, and 10,000 acres of Salyer Land Co.'s land, which very greatly restricts the company's income. Hundreds of thousands of dollars have been spent maintaining the levees to try to keep that water where it is and not make it any worse. We are not asking for any help in that regard, but we would certainly like to be turned loose to use that remaining land as well as we can, without any Government help or any Government subsidy whatsoever. And I was starting to say that that is not only important to the shareholders of the company, but there are around 200 company employees, and there are the equipment dealers in Kings County, and there are people who sell seed and fertilizer. And there is Kings County, which collects taxes on all that land, too high taxes, Mr. Chairman, if I interpolate. They are even taxing the land which is under water. And they have actually taken the unusual step of raising the taxes on the land which is under water since it has been under water.

We think, Mr. Chairman, without seeming in any way to adopt a superior position or to brag about ourselves or anything of that kind—because the Lord knows that we have a lot of problems, many of them self-created—that if a producer can produce efficiently he ought to be allowed to do so. We think that that is the fundamental American position. And if we can make our own way without Government help or Government subsidy, we ought to be permitted to do so.

We hesitate to make dire prophecies. But if the present allotment system should be continued in effect, and the price-support payments taken away, the result is going to be simply disaster for the large-scale California farmer, and simply disaster for his employees, and simply disaster for everyone in California who depends on cotton. And cotton is the major agricultural product in California.

Mr. ABERNETHY. Is it your position that the California farmers just want all of this junked?

Mr. GREER. I beg your pardon, Mr. Chairman?

Mr. ABERNETHY. As I interpret your statement, to simplify it—and I don't mean to discredit you when I use the word "junk"—your position is to just junk the whole thing?

Mr. GREER. Are you talking about the farm program?

Mr. ABERNETHY. I mean the price-support program, the allotment program.

Mr. GREER. We simply ask that it be voluntary instead of mandatory, just like the feed grain program.

Mr. ABERNETHY. You have just made a representation that your position is the position of all the California farmers?

Mr. GREER. Oh, no, sir; I certainly wouldn't want to do that. I am certain there are many California producers who disagree with me. My position is the position of Salyer Land Co. And when I say that—I think the only thing I have said insofar as California as a whole is concerned is that if there should be a limitation on payments, and the present acreage restrictions remain in effect, it is going to have a dire effect on California cotton as a whole. But these views that I express here——

Mr. ABERNETHY. You wouldn't limit that to California, would you?

Mr. GREER. No sir; I would not. I think it would have a dire effect on cotton as a whole.

Now, I hadn't meant to get into this. But I would like to say that I conferred with the president of the company, Mr. C. Everette Salyer, who is seated beside me, while Mr. Poage was questioning about maintenance of the loan price. And we have sold some cotton in export channels. We couldn't agree more. We think the rest of the world sits around and waits for the loan to be set, and then undersells American cotton.

It used to be that there was a time limitation on the period in which you could sell cotton in export, and the rest of the cotton buyers would wait until the last of the 90-day period before they would buy from us, knowing that that was the last day that we could sell. And the provision as to the loan price is a similar thing. It has a very drastic and a very deleterious effect on American cotton as a whole.

Mr. ABERNETHY. Thank you very much.

Are there questions from any member of the committee?

(No response.)

Thank you, sir.

The next witness will be Mr. Lon Mann, president of the National Cotton Ginners Association of Marianna, Ark.

Mr. Alexander.

Mr. ALEXANDER. Mr. Chairman, I would like to welcome Mr. Mann from the First Congressional District of Arkansas. He is a cotton producer, and knows what he is talking about. He is a cotton ginner. And he engages in civic affairs. And like Mr. Burlison, he on occasion engages in some politics.

Mr. MANN. I welcome you to Washington.

STATEMENT OF LON MANN, PRESIDENT, NATIONAL COTTON GINNERS ASSOCIATION, MARIANNA, ARK.

Mr. MANN. Thank you, sir.

Mr. Chairman, I really appreciate these kind remarks, because my friend Mr. Alexander is most generous. I happen to be the campaign manager of one of his opponents.

I am a cotton farmer whose operation would be hurt by limitation of payments. I am a cotton ginner that is guilty of air pollution. And I am a school board member that is trying to operate under freedom of choice. And about the only redeeming feature I have really got as far

as Washington is concerned is that I don't use cyclamate, and I am a voter, and I pay a few taxes. That is about all the good that can be said about me.

I really do appreciate the opportunity to come before you gentlemen.

I live in Marianna, Ark., where I farm and operate a cotton gin. I am appearing before this committee as president of the National Coton Ginners Association.

Like all other branches of our industry, ginners have a vital stake in legislation which will restore cotton as a sound and dynamic part of our American economy. As ginners, our commitment to cotton is complete. We have no other alternatives for our gin plants. They are totally useless for anything other than ginning cotton.

The fundamental problem confronting ginners today is one of volume. We believe the only solution to our problem is to provide the producers with an incentive tied to actual production of cotton, not to projections, nor to diversions. Low volume and erratice production have resulted in many ginners being forced to take a "baling wire" approach to repair and maintenance of a vital cog in the cotton industry. The high cost of gin machinery today demands a reasonable and dependable volume of cotton to enable the ginner to provide the services demanded of him by the producer. Modern harvesting equipment and methods require modern gin facilities to produce quality cotton in a greatly reduced harvesting period.

Today ginners are not a breed apart from producers. A big majority of our gins are owned by farmers as individuals, partners, stockholders, or as members of cooperatives. For this reason we are keenly aware of the fact that the cotton program must be designed to first serve the producer if it is to be successful.

We, as ginners, endorse the recommendations of the National Cotton Council, which were developed by cotton producers themselves over a period of many months and in meetings from one side of the Cotton Belt to the other. These recommendations were presented to you gentlemen November 19, 1969, by Dr. C. R. Sayre.

Needless to say, not all ginners, nor all producers, are in complete agreement on every detail in these recommendations. As Mr. J. E. Mayes, president of the National Cotton Council, told you, they do reflect a very strong consensus among the producers and in the industry on the essentials of a practical cotton program.

I should like to confine my remarks within the broad outline of this group of recommendations.

Maintaining competitive one-price cotton should be the starting point for any new legislation. This can be accomplished by providing for a loan level of 90 percent of the world price from the preceding year, or years.

Due to the high cost of farm equipment, land, labor, chemicals, money, and everything else that it takes to make a crop, as Mr. Burlison has told us here, there must be some sort of Government subsidy to the producer if cotton is to be sold competitively. This subsidy should relate the difference between the average cost of production and the average price of cotton on the world market.

Any limitation of payments will create more problems than solutions and therefore should be prohibited.

And I say that with all due respect to Mr. Poage there. It may not make sense, but we are trying to find solutions and not create problems. The 13 point summary of the arguments against payment limitations presented to this committee, November 25, 1969, by Mr. Robert Norcross of the Agricultural Council of Arkansas adequately and realistically cover this point.

We must have dependable supplies of American cotton which can meet the requirements of modern competition at home and abroad. Acreage allotments based on the needs of the industry each year should be a basic part of new legislation. The number of acres of cotton allotted each year should be geared to domestic consumption, a workable export program, and a realistic carryover. Today's farmer is a businessman and he will respond intelligently to an incentive program tied to actual production.

The suggested changes in the sale and lease of cotton allotments provide a realistic approach to a painful problem for some ginners. Any ginner who is losing cotton acres from his territory naturally does not like to see any relaxation in this provision. But we realize that cotton is going to move to areas of the most efficient production within each State either naturally or by default.

Crop insurance has been a lifesaver for many producers and ginners and should be strengthened to allow adequate protection for high-cost, high-risk crops such as cotton.

Our long-range hope for the actual survival of the cotton industry is tied to research and promotion which can result in lowering our production costs and expanding our markets. We must therefore continue a crash program which will some day enable the cotton producer to achieve self-sufficiency. Government funds approved but not appropriated in years past should be put to work vigorously to help the producers with their CPI program and the other branches of the industry in their research efforts.

These few points on which I have touched are key points as far as ginners are concerned because they all relate to volume production. During the last few years low and uncertain production has played havoc with the ginning industry. As stated before, if the producers can be given the proper incentive to produce the cotton the industry needs, the ginners can go a long way toward solving their own problems.

Thank you for your time and your consideration of our problems.

Mr. ABERNETHY. Thank you very much, Mr. Mann.

Any questions?

(No response.)

Thank you, Mr. Mann.

The next witnesses will be Mr. John Reynolds and Mr. J. G. Stone, of Fresno, Calif.

STATEMENTS OF JOHN REYNOLDS, AND J. G. STONE, PRESIDENT, WESTERN COTTONGROWERS, FRESNO, CALIF.

Mr. ABERNETHY. Mr. Stone, I have before me a copy of your statement.

Do you have a statement also, Mr. Reynolds?

Mr. REYNOLDS. No.

Mr. ABERNETHY. All right, Mr. Stone.

Mr. STONE. Thank you, Mr. Chairman and members of the committee.

My name is Jack Stone, a farmer who grows cotton in Kings County, Calif. I am president of the Western Cottongrowers Association of California. With me is John Arthur Reynolds, executive vice president of the association.

I thank you and this committee and the full committee on agriculture for the time and thought and consideration they have given and are giving to the cotton problem. I would like to read a short statement which our board of directors has authorized me to make.

The cotton industry and the cottongrowers are in critical times. The cost of production is going up and the price of cotton is going down. We are having a hard time to keep going. It has only been through hard work and long-term mortgages on our land that we have been able to get the money to raise our crops.

Other witnesses have pointed this up and I will not take time repeating all the sad details.

I am not here to criticize anybody or any program suggested. I am here to urge cooperation. We are in such desperate condition that we feel we just cannot afford the luxury of criticizing others and presenting this committee with a different plan, or a California plan, to save the cotton industry.

I want to stress the items that I feel so many of us could get together on. And then I want to urge everybody to try to get together. What are some of those items?

Item 1: We need a farm program of some kind bad, and the sooner the better.

Item 2: We have an excess productive capacity in agriculture and there are too many of us to bargain effectively on our own.

Item 3: Farm products should ultimately move in the marketplace and not end up in Government warehouses.

Item 4: Farm income must be maintained in the national interest—and not just so we can pay our bills.

Item 5: The farmer should have as much freedom of choice as possible.

Item 6: Any changes in the subsidies and/or payments must not be so sudden or drastic as to force growers into bankruptcy or selling out while new legislation is being tested.

Item 7: Appropriate textile import restrictions to protect the domestic cotton market for growers and textile mills are important.

Item 8: Only through population increase and vastly increased research and promotion can this great cotton industry with this wonderful fiber be able to stand on its own feet.

Item 9: For the cotton industry to survive, we need an adequate supply of cotton for the domestic and foreign mills. We can't afford to run short.

And now I come to item 10:

The distinguished chairman of the House committee and friends of agriculture and cotton have told us that in order to get a farm bill, the Committees on Agriculture of the House and the Senate, the Secretary of Agriculture and the administration, and the farm organizations will have to work together.

Mr. Chairman, I urge all to do that very thing.

What might we get together on in cotton?

Mr. ABERNETHY. I think you have reference to a remark I made here a few days ago.

Mr. STONE. Yes. And there are others too.

Mr. ABERNETHY. All right.

Mr. STONE. Let me take some of the good things that, according to what I have read and heard are in several plans.

LAND RETIREMENT

The American Farm Bureau has a broad proposal for massive land retirement. It has merit. Particularly for very small farmers, older farmers who are ready to retire, and marginal farmers who can't make a go.

The Secretary of Agriculture has proposed a "set-aside" of cropland. It is another method of taking land out of cultivation. This has merit.

The coalition group urges extension of the present law. This like much farm legislation in the past, has means of taking land out of production.

All these three major proposals agree on a general principle of land retirement.

FREEDOM OF CHOICE FOR GROWERS

The coalition group endorsed the present act which allows considerable freedom of choice for the growers with the domestic allotment of cotton.

Mr. ABERNETHY. Who do you have reference to when you say the coalition group?

Mr. STONE. That is what I call all the farm groups.

Mr. ABERNETHY. Do you have reference to the bill that was introduced by Mr. Purcell?

Mr. STONE. Yes, sir.

Mr. ABERNETHY. All right, you may proceed.

Mr. STONE. The American Farm Bureau proposal looks forward to complete freedom of choice.

The Secretary has suggested, in order to get the best out of agriculture, that, in addition to the domestic allotment plan for cotton, even more freedom to plant or not to plant should be given to the farmer; more freedom to use his common sense and plant in accordance with the possibilities of his land, markets, and finance.

These three proposals all see freedom of choice as important.

FREEDOM OF MARKET PLACE

We all seem to agree that cotton and other farm products should have the market as the ultimate consumer.

The National Cotton Council, the coalition group, and the Secretary stated that this means one price cotton.

MAINTENANCE OF FARM INCOME

I figure that is the understatement of the year. Secretary Hardin, before the recent grain convention in Florida, stated that in order to maintain farm income, subsidies should not be reduced in the immedi-

ate future. President Nixon has said that he wanted to maintain farm income.

The National Cotton Council, and the coalition group agree on this point. And they further believe that this means a direct subsidy payment to the grower to make up the difference between the low competitive price he sells for and the total return he should receive on his cotton.

Mr. Chairman, for farmers, maintenance of farm income is the most important thing. And it is important to our whole rural economy and that of the Nation as well.

ADEQUATE SUPPLY OF COTTON

The National Cotton Council has proposed two methods for securing adequate supplies of cotton. Both have merit.

The coalition group favors continuation of present Act. It, too, can provide adequate supplies. We have just seen the Secretary of Agriculture increase the national allotment to help do this very thing.

We feel sure that provisions for adequate supplies would be inherent in any program finally suggested by the Secretary, this committee, or the cotton organizations. We need an adequate supply for what we hope could be an expanding market at home and an expanding market abroad.

RESEARCH AND PROMOTION

Both the National Cotton Council and the Secretary are agreed on the need for vastly more research and promotion.

DRASTIC SUDDEN CHANGES

All groups, including the USDA seem to be agreed that any sudden drastic changes in the payment of subsidies would be disruptive.

We certainly agree with this and see real chaos in land values if either drastic limitations or cuts in payments are suddenly applied.

Even now it seems that all the ranches in my area are for sale The only trouble is prices are falling and still nobody is about to buy.

Mr. Chairman, there is little market for land in our area now. No one wants to buy a farm on which he cannot make money. No one can afford to buy a farm at 9½ percent interest—even if he can get it—which in many cases he can't.

If thousands of additional acres of land are forced on the market through reduced payments and/or limitations, I foresee more drop in land values and real chaotic conditions. Part of the equity of every grower both large and small, will be wiped out. The Secretary of Agriculture also referred to this aspect in his address to the National Grange. This is one of the principle reasons cotton growers' organizations like ours have resolutions against limitations.

Now an old thought to talk about again.

AGRICULTURAL EMERGENCY FINANCE CORPORATION

Many growers now, even with the high payments, cannot make it. In my opinion we will see many more farm bankruptcies. They cannot get money to pay their loans or plant and harvest their crop. And

drastic or sudden changes in the payments will cause a varitable flood of them.

High taxes, high wages, high interest rates and high prices of the things he buys, and low prices and no bargaining power on the things he sells, are squeezing the farmer more every day.

It is for this reason, Mr. Chairman, that we suggest the formation of something that would act as an Agricultural Emergency Finance Corporation, to help farmers save their life's work during this most trying period.

Some people in our area see a pattern on farm debt increase and possible foreclosures similar to that of the twenties, which ended with the great depression.

Such a Government-sponsored corporation could function in two ways.

First, it could move in the field of farm interest rates to counter the threat of a driving up of farm credit noted by Ed Jaencke, the governor of the Farm Credit Administration a few days ago.

Second, it could move to take over farms that went into bankruptcy and hold them for and with the farmers for a few years until land prices go back up and conditions improve.

Mr. Chairman, farmers who can't even set, let alone raise the prices of their products cannot afford to pay 9½ percent for crop or land loans.

SECRETARY'S PROPOSALS

Insofar as we can determine their broad outlines, we see great merit in suggestions made by the Secretary. We feel that these, in some respects are rather similar to what we have now and yet at the same time might offer a new approach to the farm problem, which would be acceptable to Congress and the public as a whole, and result in a good farm bill.

We eagerly await the testimony to be given by the USDA later before this committee. We hope further details will meet our expectations.

COOPERATION

In any event, we urge this committee and the committee of the Senate to work out a common proposal with the Secretary and the USDA, and then ask farm groups to support it as being the best thing we can get.

What we are saying, Mr. Chairman, is that we have confidence in the Agriculture Committees of Congress and the Secretary of Agriculture and the USDA to act in our best interest and the best interest of the Nation.

Let me close by repeating—I think that agriculture and the national economy are so threatened that we can't afford any other course.

Mr. ABERNETHY. Thank you, Mr. Stone.

I want to thank you especially for the confidence that you have expressed in this committee.

But I might say in all modesty that it may not be too appropriate a place, because I can't arbitrate this problem that now exists which you referred to between the cotton producers throughout the Cotton Belt, the Department, and all interested parties, I can't do it. I wish I could.

You suggest that we do it, and then convince the Secretary and Department and the farmers that we have done the best thing for them. I wish that were possible, but I don't think it is possible.

And really, I don't follow your statement too well either.

You suggest that we all get together. What do you mean?

Mr. STONE. I mean that there are good points in everybody's proposals, and they are not too far apart.

Mr. ABERNETHY. What is your position? What do you propose?

Mr. STONE. I propose that we take the best items out of each of the proposals and come up with one that is workable.

Mr. ABERNETHY. And you are leaving that to us.

Mr. STONE. I am leaving that to you and the Secretary mainly.

Mr. ABERNETHY. Suppose the Secretary and I can't agree.

Mr. STONE. You have got to agree. We can't stop right now, we have got to go.

Mr. ABERNETHY. What about you.

Mr. STONE. I am quite flexible. If you read that, it sounded awfully flexible.

Mr. ABERNETHY. I realize you are. I am too.

Mr. STONE. Because I think we are in a tougher shape than a lot of people realize.

Mr. ABERNETHY. Oh, no, they all realize it, everyone realizes it. It is tough.

I have been around here a long time, and I have never seen such a situation as exists today. We don't even have a bill in front of us to work with. We don't have anything up here.

I am not criticizing anyone. I am not criticizing the Secretary. Personally I am very fond of him. I think he is a very interesting man. But they don't commit themselves to anything. I want somebody to commit themselves to something, or uncommit, or do something. I don't have anything in my hand to work with right now from the Department, because they say they are not committed to anything right now. And you are not committed to anything. You just said you all pick out the best things and put them together and we will go along.

I wish it were that easy. What I might select would be the best, and you might not agree. And what you might select I might not agree would be the best.

May I suggest again what I did the other day. The time is running out. I hope that the Department when it does come down here doesn't leave itself so far from what the producers have testified to that there won't be some ground for them to meet on. Frankly I am afraid that is what is going to happen. And frankly, I have suggested that they not testify until there is a better meeting of the minds. Don't you think that is better?

Mr. STONE. I am anxious for the Secretary to testify.

Mr. ABERNETHY. Of course.

Mr. STONE. And certainly I am hopeful that he will bring forth some ideas that will move us ahead. And I think he will. Let's think positively here.

Mr. ABERNETHY. Have you considered the proposals that have been produced and supported unanimously up until this morning by producer groups that have been testifying here?

Mr. STONE. I have considered what they have talked about yes. I don't quite get your question here. Have I listened to the other side?

Mr. ABERNETHY. We have had producer testimony now for 4 days. And that testimony has been almost—there has been almost a unanimity of agreement. I am not speaking of the little side issues like the transfer of allotments and the bases, and this, that and the other, I am speaking of the general program. And I think you are familiar with them. You came over to my office and talked to me about one of them, didn't you?

Mr. STONE. Yes, sir.

Mr. ABERNETHY. Do you support that same position now?

Mr. STONE. You mean that that you proposed that day?

Mr. ABERNETHY. Yes, that that you proposed and discussed with me in my office, you and others.

Mr. STONE. As I recall, the main thing we were discussing that day was two-price cotton—not two-price cotton, the one allotment versus the domestic allotment.

Mr. ABERNETHY. I understood you gentlemen to submit to me this suggestion, that we guarantee the farmer a minimum price for his cotton equivalent to the cost of production. That was the first element of this program that was suggested; is that not right?

Mr. STONE. Yes. That program was not suggested by me.

Mr. ABERNETHY. You were there?

Mr. STONE. Yes, sir, I was there.

Mr. ABERNETHY. You didn't disagree with it. You came with the group that proposed it. If you were not in agreement with them, I do not understand why you came along.

Mr. STONE. I didn't agree either.

Mr. REYNOLDS. Mr. Chairman, we have been sitting in on a lot of meetings, as you have. And the problem is so difficult that we have been reluctant—which is sort of strange for somebody from California—we have been reluctant to say that we have got to have this, do or die.

Mr. ABERNETHY. No one has said that.

Mr. REYNOLDS. I appreciate that. And we personally have always had a feeling for the domestic allotment for cotton.

And I would like to repeat a thing a Congressman asked me, a friend of mine, and I think a friend of agriculture. I was crying about how we needed agricultural programs, that the growers couldn't produce cotton without subsidy.

And he said, "tell me, is anybody growing cotton today without Government profit support payment?"

And I said, "yes."

"How much?"

I said, "millions of acres above the domestic allotment."

And he said, "how can you folks come to Congress and ask for money to get enough cotton grown until you let everybody who wants to grow it for nothing grow it?"

Which is a pretty difficult question to answer.

And this is one of the reasons why we have favored more freedom of choice.

And also from what you have said and Congressman Sisk said and the chairman said, we have got to get votes from people who don't

grow any cotton and who have never seen a cotton bowl. And we sort of have the feeling that, frankly—and a lot of them have told me—that outside of the Cotton Belt and the large cities that they are not very enthused about the same old farm program.

Mr. ABERNETHY. There have been some recommendations that the 1965 act be continued. Is that what you had reference to?

Mr. REYNOLDS. Well, the same type of thing. And a lot of folks seem to think that a new program with a new approach might have easier sailing through Congress this time. Lord knows, we are in enough trouble.

Mr. ABERNETHY. I don't want to be misunderstood. I appreciate your views. And I certainly hope you won't think I am being critical. But you haven't been very specific. So I really don't know what the import of your statement is. I will read it again and hope I can find something in it that I can tie onto.

Mr. REYNOLDS. You have our blessing, thank you, sir.

Mr. ABERNETHY. Mr. Price.

Mr. PRICE. No questions.

Mr. ABERNETHY. Mr. Burlison.

Mr. BURLISON. No questions.

Mr. ABERNETHY. At this time I would like to place in the record a telegram from Roswell, N. Mex., signed by Mr. Morgan Nelson of the 1517 Cotton Association, wherein, as I understand, he endorses the testimony of and the recommendations made by Dr. C. R. Sayre. And this will be made a part of the record.

(The document follows:)

[Telegram]

1517 COTTON ASSOCIATION,
Roswell, N. Mex., November 28, 1969.

U.S. REPRESENTATIVE THOMAS G. ABERNETHY,
Cotton Subcommittee of the House Agricultural Committee, House Office Building, Washington, D.C.:

Unable to appear December 2 before your Cotton Subcommittee but wish to strongly endorse statement and approach presented by Dr. C. R. Sayre of November 19 who spoke in behalf of cotton growers.

The fiber market is an expanding market and cotton meets fiber needs in quality and quantity. Rather than spend money to reduce cotton production as the draft legislation proposes in face of an expanding market, use the same funds positively to encourage cotton production to serve the consumer better. The draft legislation is negative and could reduce cotton to a minor industry and leave the fiber market at the mercy of a few giant synthetic corporations.

Cotton farmers are meeting the challenge to supply the fiber needs of the consumer through the CPI and other cost cutting programs. They still need help because we must produce on this high American market and compete with the cheap labor used in producing foreign cotton and the mighty organizational financial giants of the synthetic industry.

The solution to cotton problems is not in reduced production but in increasing its legitimate share of domestic and foreign markets. Dr. Sayre's approach does this.

I strongly support section 103(A) of the draft legislation as a means of establishing a truly competitive world price for our cotton.

MORGAN NELSON.

Mr. ABERNETHY. There being no further witnesses this morning the committee will stand in recess until tomorrow morning at 10 o'clock.

(Whereupon, at 11:45 a.m., the committee adjourned, to reconvene

COTTON

WEDNESDAY, DECEMBER 3, 1969

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COTTON OF THE
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10 a.m., in room 1302, Longworth House Office Building, Hon. Thomas G. Abernethy (chairman of the subcommittee) presiding.

Present: Representatives Abernethy, de la Garza, Burlison, and Price.

Also present: Mrs. Christine S. Gallagher, clerk; and Lacey C. Sharp, general counsel.

Mr. ABERNETHY. The subcommittee is convened this morning for the purpose of taking further testimony on the recommendations for cotton legislation.

The first witness will be Congressman Long from Louisiana.

Mr. Long, we are happy to have you and we will be pleased to hear from you at this time.

Mr. LONG. Thank you, Mr. Chairman and members of the subcommittee. I was requested by the Louisiana Farm Bureau Federation to present their testimony and to read their statement for the record.

Mr. ABERNETHY. All right, sir.

STATEMENT OF HON. SPEEDY O. LONG, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF LOUISIANA

Mr. LONG. The following testimony is given on behalf of the Louisiana Farm Bureau Federation which represents over 30,000 farm families in Louisiana, a good portion of which are cotton farmers, both large and small, from all parts of our State. This statement will reflect the policy adopted at the cotton conference of the Louisiana Farm Bureau Federation annual meeting held in New Orleans, La., July 7–9, 1969.

At this time, Mr. Chairman, while you are in the first stages of developing new legislation, we think it is important that certain provisions, basic and essential to any sound program, be given full consideration. Most important, any new program must contain provisions to maintain an adequate opportunity for ample producer income. The Agricultural Act of 1965 has been a very controversial act; however, the one point in the act that has not been subject to criticism is the 65-percent-of-parity concept. We certainly wish to commend Congress for its actions in 1965, when the parity concept was maintained. We feel this should be an absolute minimum income for cotton producers

and we believe it is essential that this principle remain intact in new legislation.

We believe a broad-based program to expand domestic and export markets, cut costs, both to the producer and on Government programs, and provide adequate net farm income are essential to establishment of a sound farm program that will revitalize agriculture.

To accomplish the objectives above, we feel any new legislation adopted for cotton should:

1. Work toward permanent legislation.

2. Adopt a 14-million national acreage allotment minimum with flexibility for upward deviations. We are presently under a 16-million national acreage allotment. We propose that the Federal Government:

(*a*) be authorized to purchase for retirement a maximum of 2 million acres of cotton allotment, with adequate provisions to protect areas and farmers;

(*b*) out of the 2 million acres, authorize for permanent retirement the productivity pool acreage (about 500,000 acres).

We feel that a 14-million acreage base will produce an amount to equal the demand both domestically and through exports. Here we consider that consumption domestically will be up due to the CPI program moving into full operation and exports should be revived through our proposed export program.

3. We strongly support a single allotment system for producing cotton and participating in any cotton program.

4. Future legislation for cotton should not contain a provision for unlimited sale and lease of cotton allotments between farmers. This provision would mean that the right to produce cotton would go to the highest bidder, and family-type farms are in no position to be bidding against corporate-type farms for the right to produce cotton. Farmers who we represent are farmers who must strive for a profit in order to meet their financial obligations rather than large corporations engaged in farming who enjoy the privilege of tax writeoffs, a subject foreign to the man who actually tills the soil.

5. Contain an "anniversary date" type loan done on a monthly takeover basis for bookkeeping simplicity which would spread out or stagger the CCC takeover of cotton. Consequently, the loan period will cover the full marketing period from harvest to harvest. Government stocks should be used to fill a short fall or relieve shortages of certain qualities, not to flood the market with qualities in plentiful supply. Producers should be allowed to repossess loan cotton prior to the loan expiration date at a price equal to the price at which the CCC is willing to sell comparable cotton from its acquired stocks. CCC costs in connection with acquisition and resale of cotton will be kept to a minimum, and producers will be given an increased role in cotton market decisions.

6. The new program should contain provisions for a resale price of CCC stocks at no less than 110 percent of the loan rate at which the cotton goes in, plus actual storage charges and interest except those accruing after the first 12 months. Under no circumstances should storage charges and interest through the first 12 months ever be waived.

7. Maintain a loan level at no less than 65 percent of parity to insure ample opportunity for adequate farm income and establish a use incentive plan to mills based upon consumption of cotton by the mill.

The proponents of the one-price system stated that the consumption of cotton would increase by 1.1 million bales with an 8.5-percent reduction in price to the consumer. We find, however, by examining cotton statistics that in 1965 the amount consumed domestically was 9.4 million bales. In 1966 consumption fell to 9.3 million bales, followed by 9 million bales in 1967, and an estimate of only 8.25 million bales in 1968.

Now, how do you account for that? Here we were led to believe that the way to fight competition from manmade fibers was to give us a one-price system, and we could increase the consumption. Gentlemen, that has not happened, and, further, the program cost involved to the taxpayer is such now that much criticism has resulted in the increased cost of the program. Direct payments to producers under the 1965 act have been a detriment from the start by continuously raising costs of production. If you will check the figures, you will find that there is a vast majority of producers who either rent or lease the land they farm. In Louisiana, over 60 percent of the cotton land farmed is rented or leased. Leases or rents on cotton land have increased tremendously under the program and have virtually eliminated any net gain in income that a producer may have obtained through increasing acreage farmed.

Louisiana Farm Bureau Federation has investigated this entire subject and without fear of successful contradiction, we say that direct payments have been the greatest contributor to the increased cost of production in the past 3 years. Further, we would urge each member of this committee to check with more grassroots cotton farmers to verify that the 1965 act has resulted in increased income to absentee landlords with very little if any benefits accruing to the man who tills the soil.

In our judgment, the 1965 act also has a built-in mechanism for encouraging domestic mills to use less cotton in order to maintain a cheap price for cotton. The only way to maintain an adequate surplus of cotton is to quit using cotton and use more blends in order to build up a surplus and thus maintain a cheap price to the domestic mills. We realize that this was not the intention originally in the 1965 act but the fact is this has forced cycling of cotton through CCC and given domestic mills cheap cotton. At the same time, domestic mills have not increased their use of cotton as we were led to believe, yet they have been increasing their mill margins.

Obviously, both consumption at home and exports abroad must be increased if we, as producers, are going to survive. Louisiana Farm Bureau feels that we can increase both through the use of incentive programs. To this end, we visualize establishment of a consumption base per mill for the domestic cotton mills, based upon each mill's immediately preceding 5-year poundage consumption. If the mill uses up to 50 percent of his consumption base the mill would receive a cotton-use certificate worth, say, 5 cents a pound. Further, as the mill increases use above the 50 percent base, the cotton-use certificate value could increase as follows:

Percentage of base used:	*Value of certificate (on the percentage base used)*
50 to 60	6 cents per pound.
60 to 70	7 cents per pound.
70 to 80	8 cents per pound.
80 to 90	9 cents per pound.
90 to 100	10 cents per pound.

Any mills using over 100 percent of their consumption base, and also those newly constructed mills that have no previous history, shall receive a cotton-use certificate worth, say, 12 cents a pound. This incentive plan will give the mill a blended price depending upon their cotton usage. To lower raw material costs, all the mill need do is use more cotton.

8. It is of critical importance that our export market be restored to a reasonable level and that we begin sharing in the growth of fiber consumption abroad. In the 5 years prior to one-price cotton, raw cotton exports averaged about 5.5 million bales annually. However, since 1964, exports have averaged just about 4 million bales each year, and this year exports are expected to total only 2.5 million bales.

Former Secretary of Agriculture Orville Freeman has stated publicly many times that cotton was a crop that must export or die. It has long been the policy of our Federal Government, enunciated both in statutes enacted by the Congress and in statements issued by our Department of Agriculture, that effective measures should be taken to insure a strong and healthy export volume. We feel that cotton exports should be at least at a level around 6 million bales, and it should be noted that this appears well in line with the minimum objectives already adopted by our Government.

We have long recognized the need for reasonable restraints on cotton textile imports—which have shot up to alarming proportions in recent years. The trend is inexorably upward primarily because foreign mills operate in an entirely different economic climate and have major advantages in wages and other costs. To correct these situations for imports into the United States, we propose that each foreign country that exports textiles to the United States should be able to export an amount which will be based upon the poundage of cotton or manmade fibers they purchase from the United States. These countries would be issued American import privileges equal to this amount for their total exports to the United States. To further stimulate export of American-grown cotton to foreign countries, we urge a freight equalization fee of 5 cents per pound in the form of a negotiable certificate to be issued on all cotton exported from the United States.

In summary, we are confident that the objective of a growing, self-reliant profitably competitive cotton industry can be achieved. We feel that this is not only in keeping with cotton's best interest, but the interests of agriculture and the Nation as a whole.

We, as producers, are moving rapidly to use practices and tools that are available to us in meeting our competitive challenge. We understand and appreciate the fact that other tools must be shaped and welded by our Government if we are to succeed. If the joint efforts of the cotton industry and the Government can be recast in terms of our present needs and future potentials, we firmly believe that cotton can continue and grow as a major segment of the U.S. economy.

Thank you, Mr. Chairman.

Mr. ABERNETHY. Thank you very much, Mr. Long.

As I understand it, this testimony you have submitted for and on behalf of the Farm Bureau of the State of Louisiana?

Mr. LONG. Yes, this is their position.

Mr. ABERNETHY. Thank you, sir.

Are there questions?

Thank you, Mr. Long. Thank you very much.

The next witness will be Mr. B. B. Everett, Jr., president of the North Carolina Cotton Promotion Association.

STATEMENT OF B. B. EVERETT, JR., PRESIDENT, NORTH CAROLINA COTTON PROMOTION ASSOCIATION, INC., RALEIGH, N.C.

Mr. EVERETT. Mr. Chairman, I am B. B. Everett, Jr., of Palmyra, N.C. I am currently the president of the North Carolina Cotton Promotion Association, an organization certified by the North Carolina Board of Agriculture as the official commodity organization in North Carolina.

By virtue of my office I represent some 57,000 cotton growers of our State, and it is with their permission I appear before you and the other distinguished members of the Committee on Agriculture today so that we may strive to inject our views and proposals into the frameworks of new cotton legislation which we think will be beneficial to the cotton economy of our State and our region. Furthermore, it is our opinion that these suggestions will also give strength and impetus to the cotton programs of all the other regions of the Cotton Belt.

Mr. Chairman, our testimony will be brief and to the point. We will dwell but very little on statistical data nor will we go into great detail on the proposals we are submitting because at this time we are aware that such statistics and details will be repetitious of many proposals submitted already by members of the National Cotton Council, Southern Cotton Growers and other cotton organizations. We hope you will accept them in the context as they are presented. Members of our group who are with me, and myself, however, shall try to answer any questions or make oral comment to those items that may not be clear to you or others in audience here.

Our proposals are these:

1. Make permanent the one-price cotton law, but with revisions and refinements to remove inequities that will tend to weaken our cotton program. Our view in this matter is that cotton must remain above world price in order for us to continue to grow cotton and be assured of some profit for our labors.

2. We believe that the 16-million acreage allotment or another reasonable figure based on total disappearance should be maintained as a focal point for considerations in program adjustments of both temporary and permanent nature.

3. Eliminate any voluntary acreage diversion in present or future cotton law. When a reduction in acreage below the total national allotment is needed, let the percentage of the national allotment reduction apply to each individual farm allotment with no acreage diversion payment being made beyond the mandatory cut. Payments on voluntary acreage retirement is ruining the cotton economy in our State and other areas that have numerous small farms. Voluntary diversion has played a major role in a decrease in planted acres from 380,990 in 1965 down to 184,812 in 1969. A continuation of this practice will have grave effects on our future cotton program particularly if other undesirable facets of the present program are allowed to continue.

4. Repeal the cropland adjustment program outright and forthwith, and avoid all "permanent retirement of land" approaches to agriculture's problems, by whatever name presented. If production must be curtailed then let it be strictly on a temporary basis.

In our State, as in other Southern States, we have stark reminders of the evils of the soil bank concept in the presence of ghost towns where farm business used to thrive and the farm population forced into larger towns where a large percentage of them must depend on relief and welfare for a means of existence.

5. Provisions maintained in the law so that each cotton allotment holder must plant, release or lose his allotment. We are happy to note that under a preliminary summary of draft legislation by USDA that a system is now being contemplated whereby an allotment holder must plant or lose his allotment thereby removing him from a "cotton welfare" status.

We do, however, propose that the law will provide that unused allotments be returned to the county committee for reapportionment within the county or to the State ASCS committee for reapportionment within the State.

6. Liberalize the law as to adequate time and volume of acres as it relates to transfer of cotton allotments by purchase or lease within the State. We hope that future regulations will permit a grower to purchase any amount of allotment he so desires or be allowed to lease available acreage from the time (in the fall) allotments are established until the normal planting time in his area.

7. Improve protections against losses caused by natural disasters. In most cases farmers who are victims of natural disasters must have a source of instant credit and we are recommending that credit will be made readily obtainable and that the farmer will be permitted to use yield records from normal production years when all requirements and benefits under the cotton program are assigned.

8. Make support price payments based on actual instead of projected yield and in the event of natural disaster base support price payments on projected or normal yield.

Although we realize that many individual growers may benefit from a projected yield status our total cotton program is jeopardized because of a lack of incentive placed upon growers by the support-price-on projected-yield situation. Our organization feels that if actual yield is implemented, considerable more acres will be planted and substantially higher yields will be harvested. To verify our proposal in this matter the following table shows a substantial decrease in acreage and yield since the advent of projected yield into the law.

Year	Planted [1] (acres)	Harvested [1] (acres)	Total yield (500-pound bales)
1965	380,990	377,769.5	221,000
1966 [3]	230,979	152,347.0	94,000
1967	191,198	100,127.0	44,000
1968	206,240	199,919.0	123,000
1969	184,812	168,127.0	[4] 110,000

[1] Figures based on ASCS records.
[2] U.S. crop reports.
[3] 1st year of projected yields.
[4] Estimated.

9. Make provisions to implement fully the research program now provided for in the law for improved cotton production, cost reduction and utilization of cotton goods and allow all funds duly authorized to be spent for these purposes. Furthermore, we recommend that provisions will be made to aid and assist land grant colleges and Government agencies in educational programs designed to inform the public of cotton research and other developments; that is additional personnel in specialist ranks to carry out programs of applied research, development and utilization.

10. With some reservations we must declare opposition to payment limitations to cotton producers anywhere. Our group feels that limited payments will hinder the operation of many producers to the extent that the total cotton program and, consequently, the economy of the Cotton Belt will suffer considerably if limitations are allowed to be imposed.

We do, however, as other groups before us, recognize that some form of limitation is inevitable and in this event our recommendation may be modified to include that limitations be imposed in a graduated scale system so that producers of varying means and status will be treated on an equal basis.

Mr. Chairman, the true cotton producers and related business people of North Carolina and, I think, of the entire South are tired of being dubbed "cotton welfare recipients." This is a term showered upon us by our neighbors and other business counterparts. When we look at the present program, the various land retirement schemes designed to entice growers out of production and payments offered "not to produce," we have no statement of retaliation.

Those of us left in North Carolina who still produce cotton as a major source of income believe ourselves equally capable and just as fully dedicated to the purpose as growers anywhere. We find ourselves willing to sacrifice some things for the sake of the total program. In the above recommendations and proposals we realize that some sacrifices peculiar to our area are being made but we present them in our sincere belief that a cotton law including them will be most beneficial to the producer and related industry in our State.

Thank you.

Mr. ABERNETHY. Thank you very much.

Are there questions?

Thank you, Mr. Everett. We appreciate your presence.

The next witness is Mr. A. Starke Taylor of Dallas, Tex., president of the American Cotton Shippers Association.

Do you have some gentlemen with you, Mr. Taylor?

Mr. TAYLOR. Yes, sir. Is it all right if I get them to sit up here?

Mr. ABERNETHY. Yes, sir; of course.

STATEMENT OF A. STARKE TAYLOR, JR., PRESIDENT, AMERICAN COTTON SHIPPERS ASSOCIATION, ACCOMPANIED BY JULIEN J. HOHENBERG, PRESIDENT, SOUTHERN COTTON ASSOCIATION, MEMPHIS, TENN.; FRANK LOWENSTEIN, DIRECTOR, SOUTHERN COTTON ASSOCIATION, NEW ORLEANS, LA., AND NEAL P. GILLEN, VICE PRESIDENT AND GENERAL COUNSEL, AMERICAN COTTON SHIPPERS ASSOCIATION, WASHINGTON, D.C.

Mr. TAYLOR. Mr. Chairman, my name is A. Starke Taylor, Jr. I am president of A. Starke Taylor & Son, of Dallas, and I appear here before you in my capacity as president of the American Cotton Shippers Association. I am accompanied by Mr. Julien J. Hohenberg, of Memphis, Tenn., president of the Southern Cotton Association and first vice president, ASCA; Mr. Frank Lowenstein, of New Orleans, La., director of Southern Cotton Association and economist, ACSA, and, Mr. Neal P. Gillen, of Washington, D.C., ACSA vice president and general counsel.

The ACSA was founded in 1924, and is basically comprised of merchants, shippers, and exporters of raw cotton, who are members of six federated associations, located in 14 States throughout the Cotton Belt:

Arkansas-Missouri Cotton Trade Association.
Atlantic Cotton Association.
Oklahoma State Cotton Exchange.
Southern Cotton Association.
Texas Cotton Association.
Western Cotton Shippers Association.

The 678 member firms of the ACSA handle over 70 percent of the domestic cotton crop and about 80 percent of the export market. On behalf of the American Cotton Shippers Association, I wish to present our views for your consideration of a new cotton program.

The cotton industry finds itself in dire straits. Foreign grown cotton and synthetic fibers have made startling inroads into what was once considered a guaranteed market. Cotton has met this competition with an antiquated approach which is no longer relevant by today's standards.

A major reason for this situation is the dramatic change in the economic organization of farming in the United States. When commodity programs were introduced in the early 1930's, they were designed to support the income of our impoverished farmers. All during the 1930's, this was the principal purpose of the farm programs. Since World War II, the economic position of our farmers has been changing. About one-third of the country's farmers now produce 86 percent of the total farm output. These farmers had an average income from farming in 1968 of $10,958—in addition to an off-farm income of $3,343. The other two-thirds of the country's farmers cannot earn an adequate living from farming and apparently do not intend to do so. In 1968, the 2 million farmers with gross sales of less than $10,000 earned more from off-farm sources than from farming. The income of the average farm family in this category was $7,280, of which $5,511 was earned from off-farm sources.

Programs to help these people should be developed where needed, but they should be separated from commodity programs. Needed programs include many facets, such as education, employment opportunities, medical care, changing locations to take advantage of job opportunities elsewhere, income payments from the Federal Treasury to prevent poverty, et cetera.

The Food and Agriculture Act of 1965 was enacted with the intent to maintain farm income, to stabilize prices, and assure adequate supplies of agricultural commodities, to reduce surpluses, lower Government cost, and to promote foreign trade and afford greater economic opportunity in rural areas.

The supply management concept of the 1955 act did help to reduce stocks through the mechanism of diversion payments; however, severe bad weather, in the first two seasons, accelerated the disposal of surplus stocks at a rate faster than originally planned. The sudden shrinkage in supplies and panic buying in 1967 artifically increased prices to a high level but exacted a terrible toll in lost markets both here and abroad which have never been regained. This loss of confidence in cotton's ability to provide an adequate supply of qualities contributed to the gains made by manmade fibers and foreign growths.

The 1965 act was conceived under circumstances completely converse to today's. In 1965, we had a carryover of 14 million bales and disappearance of 12.3 million bales. In 1969, we have an estimated carryover of 6.3 million bales and an estimated disappearance of 11 million bales, and an estimated production for this growing season of about 10 million bales.

Today farm payments are attacked by a Congress determined to change priorities in domestic legislation. Cotton must be planted—farmers must have adequate income—markets must be expanded. We cannot expect to solve the problems of our industry today with yesterday's solutions—a dramatic plan is called for which will give us adequate supplies of cotton, provide the farmer with adequate income, expand our domestic and foreign markets, and scaled to a cost level acceptable to Congress.

The American Cotton Shippers Association has developed a cotton program which was unanimously adopted by the members of our national affairs committee and the board of directors. We feel our approach will achieve the goals I mentioned above; however, we are not without the realization that our ideas may not be acceptable to all concerned. We ask the subcommittee and the industry to consider this program. The basic objectives of our recommendations are:

1. A sound cotton program must continue a one-price program with prices at a level which will stimulate larger demand for U.S. cotton and which will effectively compete with substitute fibers and foreign growths on a nonresidual basis. Unless this is done, cotton will continue to lose its export markets and domestic textile mills will continue to switch to manmade fibers.

2. The above market-loan approach has proven unworkable and has kept U.S. cotton from being competitive. If we continue to follow this approach, cotton's share of the total textile market will continue its rapid decline. The price-support loan rate of cotton, if there is to be a loan, should not be at a stop-loss level substantially below the world market price and also below cost of production. The dif-

ference between the free market price of cotton and a target price as determined by the Congress should be paid directly to the producer.

3. Textile mills should be assured of a continuous and well-balanced supply of desirable grades and staple lengths of cotton at world market prices. There have been instances where shortages of supply and of desirable qualities have forced textile mills to turn to competing fibers. It is a well-known fact that once a market is lost, it is extremely difficult to regain.

4. The futures market must be maintained in order that farmers, merchants, and mills will have a tried-and-proven method for hedging their cotton. An active futures market gives substantially confidence to buyers both of cotton and cloth, because they are able to safeguard themselves in the market against major price swings.

5. The cost of the program to the taxpayers of the country must be reduced to reasonable levels.

6. Renewed emphasis to greatly expand research on ways to lower production and service cost should be made. Funds allotted for this purpose should be at least 5 percent of the overall program costs.

We think these broad principles can be implemented by making the following changes to title IV of the Food and Agriculture Act of 1965:

1. Eliminate all special small farm payment provisions and provide a transitional program to assist small cotton farmers (allotments of 15 acres or less) in making the necessary adjustments to nonagricultural pursuits and to provide opportunities for gainful employment.

2. Make this farm program permanent. No purpose is served by passing the farm legislation for a specific time period since Congress always has the power to amend or cancel a program.

3. Eliminate Government loans on cotton. If this is unacceptable, provide for loans on cotton from the 1971 and succeeding crops at not more than 90 percent of world price as follows:

The price-support loan rate for Middling one-sixteenth of an inch if there is to be a loan should be not more than 90 percent of the price for Strict Middling one-sixteenth of an inch in major importing markets, for major growths sold in those markets for the preceding 3 years or not more than 75 percent of the direct cost of production, whichever is lower.

World market prices should be adjusted to reflect the costs of moving cotton from U.S. farms to importing markets.

Provide for equality of treatment by establishing one uniform loan for all cotton producers. All notes and warehouse receipts should be held by the ASCS office in the county where cotton is produced.

Standardize commodity programs and ease administrative burden of the CCC by adopting a terminal loan for cotton based on net weights.

4. Eliminate the provision requiring support of all production at 65 percent of parity.

5. Eliminate marketing quota penalties.

6. The minimum acreage allotment shall be 16 million acres. The Secretary shall have the authority to require diversion of up to 40 percent of the total allotment; the remainder shall be called the "effective" allotment. Loans shall be available on the effective allotment.

7. The allotment system must be sufficiently flexible to permit those who wish to grow cotton to do so and encourage the efficient producer.

8. Make cost adjustment payment directly to the producer on that portion of his actual production (in pounds), within his allotment calculated on his share of the previous year's domestic consumption, such payment not to exceed x cents per pound. This payment to be calculated as follows:

Previous year's domestic consumption/current year's actual production times actual production (in pounds) from the effective allotment:

A. Example: $\frac{8{,}000{,}000}{12{,}000{,}000}$ or 2/3 times 100 bales effective allotment

B. 8/12 or 2/3 times 60 bales of 60 acres (assume yield one bale per acre) of effective allotment (if the Secretary orders full 40-percent diversion)

9. Initiate a vastly improved crop insurance program to protect producers against crop disaster.

The position of the Department of Agriculture has recently been presented to the members of this committee. We have had an opportunity to review it; however, the association has not officially taken a position on the set-aside plan. Our review does indicate that the set-aside approach views the solutions to the industry's problems in much the same manner as we have proposed today.

We share your concern, Mr. Abernethy, and the concern of the producer witnesses who have testified before us, that the set-aside proposal will not produce sufficient cotton to meet normal offtake and emergency requirements. These fears could be alleviated if the Secretary would have the discretion, "to require producers to plant amounts in excess of his domestic allotment and in doing so, be permitted to reduce an equal amount of the set-aside in order to qualify for price-support payments."

The basic outline of the set-aside concept developed by the USDA is similar to the type of program we have outlined above. We can support a program with a realistic loan level set at a price which will enable us to recapture our lost markets at home and abroad, and a program guaranteed to produce enough cotton to supply these market needs.

Mr. Chairman, we thank you sincerely for the opportunity that you have provided to us for this presentation of our views, and we stand ready to be of further assistance to the committee in the consideration of this important legislation.

Mr. ABERNETHY. Thank you very much, Mr. Taylor.

Do you produce any cotton at all, yourself?

Mr. TAYLOR. No, sir; I do not.

Mr. ABERNETHY. Well, would you have any knowledge of—conceding that it might be a guess or a guesstimate—what would be the average cost of production for a pound of cotton?

Mr. TAYLOR. We, of course, have the Department of Agriculture's figures on these, which, I understand, there was considerable money spent by the Department to obtain. Frank, do you have that at your fingertips?

Mr. ABERNETHY. Well, I think the Department's figures are about 26 or 27 cents a pound. Is that not right?

Mr. LOWENSTEIN. Yes, sir, total cost; but they divide into two groups. One is total cost and one is direct cost. Direct cost, of course,

eliminates land charges and general overhead, and we think the direct cost is the figure that should be used in considering a yardstick. The reason for this——

Mr. ABERNETHY. Of course, there are a lot of things that need to be considered in determining.

Is the market now at a level that will return the cost of production?

Mr. LOWENSTEIN. It will return over the direct cost of production.

Mr. ABERNETHY. All right; what is the market?

Mr. LOWENSTEIN. The market for Middling, one inch and a sixteenth is 25.01 cents per pound.

Mr. ABERNETHY. 25.01; and suppose you select your own figure as to what it would cost to produce a pound of cotton?

Mr. LOWENSTEIN. Well, if you take what the Department has for 1964, 1965, and 1966—and 1966 is the latest year they have published—it would show an average direct cost of 21 cents.

Mr. ABERNETHY. 21 cents?

Mr. LOWENSTEIN. Yes, sir.

Mr. ABERNETHY. When did they publish a permanent figure.

Mr. LOWENSTEIN. They published data for the years 1964, 1965, and 1966. They have not published anything for crops since then.

Mr. ABERNETHY. Yes, sir; now, the market now, of course, is at a level during a period which is more or less regarded as a period of scarcity; is it not?

Mr. LOWENSTEIN. I would not call it scarcity. Would you?

Mr. TAYLOR. Scarcity on some qualities, Mr. Chairman.

We have a lopsided quality problem.

Mr. ABERNETHY. Well, it is at the lowest level it has been in a long time. That is true; is it not?

Mr. LOWENSTEIN. It is at the lowest level it has been in the last 3 years, I would say; yes.

Mr. TAYLOR. Again, on some qualities. Some qualities are higher than they have been in several years.

Mr. ABERNETHY. What are we facing now?

That is what concerns us most: the production of a surplus or underproduction of the quantity of cotton that is needed?

Mr. LOWENSTEIN. Mr. Chairman, the thing that concerns us most is: markets for cotton. We feel that cotton is losing——

Mr. ABERNETHY. I know. I know the markets concern us, but I asked you, sir: What are the farmers faced with right now, principally? And let us forget about markets, although markets are important. Is it an anticipated surplus or an anticipated shortage?

Mr. LOWENSTEIN. At the moment, it is about even stephen in operation. What we are doing is producing about the amount that disappears each year.

Now, it will vary from one year to the next, as weather conditions vary, but it is more or less this kind of an operation.

Mr. ABERNETHY. What is it going to take next year, or year after next, to get them to produce what you need?

Mr. LOWENSTEIN. I do not understand the question, sir. What do you mean, "What is it going to take?"

Mr. ABERNETHY. Do you run a cotton farm?

Mr. LOWENSTEIN. No, sir.

Mr. ABERNETHY. You are like some of the rest of us—and I do not say this critically, but you just live off of the cotton farmer.

If you had a cotton farm, what would you want to be assured of or be convinced of before you planted your crop in 1971?

Mr. LOWENSTEIN. I would want to be assured of a total return, Mr. Chairman, which would enable me to make a profit above the direct cost.

Mr. ABERNETHY. Yes.

Now, what would you look to, to be assured of that?

Mr. LOWENSTEIN. I would think a total return of 25 or 26 cents would do it for me.

Mr. ABERNETHY. Yes; and from where do you expect to get that? Do you think that will come from the market, or do you know?

Mr. LOWENSTEIN. I would think you would have to have some direct payments as outlined in the program we suggested.

Mr. ABERNETHY. So, you have got to the point I have been trying to make: there has got to be some encouragement from some source other than just depending on the market?

Mr. LOWENSTEIN. We have allowed for this in the program we recommended; yes, sir.

Mr. ABERNETHY. Yes. You followed the testimony of the other witnesses, I am sure. Have you not?

Mr. LOWENSTEIN. Most of them.

Mr. ABERNETHY. What size crop do you think normally should be produced and put into the market under our current situation, that is, for 1970 and 1971? About what size?

Mr. LOWENSTEIN. If we talk about 1971, I would say that much depends upon the kind of program that we adopt and what kind of market demand it stimulates. It seems to me we have to tailor our production to the demand through the marketplace.

Mr. ABERNETHY. Right. Well, with your knowledge of the cotton industry, do you have some opinion as to just what the demand would be?

Mr. LOWENSTEIN. Well, if you took our program, sir, the one that Mr. Taylor recommended, we have worked out some estimates on this. We would think we would need about 12.5 million bales.

Mr. ABERNETHY. 12.5 million? How much of that would be consumed domestically?

Mr. LOWENSTEIN. In our figures we have assumed around 8.5 million.

Mr. ABERNETHY. About 8.5 million?

Mr. LOWENSTEIN. Yes, sir.

Mr. ABERNETHY. And the other 4 million is for export and carryover?

Mr. LOWENSTEIN. For export. This is just disappearance, sir, and this does not include the carryover.

Mr. ABERNETHY. I understand. I understand. We are operating in sort of a vacuum here. I am sure you are familiar with that. We do not have anything to work with. We have a suggestion which was handed to us by the Secretary, but we have no one's bill. It is just an indication of the gray field that we are working in. Have you seen the Secretary's plan? Incomplete plan, I should say.

Mr. LOWENSTEIN. I have seen a draft of it. And, again, the same thing——

Mr. ABERNETHY. Draft? I have not seen a draft. I have seen a memorandum.

Mr. LOWENSTEIN. Well, I have seen the same memorandum that you have. I have not seen the legislative draft.

Mr. ABERNETHY. We have been looking for that; we have been waiting for it. There are so many untied ends in the memorandum that somebody is going to have to tie them together before I know what it will be.

Mr. LOWENSTEIN. I agree, wholeheartedly. We think the principal is good; I should say our board of directors has not approved this program. I am speaking how I would personally judge this plan. I think there are some areas that have to be tied down to give some indication of the discretionary area in which the Secretary would have to work; for example, the size of the payments and loan levels. In the memorandum that I saw the loan level depended on the previous 3-year market price, and it could be set at 80 to 95 percent.

Mr. ABERNETHY. Yes.

Mr. LOWENSTEIN. But the size of the payment would be completely at the discretion of the Secretary.

Mr. ABERNETHY. It is what?

Mr. LOWENSTEIN. The payment size was left completely to the discretion of the Secretary, in the memorandum that I saw.

Mr. ABERNETHY. Yes.

I believe that is all I have. Are there any questions, gentlemen?

Mr. PRICE. I have some questions.

Mr. ABERNETHY. Mr. Price.

Mr. PRICE. Your cotton-merchants group has probably done more marketing in foreign markets than any other group. What do you think of the real prospect for U.S. cotton in foreign markets now?

Mr. TAYLOR. Well, Mr. Price, this, of course, will depend upon the type of program that would be enacted. We feel, of course, that the most important thing in this respect, as far as any program, would be price. I guess the best example I can give of this is to refer back to 1956, the year when we exported 7 million bales. Undoubtedly, that year we were competitive. In 1961, if I remember correctly, the Department of Agriculture, by administrative action, raised the support price about three and three-quarter cents per pound, and since that time we have just steadily been losing our export markets. We, of course, could not expect to feel an immediate impact from a price reduction, but we think that by the end of a 2-year period we could feel this impact in our exports and they would be increased substantially. We especially have an opportunity in the Far East to increase our exports. It is an excellent market for short staple cotton which is only grown in Pakistan and the State of Texas.

Mr. PRICE. Well, I understand that there is a good possibility that the Russians have a million-bale crop failure though they have taken a lot of our markets away from us in Europe in recent years. Do you think we are going to be able to move in and take advantage of this by being competitive in trying to find a market for our cotton in that area?

Mr. TAYLOR. We have been trying to develop some information on this ourselves, and Mr. Hohenberg talked to Europe yesterday, and again this morning, trying to get some information, in case we were asked this question.

Mr. PRICE. What did you find out, if you would care to state?

Mr. HOHENBERG. Well, the figures on the Russian crop, which is currently being harvested, are difficult to obtain. But the information we received from ICAC, the International Cotton Advisory Committee, indicates that the crop is down from 500,000 to maybe a million bales. The amount of what we are able to replace depends, again, on price, because it also can be replaced with synthetics in Western Europe. There has been about a million bales, more or less, of Russian cotton sold to the free-world markets in the past several years, so this does give an excellent opportunity for the United States to step in, if our price was at least competitive with synthetics.

Mr. PRICE. Mr. Lowenstein, we have seen the manufacturers and distributors of the manmade fibers reduce their prices drastically in the past 4 or 5 years. Do you think that synthetics will continue to undercut the market price of cotton?

Mr. LOWENSTEIN. This is a $64,000 or $64 million question, because I have, frankly, been unable to get any information on where the cost of production for manmade fibers can go. We have seen them come down for polyester staple fibers from something over a dollar a pound to a price of about 42 cents a pound. And if we work that back to the farm on a cotton equivalent basis, we derive a price of 22 to 23 cents per pound. Cotton is sold on a gross weight and manmade fibers are sold on a net weight; cotton is sold on the farm and manmade fibers are sold delivered to the mill; cotton has more waste in manufacture than manmade fibers have; and manmade fibers weigh less. In other words, a pound of manmade fibers will cover a larger area. If we take all of those factors into account, the 42-cent price will be equivalent to around 22 or 23 cents on the farm, and that is very close to the price for which Strict Low Middling $1\frac{1}{16}$-inch is selling for right now.

Now, let us look at polynosic rayon, which, incidentaly, was designed by the manmade fiber producers to compete with cotton, and to duplicate cotton's properties. If we work prices for this fiber back to the farm, it comes out a little bit cheaper than current prices for cotton on the farm now. Mills are buying polynosic rayon for roughly 28 to 30 cents a pound delivered to the mill. When we go through the same process with a little bit different factor for the covering power, we come out with a price below the price of cotton. All this means is that even at today's prices, cotton would have to be lower in price in order to regain some of the markets we have lost, and I expect prices for polynosic rayon and polyester staple fiber to continue to fall.

Mr. PRICE. Well, now, we are saying that the cotton men cannot produce cotton for 25 cents, and that is about what it is costing him—and probably 28 cents with inflation. Synthetics have robbed us of what percent of the markets, would you say?

Mr. LOWENSTEIN. A very interesting figure——

Mr PRICE. Fifty percent, perhaps?

Mr. LOWENSTEIN. If we will look at the consumption of fibers in this country from 1960 to date—through 1968, because that is the last complete year that we have—we will find that the consumption of fibers

by our own mills has gone up 3.3 billion pounds, equivalent to 11 million bales of cotton, all of it in manmade fibers.

Mr. PRICE. Perhaps the situation would be clearer if I placed it in a larger perspective. According to the figures I have seen, there are approximately 10,000 producers of manmade fibers. These producers have aggressively and effectively marketed their product using expensive merchandising and advertising techniques that are simply not being fully utilized by the some 400,000 cotton producers across the country. Producers of synthetics have made their revenue because they have been able to convince the consumer as to the desirability of blended and synthetic products. Cotton producers, unable to merchandise as effectively, have had to depend on Federal subsidies financed by the taxpayer.

This situation needs to be corrected. It is our responsibility to help make the needed changes. I fail to understand, though, why the cotton industry cannot be structured on a profitable a basis as is the synthetic industry. Cotton producers are as intelligent and they are as capable. They must diligently work with this subcommittee in trying to find a workable alternative to merely pumping large amounts of tax revenues into cotton program. We must create a cotton program that will enable the cotton producer to stand on his own two feet and realize to full potential his individual initiative and capabilities.

Mr. Lowenstein, do you think this is a fair statement?

Mr. LOWENSTEIN. This is a fair statement. I would agree with you wholeheartedly, and I would suggest to you that there are several things that need to be done. We think that the expenditures on the cotton program must be held to less than $500 million a year. For the 1968–69 season—again, the last season for which we can get figures—the expenditures were $1.1 billion. We feel that we must have an opportunity for efficient producers to increase their production of cotton so that they can produce cotton at a lower cost.

I would like to point out that in the cost of production study for 1966, as published by the Department of Agriculture, 48 percent of the cotton production was produced for less than 18 cents a pound, direct cost. The average was 21 cents, and 64 percent of the producers produced cotton for the 21 cents or less. There has to be some mechanism for the efficient producers to increase their production.

Mr. PRICE. This program that Mr. Taylor has suggested, what do you all estimate it will cost?

Mr. TAYLOR. That depends, of course, and we left the payment figure at x—we just said "x cents per pound," leaving that to the Congress to decide. But we have projected some figures here which Frank has, based on—what? 10 cents a pound?

Mr. LOWENSTEIN. At 10 cents a pound, total expenditures came to $422 million. This was the payment of 10 cents a pound to the producers. If we increase the payment to 15 cents, say 50 percent—simply because it is an easy figure to compute—we add another $200 million to the cost, roughly. Much depends on the level of payment that is made.

Mr. PRICE. Well, what do you think of the concept that was proposed here yesterday by the other group of Texas producers by which it could come down—the payment—come directly to a cotton board, and, then, perhaps, the cotton board would pay the farmer his amount and

retain so much for promotion? Now, how do you feel about that program?

Mr. TAYLOR. Mr. Price, the first we heard of this was yesterday, and we really have not had any time to study it. I would hate to stick my neck out here unless I had my board of directors' approval. Some of them might not agree with me, and I had better check it. It is a new approach. I will agree that it may have some merit, but we would like to look at it a little closer.

Mr. PRICE. This is the thing that Mr. Abernethy is talking about. We are trying to put a program together, and until the producers and the merchandisers and everybody try to get together, sit down together, and try to come up with something, all we can do here is just discuss the key issues.

Mr. HOHENBERG. Mr. Price, I think the one thing that we must understand of all of the elements is that the element of price is in the picture. Mr. Lowenstein has given some figures as of what the on-farm equivalent of synthetics is. So, irrespective of any program that is developed, this price of manmade fibers must be taken into consideration, in my estimation.

Mr. PRICE. Would you not say that we have done a poor job of merchandising cotton compared to what synthetics have done?

You have got one product here and there is another there, and they, the products, have just been outsold and outmerchandised.

Mr. HOHENBERG. Well, the figures speak for themselves.

Mr. TAYLOR. I think definitely they have done a better job than we have, but they are private industry and they have not had some of the restrictions and been tied to some of the things that the cotton industry has been tied to.

Mr. LOWENSTEIN. I think I would like to add to that—I think what you have said is perfectly true, but I would like to add——

Mr. PRICE. They have been tied to it, but they have had the choice of a program or no program; the choice would not be any clearer.

Mr. LOWENSTEIN. They have also done a magnificent job of research, and they did the research before they went out and merchandised their product. We have to have something to promote, it seems to me, before we run a promotion program. I think cotton can do a magnificent job of research, too, if we put our shoulder to it. But I think we have a ways to go.

Mr. PRICE. Do you not think that the cotton industry has to merchandise its products?

Mr. LOWENSTEIN. Of course, we have to merchandise the product that you have to sell.

Mr. PRICE. You know, just increasing the money put into the cotton program is not going to solve the problem. We have got to merchandise the shirts and sheets and other cotton consumer products.

Mr. LOWENSTEIN. Sir, this has been bothering all of us; me as much as you.

Mr. PRICE. Should not more money be spent on merchandising?

We are talking about how to cut production, and I think we have about reached the point with labor and machinery where you cannot produce cotton much cheaper, unless we have a new program or a new breakthrough, which, I understand, there is a possibility of.

Mr. LOWENSTEIN. We have no objection to improving the merchandising system. There is another facet—Mr. Hohenberg can give you some rather startling steps that he has taken in his business to reduce the price of cotton or the cost of merchandising which goes back to the farmer, and I would like for him to talk about this. This is just one step, and we certainly agree with you wholeheartedly.

Julian, why don't you tell them what you have done on this?

Mr. HOHENBERG. Well, specifically—this is always a question, and we agree with you, Mr. Price—at least, I do—and I think the important element, as we have tried to point out in our program, is research on both cost of production and cost of services. This has got to be done at the Government level, at the State level, and by private sources. A recent study that was authorized by CPI at Texas Tech indicated that the cost of services from cotton plant to mill was something like 16 cents a pound, if I remember correctly. This as astounding, and, certainly, some basic and important research must be done in this.

Mr. PRICE. Did I understand you correctly, that you mean from the time this man prepared his soil?

Mr. HOHENBERG. No, sir; from the time of harvest.

Mr. PRICE. From the time of harvest until he got it to the mill it cost him 16 cents a pound?

Mr. HOHENBERG. This includes harvesting.

Mr. PRICE. This is including harvesting?

Mr. HOHENBERG. And ginning.

Mr. TAYLOR. Warehousing, merchandising, everything.

Mr. HOHENBERG. Transportation.

Mr. PRICE. Does this include preparing the soil, planting the seed, cultivating in the spring?

Mr. HOHENBERG. No, sir; no, sir. And this is the figure—for whatever we can do, we have shot at it, in the cost of landing cotton at the mill, and in the Memphis area we have made some rather significant reductions, trying to cut it, and we have cut it about 150 points by going direct from gin platform to mill, eliminating all the costs that we could personally as a firm, but, of course, this has got to be done on an industrywide level, it seems to me, both in the cost of production and in the cost of services.

Mr. PRICE. Well, I do not want to take any more time, Mr. Chairman. I am grateful that these gentlemen have shared with the subcommittee some of their great knowledge in this field.

Mr. ABERNETHY. Thank you very much, Mr. Price.

Mr. PRICE. In perspective, Mr. Chairman, I think that we are actually talking about the production of cotton costing the farmer 25 to 28 cents presently today. If production costs remain stabilized whatever the Congress authorizes and the Secretary of Agriculture spends between that 28 cents and 35 cents will constitute income to the cotton producer. Now, is that not a fact?

Mr. TAYLOR. Well, this is, of course—again, we come back to the efficient producer. We think some producers can produce cheaper than this, and we think, if they can, then they are the ones that ought to be producing and should be allowed to produce.

Mr. PRICE. That is all, Mr. Chairman.

Mr. ABERNETHY. Thank you very much.
Mr. de la Garza?
Mr. DE LA GARZA. No questions.
Mr. ABERNETHY. Mr. Burlison?
Mr. BURLISON. No questions.
Mr. ABERNETHY. Thank you, gentlemen. We appreciate your testimony.
Mr. TAYLOR. Thank you, sir.
Mr. ABERNETHY. The next witness will be Mr. Reuben L. Johnson, director of legislative services, National Farmers Union.

STATEMENT OF REUBEN L. JOHNSON, DIRECTOR OF LEGISLATIVE SERVICES, NATIONAL FARMERS UNION

Mr. JOHNSON. Mr. Chairman, I have with me today Mr. Joe D. Rankin, from Ralls, Tex. Mr. Rankin is vice president of the Texas Farmers Union, and he will present the testimony on behalf of not only the Texas Farmers Union but on behalf of the National Farmers Union.
Mr. ABERNETHY. What was the name, again?
Mr. JOHNSON. Rankin.
Mr. ABERNETHY. All right. Mr. Rankin, you may proceed.

STATEMENT OF JOE D. RANKIN, VICE PRESIDENT, TEXAS FARMERS UNION, RALLS, TEX.

Mr. RANKIN. Mr. Chairman and members of the committee, my name is Joe Rankin. I am a cotton farmer of Crosby County, Tex., and I am serving this year as vice president of Texas Farmers Union. My appearance today is in behalf of this organization and I am also appearing in behalf of the National Farmers Union. Mr. Lewis J. Johnson, president, Arkansas Farmers Union, was scheduled to appear here with me and Mr. Reuben L. Johnson, director of legislative services, National Farmers Union, today, but could not be here.

Farmers Union is vitally concerned with the future of cotton, and of American agriculture as we know it today. The Food and Agriculture Act of 1965 has virtually saved the cotton industry the last 4 years. The adverse weather conditions for 4 consecutive years in Texas would have bankrupted cotton farmers had it not been for the act of 1965. Farmers Union feels that it would be in the national public interest and in the best interest of cotton producers to have a permanent extension of the present cotton program, with amendments that will assure an adequate supply and a parity—or equality—of price to the producer.

The cotton problem is deadly serious and solutions must be resolved if cotton producers are to continue producing. The first and most paramount problem is to increase net farm income. The supplementary information which has been distributed to members of the subcommittee dramatizes what dire economic straits the Plains cotton farmers are in, with statistics taken from one of the most highly concentrated cotton-producing areas of the Cotton Belt. This report—I believe it is now being distributed—was prepared by the Lubbock Production Credit Association, Lubbock, Tex.

Mr. ABERNETHY. We have a copy of this.
Mr. RANKIN. All right, sir.

Referring to the first chart. It is a bar-chart. You will note that out of the total of 888 production loans which the Lubbock Production Credit Association made in 1968, only 45 percent or 394 of their customers made a profit. Of these, only 20.2 percent or 179 of the customers made from $5,000 to $10,000. Eighty customers or 9 percent of the total loan made over $20,000, and I am confident that these included some very substantial operators. Fifty-five percent of their customers either lost money or made less than $5,000 net profit in 1968.

As you gentlemen know, the PCA's have a reputation of financing the best credit risks among farmers and ranchers, and usually include more of the large farmers among their customers. This is illustrated on page 5 of the attached material which is a more detailed breakdown of one county served by the Lubbock Production Credit Association. Hockley County is a major cotton-producing county in Texas and in 1968, according to ASCS figures, 135,443 acres of cotton were planted. You will note the average net worth was $60,647.90, the repayment potential was $23,915.35, and the total due in the fall was $19,430.36, leaving a net profit of $4,484.99.

The additional pages of the attachment are more or less clarifying, and I would like to go over them briefly.

Concerning liabilities, at the bottom of the next page, it clarifies these averages that we use on page 5. Under "Liabilities," they note that total liabilities for 166 loans were $2,401,418 for an average of $14,466.37, but actually only 115 members or 69 percent had liabiilies for an average of $20,881.89.

On the next page under "Savings Accounts," the explanation given there is: 38 members, or only 22.9 percent, had savings in the amount of $295,479, or an average of $7,775. An average of 166 loans would have been $1,779.

This indicates further that the cotton farmers do not have a reserve available. They do not have savings to fall back on.

They have everything that depends primarily on inflated, increased land values to borrow money against.

We might look at the number of farms or landowners. Only 79 members or 47.6 percent own real estate. Now, this would give an average of 303 acres per owner. And to give you an idea, Mr. Chairman, of the size of operators that we are talking about under "Crops," it has the average number of acres of cotton per farmer in the county as 81.5. The average for the PCA member in the county was 153.6 acres. And down at the bottom of that page is the average yields for the last 3 years for the various members.

The precarious economic condition is not confined to Hockley County but is common throughout Texas counties producing cotton. This situation should indicate that we simply cannot afford to compromise on farm legislation to such a degree that the net cotton producer income can be permitted to drop lower under a new program than that in the past. If these cotton farmers are permitted to go broke, it will simply compound our problems for the producers of other commodities where present cotton acreage can be substituted for other commodity production. As a cotton producer, I am convinced that some day cotton will make a competitive comeback and it would be tragic if, when the day comes, the traditional producing areas have been dismantled.

Second, it is most imperative that farm legislation be made permanent in order that producers can plan ahead. There is not any other business today that can plan on an orderly basis by projecting into the future only 1, 2, or 3 years. Farming in the 1970's, with the enormous capital investments, dictates long-range planning, which is directly related to farm programs and net farm income potential. A permanent farm program is imperative.

Third, the net income of cotton producers must be measured as to a fair and reasonable income as related to parity (or equality) of price with the cost of production. Since this is the only measure of what would be a fair price, the concept of parity must be sustained firmly in any future program.

Some suggestions have been made to increase by a very substantial amount cotton promotion funds. As you know, the cotton producers have supported the Cotton Producers Institute the last 2 years. This $10 million a year self-help program could and should serve as a pilot program. If and when successful promotion programs are found and there is a need for an expanded program that would be beneficial to producers, I am confident that the increased funds would be forthcoming. However, to mislead the producer by promising a way to spend his way out of his economic crisis could very well lead to economic collapse of the cotton producers. The Cotton Producers Institute must be given additional time, and when they can increase cotton consumption by promotion programs the producers will certainly contribute as they have done to the CPI program.

Farmers Union has always supported marketing research and promotion programs for cotton legitimately in the interest of producers. However, we are in opposition to producer contributions in the form of checkoffs to finance directly or indirectly the formulation of cotton program policy where nonproducer interests dominate the producer interests and can veto policy recommendations of producers.

The present program has been a good program. It has maintained income for the producer; however, with some minor modifications it can truly serve the national public interest, by providing a fair return to the producer and an adequate supply of cotton. The following are our proposals to the Cotton Subcommittee of the House Committee on Agriculture to improve the cotton program:

First, and foremost: Increase net farm income.

2. Farm legislation be made permanent and cotton marketing quotas be maintained.

3. Parity concept be retained as a measure of a fair and equitable return for risk, cost of production, and a profit to the producer.

4. Retain the present provisions as they relate to transfer of cotton allotments by purchase or lease, within a State.

5. Projected yields reflect normal yields with adequate provisions for abnormal years.

6. Protect the minimum price-support provision in existing law.

Mr. Chairman, thank you for this opportunity to present our views. We will be glad to answer any questions that we might be able to.

Mr. Abernethy. Well, thank you very much, Mr. Rankin.

The table you addressed yourself to, you did not so request, but I assume that you want to have those several pages with that table included in the record as a part of your statement?

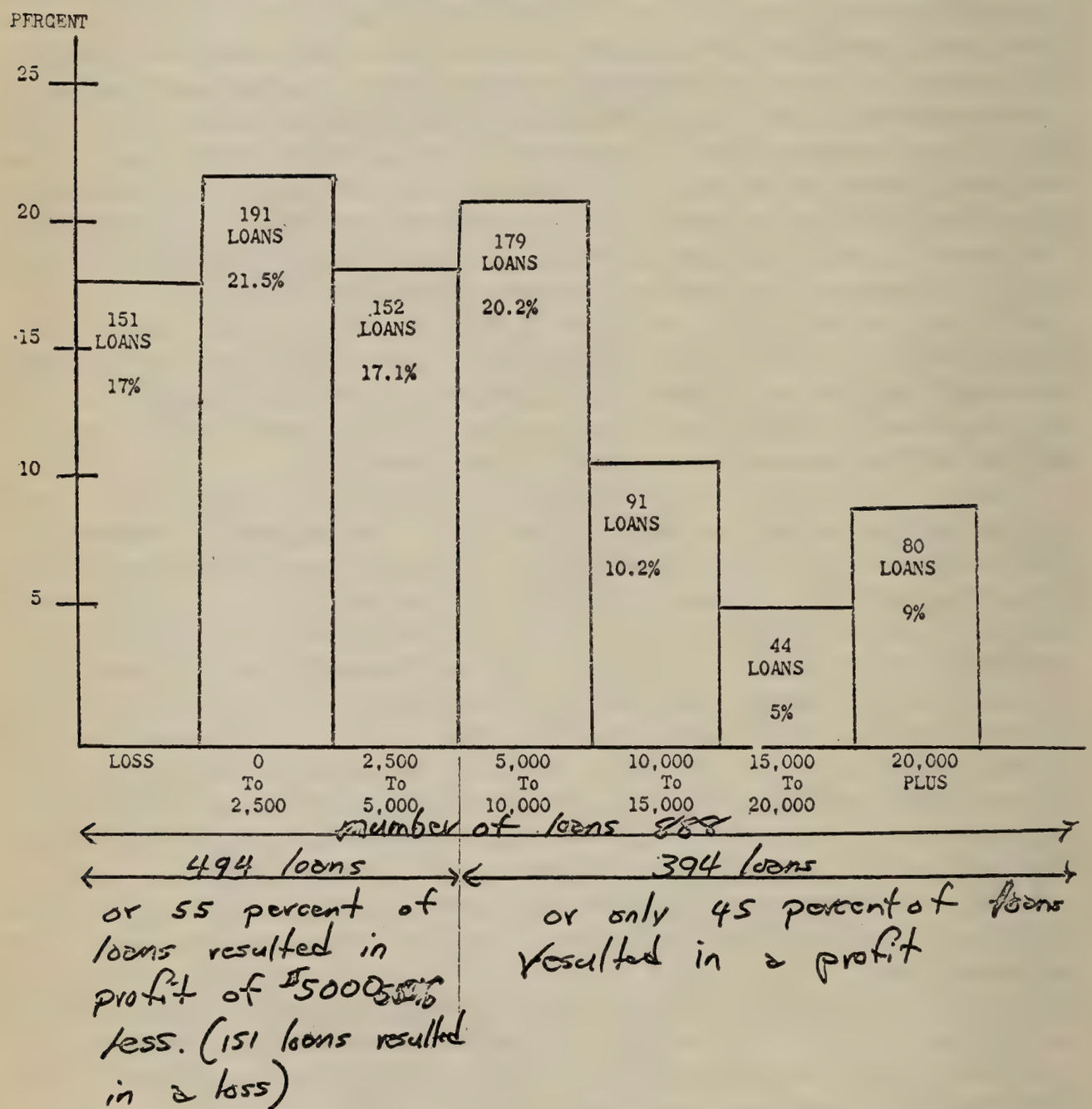
Mr. RANKIN. Yes, please.

Mr. ABERNETHY. We will do that.

(The table and pages referred to follow:)

PROFIT-LOSS STATUS OF FARM OPERATING LOANS MADE BY LUBBOCK PRODUCTION CREDIT ASSOCIATION IN NINE TEXAS COUNTIES (COCHRAN, CROSBY, GARZA, GAINES, HOCKLEY, LUBBOCK, LYNN, TERRY, YOAKUM)

1968



AVERAGES FOR 166 LOANS MADE BY LUBBOCK PROTECTION CREDIT IN HOCKLEY COUNTY, TEX., IN 1968.

Date: June 27, 1968. Class loan: "42".

Name: Mr. Average Hockley, county farmer, Age 47. Wife: Average. Age 43. Children at home: Three. Ages: 7, 7½, 8.

Insurance: Applicant, $14,794. Wife, $5,630.

Stock: Class B 219. Class A 193.

AA's in 1967: 2.1. To date in 1968: None. Amount: $17,115.35.

Total CCC checks: $10,913.95.

Repayment: $23,915,35. Collateral: $21,024.77. Total due this fall: $19,430.36.

Assets: $75,114.27. Liabilities: $14,466.37. Net worth: $60,647.90.
Savings account: Yes. Amount: $1,779.99.
Farm real estate: Yes. 114 Acres. Value: $35,326.08. City real estate: Yes. Value: $3,725.30.
Lives on farm or in city: Farm
Total acres in operation: 676; cultivation, 584; pasture, 92.
Does he have a livestock operation: Yes. Number of head: Cattle, 8; swine, 2; sheep, 6.

PARTICIPATION IN GOVERNMENT PROGRAMS IN HOCKLEY COUNTY, 1968

Cotton:

One hundred and sixty loans or 96.4 percent will draw Government payments in 1968 for a total of $1,811,716.00; average $10,913.35 per loan.

Six members did not draw cotton payments.

One hundred eleven went 35 percent in cotton program.

Twenty-four members went 5 percent in cotton program.

Twenty-four members went combination of 5 percent and 35 percent in cotton program.

One member went 15 percent.

Milo:

Twenty members (12 percent) did not go into the milo program.

One hundred nine members (65.6 percent) went 50 percent in the milo program.

Twenty-seven members (16.2 percent) went 20 percent in the milo program.

Seven members (4.2 percent) went a combination percent in milo program.

One member went 40 percent.

One member went 35 percent; 1.8 percent.

One member went 36 percent.

REPAYMENT

Total estimated repayment was $3,922,117, for an average of $23,915.35 per loan.

COLLATERAL

Total collateral was $3,490,112, or an average of $21,024.77 per loan.

TOTAL DUE THIS FALL (JANUARY 2, 1969)

Total amount of $3,225,440, for an average per loan of $19,430.36.

ASSETS

Total assets for the 166 loans involved was $12,468,969.00, or an average of $75,114.27.

LIABILITIES

Total liabilities for 166 loans were $2,401,418, for an average of $14,466.37. Actually only 115 members, or 69 percent, have liabilities for an average of $20,881.89.

NET WORTH

Total net worth of 166 members involved was $10,067,551, for an average of $60,647.90.

SAVINGS ACCOUNTS

Thirty-eight members (22.9) percent have savings in the amount of $295,479, for an average of $7,775.76. An average for the 166 loans would be $1,779.99.

FARM OR LANDOWNERS

Seventy-nine members or 47.6 percent of the 166 loans involved own farm real estate in the amount of 23,947 acres. This would give an average of 303 acres per owner. The average for the 166 loans would be 144 acres. Our total set value of this real estate is $5,874,795, for an average of $245.32 per acre.

CITY REAL ESTATE

Forty members, or 24 percent owned city property. Total set value of this property is $618,400, which is an average of $15,460 for the 40 owners involved. An average for the 166 loans would be $3,725.30.

Twenty-one percent (35 members) live in the city.

CROPS

According to ASCS figures 135,443 acres of cotton was planted in Hockley County; 25,512.7 acres of this cotton was planted by 155 Levelland field office members. This is 18.8 percent of the cotton in Hockley County; 115,553 acres of milo was planted in Hockley County. Of this 166 Levelland field office members accounted for 29,824 acres, or 24.9 percent.

Average number of acres of cotton per farmer in the county is 81.5 acres. Average for PCA members is 153.6 acres. Average number of acres in milo per farmer in county is 87.1 acres. Average for PCA member is 179.6 acres.

Crop	Interest	Number of members	Percent	Total acres	Average acres per member	Average for the 166 loans involved
Irrigated cotton	3/4	130	78.3	15,940.8	123.5	100.4
Do	2.3	17	11.4	1,365.7	80.3	8.2
Do	(1)	63	37.5	4,487.7	71.2	27.0
Do	7/8	3		158.1		
Do	1/3	1		43.8		
Cotton	3/4	41	24.7	3,020.9	73.9	18.1
Do	2/3	2		66.8		
Irrigated milo	2/3	93	56	11,380.2	122.5	68.6
Do	(1)	46	27.7	3,262.6	70.9	19.7
Do	3/4	1		50.5		
Do	5/6	1		51.0		
Do	1/3	1		30.0		
Milo	5/6	2		117.0		
Do	2/3	97	58	12,962.8	133.6	78.0
Do	(1)	23	13.9	1,960.3	85.2	11.8

1 All interest.

AVERAGE YIELDS LAST 3 YEARS ON CROPS

Crop	Number of members	Average
Irrigated cotton	148	1.05 bales.
Dryland cotton	41	0.52 bale.
Irrigated milo	113	3,083 pounds per acre.
Dryland milo	111	1,549 pounds per acre.

TOTAL ACRES IN OPERATION

The 166 loans involved a total of 112,289 acres, for an average of 676 acres per loan. The average amount of pasture and farmstead per loan was 92 acres, leaving 584 acres of cultivated land per loan.

LIVESTOCK OPERATIONS

Thirty-seven members (22 percent) of the 166 loans involved have livestock on their operation for a total number of 1,305 head. This gives the 37 members involved an average of 35 head, or an overall average of 7.8 head.

Five members (3 percent) of the 166 loans involved had a swine operation for a total number of 238 head. This gives an average of 47.6 head for the five members. An average for the 166 members would be 1.5 head.

One member had sheep for a total of 922 head.

Mr. ABERNETHY. I have no questions. Are there questions from the members of the committee?

Thank you very much, gentlemen.

Mr. RANKIN. Thank you.

Mr. JOHNSON. Thank you.

Mr. ABERNETHY. Now, the Chair would like to say that this concludes the list of witnesses.

Is there anyone in the room this morning that wishes—no. So, this includes the witnesses except for the Department.

Mr. DE LA GARZA. Mr. Chairman?

Mr. ABERNETHY. Yes?

Mr. DE LA GARZA. I have a statement that I would like permission to insert in the record from the Valley Chamber of Commerce Cotton Committee. Mr. Chairman, they made an attempt to come up here, and they were not able to come, and they forwarded the statement to me which, with your permission or unanimous consent, I would like to insert in the record at this point.

Mr. ABERNETHY. Without objection, the statement will be included.

(The statement referred to follows:)

STATEMENT OF J. B. BRADY, CHAIRMAN, VALLEY CHAMBER OF COMMERCE COTTON COMMITTEE, HARLINGEN, TEX.

The lower Rio Grande Valley of Texas is an area about 100 miles long and from 20 to 40 miles wide, composed of four counties, Cameron, Hidalgo, Starr, and Willacy, containing a little over 2,700,000 acres in land area, approximately 1,200,000 in cultivation and orchards, excluding pasturelands. This cultivated area is roughly 60 percent irrigated and 40 percent nonirrigated. Our basic economy has always been, and is, agriculture, producing a total income of from $175 to $200 million annually.

We would like to present to you some information and recommendations specifically on cotton that produces from over 30 percent to, in some years, almost 50 percent of the above agricultural income. Cotton production has ranged from 278,000 to 632,000 bales since 1951; over 300,000 this year.

The artificial pricing of cotton in years past contributed to the creation of tremendous surpluses and at the same time, loss of markets to synthetics in our domestic market, and a good portion of our exports.

We feel that the Agricultural Act of 1965 was a step in the right direction, as cotton was allowed to sell freely on the market, eliminating our surplus and maintaining farm income at reasonable levels. Markets frequently overreact and this year, cotton sold at prices that will slow down the loss to synthetics, and from reports of sales to mills, may even recover some of the domestic market.

At today's cotton prices alone, the farmer, one of our largest industries in the Nation, cannot stay in business. Many feel that policies beyond their control have placed them in this situation, but that the present basic program, with the following changes, would place the industry on a sounder basis.

We recommend and support the program along the guidelines reported out by the producers in the National Cotton Council with a few changes as follows:

1. We realize that we must have an acreage allotment that will provide production for a dependable supply for domestic consumption, exports, and a reasonable carryover.

2. Cotton must be free to move in the marketplace and price adjustment be made so that the producers can sell at a competitive price and receive a reasonable return.

3. This cost adjustment should be placed on the commodity itself and on the actual number of pounds or bales produced on his allotted acres. This will encourage better farming practices, avoid diversion programs. Much criticism has been on the theory that the farmer is being paid not to produce.

4. Set the loan at a true 90 percent of world price that will reflect current marketing conditions and that will encourage cotton to sell and not be carried from season to season at Government expense, without any resulting benefit to the producers. This also will remove to some extent the umbrella for foreign producers and should, through competitive marketing, increase our exports and have some effect in restraining our increasing textile imports.

5. Strengthen the crop insurance program for better protection in case of catastrophe.

6. Increase and encourage more research programs to reduce costs of marketing and production.

7. Establish an active continuing advisory group composed of all segments of the cotton industry that can work with the Department in changes that will be necessary from time to time.

We feel that with the basic program we have now, with the changes suggested, that this industry can, within a reasonable time, be again on a self-sustaining basis. A healthy agriculture is a must for our Nation.

Mr. ABERNETHY. And also, without objection, there will be included the statement from Mr. Tony Price, of the Texas Cotton Ginners' Association.

(The statement referred to follows:)

STATEMENT OF TONY PRICE, EXECUTIVE VICE PRESIDENT, TEXAS COTTON GINNERS' ASSOCIATION, DALLAS, TEX.

My name is Tony Price and I am executive vice president of the Texas Cotton Ginners' Association, headquartered in Dallas, Tex. This is a trade organization representing all phases of gin management and ownership including cooperatives, independents, and corporate-owned plants. Cotton gins are businesses whose interest is keener—and stake is greater—than any other segment of the industry in how cotton is treated in future farm programs. Because, gentlemen, the grower can take his investment in land and turn to other crops, other agricultural pursuits even though they might not yield the dollar return cotton does. The crushing mill has a number of other products to turn to in order to obtain some return from their investment. The cotton mill—as recent history has proved—can turn to other raw resources to maintain adequate returns on the investments in spindles and looms.

Cotton gins cannot process any other crop. There is no way to recover the $200,000 to $400,000 investment in equipment except to process cotton. So the interest of the cotton ginning industry should be obvious. There has to be cotton in order for us to exist. And in order for there to be cotton, all segments of the industry—and most especially the growers—must continue to make a return on the investment they put into cotton.

This is the nature of our statement today and that is to emphasize the necessity of any farm program to maintain an adequate income for the growers.

There are alternatives to providing a program which does not permit conditions to exist where growers can make an adequate return on their cotton investment. These alternatives are a severe crippling of the agricultural economy in the United States and an equally severe blow to any plans to rejuvenate rural America. Because right now, the cotton communities across the United States provide the backbone for rural America in the Cotton Belt.

The objectives of the recently formed Rural Affairs Council by the Secretary of Agriculture mean much to the future of this Nation. But these objectives will be frustrated and even become impractical to achieve if future farm programs hasten the departure of producers and supporting businesses from rural America. Instead, future farm programs must go hand in hand with such projects and provide an economy on which to build rural America.

Growers of crops who can earn an adequate return on their investment in land, equipment, and time can provide such an economy. It will be in the national interest to see that they have every advantage a farm program can provide for them. Look for a few minutes at the necessity of creating a program which will guide and assist producers. There are many points to consider but one which will suffice at this time is the cost of production of cotton in our current economy. Production cost data is available for all areas of the Cotton Belt and here are examples from three major producing areas: the lower Rio Grande Valley of Texas, the Blacklands of Texas, and the Texas High Plains.

In the lower Rio Grande Valley, according to the September 26 report, nearly 60 percent of the crop was $1^{1}/_{16}$-inch in staple and 43 percent was White Strict Low Middling Grade. That roughly accounted for about half the production in the valley. This cotton brought a range from 22.15 to 22.90 cents per pound on the market and that is above the loan rate. Yet, based on the U.S. Agricultural Extension Service figures, it cost an average of 27.40 cents per pound to grow irrigated cotton in the lower Rio Grande Valley. Many growers there tell me the figure is very conservative.

On the Blacklands of Texas—and these figures are for the area surrounding Congressman Poage's hometown—40 percent of the crop classed thus far this

season has been Light Spotted Strict Low Middling and 47 percent has had a staple length of twenty-nine thirty-seconds of an inch. This cotton brings around 17.85 cents per pound and that is considerably above the loan rate. Yet, it cost a grower up to 40 cents per pound to produce this crop because adverse weather reduced yields as low as 157 pounds per acre on some farms. In a good year, which this was not, it still costs around 18.24 cents per pound, according to the Extension Service, and that is when yields go around 350 pounds per acre.

The harvest is not complete on the High Plains of Texas. But, if the Department of Agriculture estimates are correct, average acre yields will be around 333 pounds per acre. This would place production costs at 27.35 cents per pound. The highest quoted price on the Lubbock spot market through November 20 was for Middling 1 1/16-inch cotton and that was 24.80 cents per pound. The average price is expected to be below this figure.

Admittedly, these are average figures and do not illustrate individual cases. But they do reflect the fact that it still costs more to produce cotton than it will bring on the market. Fortunately, the present cotton program takes this into account and provides additional incentive for production. It must be obvious that in none of the areas of illustration could growers have stayed in business without some program assistance.

These figures might also lead some observers to advise us to get out of cotton entirely. Again, this would be foolhardy. You don't give up on a business because of a few setbacks. You go to work and set things right if the potential is there.

You have certainly heard testimony from a number of sources that the outlook for cotton in future years is much improved.

This same program must help cotton maintain its competitive position in the fiber markets—both competitive with foreign growths and with manmade fibers. The reasons for this ability to compete are obvious.

And I am not talking about a limited leash on the industry which only permits it to compete for survival. The cotton industry must compete to expand and regain its dynamic force in the textile business. Another factor must also be considered.

Picture the chaos in other commodity markets if a farm program creates a situation where cottongrowers determine land will be more profitably used to produce grain sorghum, soybeans, or to graze cattle. Add the production from a million additional acres of grain sorghum and imagine what could happen to the grain market. Shift another half million acres to grazing land for cattle and imagine the effect on the livestock market.

A farm program which does not allow the grower to make an adequate return on his investment will lead agriculture to a point of no return. Without your help and guidance in Congress we can see eventual loss of our competitive position in the fiber market, and rapid shifting of land and resources to other agricultural commodities—much to the detriment of their markets.

A farm program which allows the grower to maintain a return on his investment in cotton will maintain the continued upsurge of the agricultural economy. Rural America will prosper and assume the role it must take in the distribution of our population in future generations.

Your direction and help is justified if we are to preserve the contributions our agricultural economy makes toward the Nation's economic welfare.

The alternative is to ignore cotton by not giving that help. And that means the destruction of hundreds of cotton communities; the relocation of thousands of people and businesses; the shifting of production to other crops and agricultural pursuits.

I have every confidence in this subcommittee and the Agriculture Committee to guide Congress in the alternatives which will be in the best interest of our Nation.

Mr. ABERNETHY. We have afforded everyone who asked to be heard an opportunity to be heard. Limitation of time was a factor that we had to consider. We suggested to all of you that you try to confine your testimony to a minimum amount of time. All of the witnesses have fully cooperated, and to each and all of them I want to express my appreciation, as well as that of the committee.

I would like to say, again, that we have been operating in an unusual vacuum. We do not have anything here to work with. Maybe I should

put something here myself, but certainly, up to now, the leadership of the Department has not placed anything before us but a memorandum. I do not know what that memorandum would look like when, and if, reduced to writing. I assume that the Department will testify on the 8th.

If there is anyone here from the Department, I hope they will carry back the request from the subcommittee—at least from me—that if the Department has a bill, I wish they would submit it to us immediately so that we can take a look at it. I do fully recognize the fact that the Department has made some very clean recommendations, recommendations on which it stands rather firm. But its position and plan is quite incomplete.

On several mornings, I have called attention to the fact that we are just "spinning our wheels"—using the expression that Mr. Price of Texas used a moment ago—which I think fits this situation. If we try to take a bill to the floor of the House on which there is no agreement across this belt, we will be wasting our time. Failure is inevitable. I am not going to act as an arbitrator between the producers and either end of the belt or between the ends of the belt and the producers or the Department. I am not even going to try it. I want somebody to let that sink into their head.

After the Department testifies on the 8th, if it does testify, I am going to adjourn these hearings until there is an agreement, and I want that to be allowed to sink into some heads. The producers have sought, and in several instances have gained, conferences with people in the Department. It is my information that they have come away with very little agreement or acceptance by the Department of their views. I think it is now time for the Department to seek some conferences with the producers. I would like for that suggestion to be carried back to the Department. I think such conferences ought to be sought before the 8th, and, furthermore, I think we ought to have some kind of an agreement before the 8th, if such is at all possible.

Now, after concluding the testimony on the 8th, if we have not reached some kind of an agreement, it will just be futile for us to try to put a program before the Congress. Now, what does that mean? I wish you would listen. It means that we are going back to the old law.

Now, I can live with it just as well as anyone, if that is what the Department wants to go back to. As it now appears, that is what is going to happen. Such is something that ought to be considered at all levels; the industry, the producers, and the Department.

So, with all deference to everyone, I do hope that between now and the 8th or between now and sometime before this Congress adjourns this year that there will be a little more conferring, counseling, and yielding within this industry and especially by the Department, to the extent that we will have something that we can work with. If we do not have it, I repeat—and this will conclude my statement this morning—we will go back to the old law. That is where it will be left. What a horrible thought for "King Cotton."

The committee will stand in recess.

(Whereupon, at 11:25 a.m., a recess was taken until December 8, 1969.)

COTTON

MONDAY, DECEMBER 8, 1969

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COTTON OF THE
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10 a.m., in room 1302, Longworth House Office Building, Hon. Thomas G. Abernethy (chairman of the subcommittee) presiding.

Present: Representatives Abernethy, de la Garza, Sisk, Burlison, Mathias, Price of Texas, and Mizell.

Also present: Representative Alexander.

Also present: Mrs. Christine S. Gallagher, clerk; Lacy C. Sharp, general counsel; John A. Knebel, assistant counsel; and Hyde Murray, associate counsel.

Mr. ABERNETHY. This subcommittee is convened this morning to take further testimony on legislation relating to cotton.

At this point, I would like to insert in the record a statement that was supplied to me by Mr. Robert C. Jackson, executive vice president of the American Textile Manufacturers Institute. Unless there is objection, the statement will go in the record at this point.

(The statement referred to follows:)

STATEMENT OF ROBERT C. JACKSON, EXECUTIVE VICE PRESIDENT, AMERICAN TEXTILE MANUFACTURERS INSTITUTE, INC.

American Textile Manufacturers Institute, Inc., is the central national trade association for the cotton and manmade fibers processing segments of the American textile industry. Our member plants invest billions of dollars each year in fibers.

The total U.S. market for fibers is certain to grow in the future. Thus it is apparent that if we can maintain an economically strong and expanding textile industry in the United States, this growing volume of fibers will be consumed by the mills in this country. Certainly this projection can and will apply to cotton, provided the raw-cotton industry is the subject of a soundly conceived, long-range program. It is well established that with very minor exceptions, the cotton used in American textile mills will be American grown.

Despite competitive losses to manmade fibers in recent years that were brought about by a combination of factors, cotton even today is the single most important staple fiber consumed by our industry on what we call the cotton spinning system. This is quite significant since most cotton spinning systems now are adaptable for handling cotton or any of the manmade staple fibers.

Quarterly consumption statistics for the April–May–June quarter of 1969, show the cotton spinning system in U.S. plants using cotton at an annual rate of 8,232,000 bales, while manmade staple fiber consumption for that same period was at a substantially lower rate of 4,038,000-bale equivalents.

These figures illustrate quite clearly why the American textile industry is vitally concerned about the production of an adequate supply of the desired qualities of cotton that are necessary to keep our plants in operation.

Fundamental to cotton's use is reasonable stability in the supply, price, and quality of cotton. The lack of stability in these areas has been responsible for much of the loss to competing fibers that cotton has experienced in recent years.

The threatened cotton shortage of 1967—it turned out not to be a real shortage—is a most appropriate illustration of what cotton's competition can do with its markets when the supply-and-price situation fluctuates as widely as it did at that time. Cotton came out of this situation with a loss of about a million bales of its very important markets while manmade fibers were gaining approximately an equal amount. A recurrence of this problem in the future could reduce cotton to a minor role among textile fibers. Obviously, no one who is aware of the significance of cotton to our farm and, in fact, to our entire national economy, wants to see this happen.

Earlier, we cited the dominant position that cotton holds among all fibers now being consumed on the cotton spinning system in U.S. textile mills, with the ratio being considerably better than 2 to 1. We hasten to point out, however, that the figures comparing cotton consumption and manmade fibers on the cotton spinning system is not the whole story. When filament yarns and imports of textiles made of cotton and manmade fibers are included, we see a vastly different story—one that cannot be taken lightly. The U.S. Department of Agriculture just recently released data showing that American textile mills will consume about 10 billion pounds of all fibers in 1969, an increase of about 2 percent from last year. These figures showed manmade fibers gaining about 400 million pounds in consumption, while both cotton and wool were down slightly.

According to the USDA, manmade fibers of all types—both staple and filament—will claim about 57 percent of the 1969 fibers market, up from 54 percent in 1968. At the same time, cotton's share would account for 39.8 percent of the market, 2.6 percentage points down from 1968 and a whopping decline of 25 percent from 1960. Therefore, cotton has not done well against its competition in the total fibers market in recent years but there remains considerable room for hope in the future.

First of all, when we look at the total fiber consumption market, substantial weight must be given to the fact that this consumption includes a very large volume of manmade fibers filament yarns that come from the producer in filament rather than staple form. These fibers supply a vast, growing market, but in many cases they are not suitable for products made either from staple fibers such as cotton or its staple fiber competition. At present, although cotton has suffered losses even in the staple fibers market, these losses have not been so excessive in recent years as to seriously erode its dominant position on the cotton spinning system. However, cotton's position is precarious to the extent that it cannot afford the sort of instability in its supply-and-price structure that has so seriously affected its competitive posture in the past.

The most important factor in this area is the adoption of cotton legislation that will not contribute to nor encourage noneconomic wide fluctuations either in the available supply of cotton or its price structure. Such instabilities constitute a very major weakness in cotton's competitive position. Certainly, a competitive one-price system is fundamental in this regard.

Given stability in the supply of quality cotton grown under a competitive one-price system, cotton should be able to hold its own. No one can accurately predict how cotton will fare under such a program in the future so far as growth is concerned. But one thing is certain—it must not be handicapped by known obstacles in its fight to hold existing markets and to do the best that it can to share in the future growth of all fibers markets. Under these conditions, it appears that there is a good outlook for a stable market in the years ahead.

On the other hand, we do not believe that cotton can survive another two-price system. It also is doubtful if it could withstand another period of inadequate supplies and the widely fluctuating prices that this situation precipitates. This would force mills to look to other fibers for the raw materials necessary to keep their plants running and force the manufacturers into a position of gradually phasing out cotton. Surely, this would be a most unfortunate moment not only in the history of our industry but also in American agriculture.

A fundamental objective of any cotton program should be to maintain and expand cotton markets and to maintain producer income. We can't emphasize too strongly the importance of a profitable return to the cottongrower since, without this basic factor, we simply aren't going to have enough of the fiber grown to maintain a vigorous raw-cotton industry in this country.

In looking at its potential markets, everyone interested in cotton must be constantly aware of the fact that the American textile industry is by far the largest and the only truly reliable customer of American cotton. U.S. mills must buy virtually all of their upland cotton in this country and this gives the American cotton farmer a good advantage so far as domestic sales are concerned.

Our industry is aware of the fact that healthy export markets are important to a strong American cotton economy and fully endorses efforts to expand exports. We do say, however, that this must be done under the one-price system if cotton is to continue as a major fiber at home. A two-price system just doesn't make sense when it is so clear that such a program in the future would jeopardize the 8-million-bales-plus American market that cotton now enjoys.

One-price cotton must be precisely one price with no adjustments between domestic or foreign sales. In this connection, we have been concerned about statements that freight, insurance, brokerage, and other costs give the domestic mills a cost advantage over the foreign competition. Such arguments are based upon theories that simply will not stand up in the light of competitive facts.

We are particularly appreciative of budgetary considerations within which USDA programs fall. We understand the need to provide adequate producer incentive in order to grow cotton to meet domestic and export demands. Above all, any cotton program to be successful must provide adequate supplies at stable prices. Other fibers do this and cotton must do likewise. Undoubtedly, the Department of Agriculture also recognizes these fundamentals. However, we caution against any program that bases payment on domestic allotments alone. It seems to us that stability of price and supply is best set forth in the proposal of the National Cotton Council, as presented by Dr. C. R. Sayre. We concur with the basic thinking contained in the 13 points of the producer guidelines referred to in the testimony. We also have read suggestions and recommendations for cotton programs presented by other individuals and organizations.

We believe that the approach outlined in the council's 13-point guidelines constitute the basis for the development of a program that can bring stability to American cotton, insure adequate supplies of the qualities needed, maintain the all-important one-price feature, and give producers a decent income which is so vitally important.

We especially wish to underline Dr. Sayre's comments made in his testimony before this committee regarding the serious losses that American cotton has encountered as the result of cotton entering our market from overseas in the form of manufactured textile products. These textile imports constitute direct competition for American cotton and also for its best and only truly reliable customer, the American textile industry.

As Dr. Sayre reported, imports of cotton products currently are entering this market at an annual rate of more than 1 million bales. Imports of blended and manmade fibers and wool textiles are the equivalent of another three-quarter of a million bales. Not only do these imports compete directly for markets that U.S.-grown cotton could claim, they threaten to undermine the domestic textile industry—the industry through which cotton moves to market.

Even if the Congress passes the most practical farm bill in history, its effectiveness can be almost nullified if imports continue to grow at this current rate.

Therefore, reasonable restraints on textile imports are mandatory to the success of any cotton program that the Congress may adopt. The record growth of imports of textiles from cotton, wool, and manmade fibers is most disturbing when viewed in the light of statistics showing an increase in their share of the domestic market from 4 percent 10 years ago to nearly 13 percent today.

Unhappily, they still are climbing. How can the various segments of the cotton industry plan for the future with any degree of confidence when faced with such an ever-advancing tide of textile products that are produced abroad under wage and working conditions that are illegal in this country?

We too, are most hopeful that the long-term arrangement covering trade in cotton textiles will be renewed and improved. In the meantime, it should be more effectively administered in order to prevent excessive growth in cotton textile imports.

Likewise, restraints must be established on imports of wool and manmade fibers, and blended textiles and apparel articles. These are absolutely essential to the effective operation of the cotton arrangement and to the maintenance of an economically viable textile industry.

In this connection, we want to express a special word of appreciation to the chairman of the subcommittee for his continuing interest in this subject. His

comments on the import problem during the course of Dr. Sayre's testimony were most gratifying.

All of these considerations—an adequate supply of needed qualities of cotton, a decent profit for cottongrowers, a permanent one-price system, marketability in both price and supply, and satisfactory imports controls—are necessary if the cotton industry is to remain a major factor in the United States.

Given a program that falls within the scope of the guidelines that were so ably presented by Dr. Sayre to this committee on November 19, we believe that present levels of cotton consumption ran be maintained and that there is a fighting chance for sharing in the growth that seems so certain for the future.

Mr. ABERNETHY. The witnesses this morning are from the Department: Mr. Kenneth Frick, Mr. Carroll G. Brunthaver, and others.

Mr. Frick, would you care to move up with your colleagues?

We are happy to have you, and we will be pleased to hear your statement.

STATEMENT OF KENNETH E. FRICK, ADMINISTRATOR, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE, ACCOMPANIED BY CARROLL BRUNTHAVER, ASSOCIATE ADMINISTRATOR, ASCS; GROVER CHAPPELL, AGRICULTURAL ECONOMIST, ASCS; AND JOSEPH A. MOSS, DIRECTOR, COTTON DIVISION, ASCS, U.S. DEPARTMENT OF AGRICULTURE

Mr. FRICK. Thank you, Mr. Chairman and members of the committee. We appreciate the opportunity to be here this morning, and along with me I hope Mr. Brunthaver, as well as Mr. Grover Chappell, economist with the Department, and Mr. Joe Moss, the head of the Cotton Division of ASCS.

In testimony before the House Agriculture Committee on September 26, Secretary Hardin presented in broad outline a few approaches toward appropriate agricultural programs for the 1970's. One of these alternatives, the set-aside approach, has attracted a great deal of favorable attention and comment. Committee members themselves have focused almost exclusively on this program, with little attention being given to alternatives presented by the Secretary. For this reason, my remarks today will relate mainly to the set-aside proposal. I will go into details and be as specific as I can. In our many informal sessions with the committee, we have made a great deal of progress during the last 2 months, and we are now prepared to be rather explicit as to suggested program provisions.

At the outset, let me review very briefly the current situation for cotton. I will be brief for two reasons:

(1) The cotton situation is well known to you and your subcommittee members.

(2) The situation is so serious, desperate even, that it is no pleasure for me or for you, I am sure, to spend unnecessary time poring over the unpleasant details.

Very simply, the facts are these: We are currently harvesting a cotton crop of only 10 million bales. For 4 years in a row, under provisions of the Food and Agriculture Act of 1965, cotton production has fallen far short of our potential, and more recently, of our needs. As a result, production of cotton in foreign countries and of cotton substitutes around the world has increased, and traditional markets for U.S. cotton have been displaced.

Domestically, the production of manmade fibers has more than doubled in this decade. It is now equivalent to about 17 million bales of cotton. And there is every reason to believe that the technology of substitute fibers will continue to advance.

Meanwhile, we are shipping less cotton abroad. The export of U.S. cotton this past season was only about 2.7 million bales—the smallest since 1955. A part of this miserable record—but only part—was a result of the dock strike of a year ago. Even without a strike, we anticipate an equally miserable cotton export record in the current marketing year.

The conclusion we come to is this: U.S. cotton's share of the total textile market in the United States and the world is such that we either must play "catch up" or play "give up." Not only have we dropped to record lows in market penetration but the rate of decline in recent years has been at a record rate. U.S. cotton's share of domestic and foreign textile markets has declined as follows:

[In percent]

	U.S. textile market	Foreign textile market
Year:		
1960	64.6	13.7
1963	55.7	7.6
1964	54.5	8.6
1965	52.7	6.0
1966	51.3	5.5
1967	49.2	5.9
1968	42.4	5.4

Legislative attention is required, and we think it must be major action. We believe that Government control programs are now a major part of the cotton problem, and are not helping with a solution. In fact, our cotton industry is rapidly being choked to death by Government controls. Gimmicks have been added to the cotton law over the years so that the program is now not only virtually incomprehensible but also foundering in its own provisions. The program is on its way toward a fall from which it may never recover. Thus, we believe that major surgery, not palliatives, is required if this great industry is to survive and regain some of its past prosperity.

In considering possible action that might be recommended, this administration is prepared to abandon—permanently—the concept of one-crop cotton economy. It has been at least a half century since cotton economics and policy could be evaluated without regard to grains, oilseeds, and other major crop and livestock enterprises. Today, cotton is highly integrated into our total agricultural economy. Farms that produce cotton also produce grain sorghums, soybeans, corn, oats, wheat, barley, wool, mohair, cattle, rice, peanuts, tobacco, fruits, vegetables, sugar, and other crops.

All of this is by way of putting into the record that our discussions and tentative decisions worked out with the Agriculture Committee have been based on the premise that cotton is related to other commodities. Secretary Hardin is convinced, as I am, that the basic problem in U.S. agriculture is an overall capacity to produce more products than our markets can absorb at prices that will maintain this industry in a state of health so that it can fully meet the often unexpected

needs at home and abroad. We regard this over-capacity as being general rather than specific to particular crops. We think the needed balance can be achieved by means of programs that deal directly with the big "problem crops." These are feed grains, wheat and cotton.

With this background, what specifically is contemplated under a set-aside approach? After extensive consultation on many fronts, I must say that the essential concept is still quite simple, as discussed in detail in our informal sessions with your committee. To qualify for price support loans and payments, producers of cotton, wheat, and feed grains would be required to make a contribution toward reducing the overall excess capacity in U.S. Agriculture by idling a quantity of cropland proportional to the acres on which they receive benefits in the form of Government payments. For feed grains, since total payments would probably be restricted to one-half of the (large) feed grain base, the set-aside requirement might be only 25–50 percent of the base. For wheat and cotton, we contemplate payment on the production from 100 percent of a domestic allotment rather than a full allotment or base, and therefore the required set-aside might appropriately be an amount of cropland equivalent to 50–100 percent of this smaller allotment or base. In each case, such idling (set-aside) of cropland would be in addition to the normal conserving base on the farms. (But such conserving base probably should be modernized taking account of the actual land devoted to conserving uses in a recent period.)

The essential and dramatic difference between the set-aside program and current practice is that, having made the required set-aside of cropland, the farmer would have almost complete freedom to farm his own farm. He would farm as he sees fit and as suits his own resources and his own evaluation of market prices. No agency in Washington would dictate his planting pattern. Freedom to farm would return decisionmaking to the farmer himself.

Except for wartime, or its immediate aftermath, cotton farmers have not had this much planting freedom since the 1930's. I might say that some few farmers seem reluctant to give themselves this much discretion, fearing too much cotton production or too little. In view of the history I have just cited, this conditioned reflex is not surprising. However, the most prevalent fear revolves around too little production and high costs associated with idling cropland as a condition of program benefits. It does seem to us, however, that farmers who wish to participate in a cotton program qualifying them for Government benefist should be willing to make a set-aside as a contribution to overall adjustment.

On the other hand we are convinced that the overwhelming disincentives to production of cotton which are basic to the current program should be corrected at the earliest possible moment. Marketing quota penalties for cotton producers should be repealed and removed from our thinking about future programs. This would be a drastic step, but it is necessary.

We need to grow enough cotton to enable us to recapture lost markets, and anyone who views this administration as insensitive to this need is wrong. Witness the announcement of October 31, 1969. For the first time in 8 years, the national allotment for cotton was increased above the legal minimum of 16 million acres—and by a total

of 1 million acres. This was not easy to do within the tight restriction of present law—the act of 1965. We were told that it could not be done—could not be done for various reasons. We will not know for certain whether it was really necessary until next season. But we regard it as a "holding action" needed to prevent further damage to cotton as an industry while a new program is being developed and put into effect. I cite it here as an indication that where there is uncertainty we prefer to err on the side of adequate supplies and the health of the industry over the long pull. This is basic to our approach to all of cotton's problems.

We are entirely confident that there are many ways in which cotton production can be increased under a set-aside approach. We are in almost complete agreement with major representatives of cotton producers and other interests of the cotton industry with respect to objectives. One difference is that our analysis shows that cotton production can be expanded as needed under the set-aside approach while others conclude that cotton production is completely unprotfiable at world price levels.

We place our greatest confidence not in what our computer or theirs indicates cotton farmers should do if they are to survive and maximize profits (or minimize losses). Rather, we are interested in what farmers actually do and did do in 1968 and 1969 (and eventually in 1970). The fact is that in 1969 more than one-half of our cotton producers (weighted by size of their allotment) planted right up to the maximum of their acreage allotment. They did this despite the fact they could have received all the payments due them under the cotton program by planting only 58.5 percent of their allotment. It is not reasonable to conclude that most of these growers would have stopped at 100 percent of their allotment had they not been restrained by marketing quota penalties, loss of payments, and loss of loan eligibility for overplanting.

We are all aware of the desperate financial situation that our cotton farmers are faced with today. Past profits from cotton have been capitalized into land values and tax rates. Adverse weather in 2 of the last 4 years has been about as bad as we have ever had. Despite, and perhaps because of, the overall disservice that past cotton programs have made to the cotton producer, a Government program for cotton is a necessity. It is a necessity not only for the cottongrower but for our whole cotton economy.

And now I will comment specifically on the loan rate, payment rate, and certain aspects of payment limitations.

Under present law the Secretary establishes the loan rate at not in excess of 90 percent of the world price for the next marketing year. This is not easy. It is difficult to determine with precision the world market price for the past season, even harder to estimate it for the current season, and nearly impossible to forecast it accurately for the year ahead. So, we have suggested elimination of this procedure. Our proposal calls for the loan rate for Middling 1-inch cotton to be not less than 80 percent or more than 95 percent of the average price for Middling 1-inch cotton in the designated spot markets in the 3 marketing years preceding the marketing year in which the loan level is announced. The Secretary would have some discretion under this language but far less than that provided in current law. We believe the 15-percent leeway is necessary in order to establish a loan rate at appro-

priate levels in view of market price fluctuations and price changes for competing fibers. As you know, we have used 18.25 cents as the loan rate for Middling 1-inch cotton in some examples prepared for discussions with the committee.

The payment rate under current law is geared to the parity price for cotton. The problems of cotton are such that continued adherence to rigid price and payment formulas would seem to be an unwise course to follow. We have suggested to the committee that the Secretary be given authority to establish the payment rate at a level he determines is fair and reasonable, taking into consideration farm income, the need to assure that the benefits of the program inure primarily to those producers who participate in the program, and the need to maintain a balance among the acreages devoted to the various commodities for which price support is available. I might add that the level of the payment rate presumably would have a bearing on the volume of cotton produced and that this would be a factor for consideration by the Secretary. In recent discussions with members of the committee, we have used a payment rate as low as 12 cents and as high as 17 cents. (See table A.)

As to payment limitations, I believe this subject has been explored more exhaustively than any other aspect of the program. In the final analysis it will be for the committee to decide whether to include a limitation provision in your bill and, if so, which one of the various types we have discussed with you. We do feel strongly, however, that if an individual's payments are reduced by a limitation formula, his performance requirement (set-aside) should be reduced proportionately.

Among the other specific recommendations we have assumed as we developed the cotton set-aside recommendation are these:

1. That the domestic acreage allotment be apportioned to States, counties, and farms on the basis of the allotments for the preceding year, with certain adjustments in prior allotments for underplanting, et cetera. This procedure would be far simpler than the method under present law and would retain the relationships that exist for the 1970 crop.

2. The national acreage allotment (not less than 16 million acres) and the national acreage reserve (up to 310,000 acres) would be eliminated, as would the national marketing quota. Therefore, marketing quota penalties would no longer be effective and marketing quota referenda would not be held.

3. If less than 90 percent of the farm domestic allotment is planted, the producers would receive full payment on such allotment but the allotment for the following year would be reduced 20 percent. If no cotton is planted for 4 consecutive years the farm would lose the allotment.

4. Release and reapportionment of allotments as authorized by current law would be eliminated. Sale of allotments would be authorized within the State.

5. For the purpose of computing payments a normal yield would be established for each farm on the basis of recent yield data (1967–69 data or the 1970 farm yields).

6. Diversion payments could be authorized if needed to achieve additional adjustments in land use.

7. No special provisions for small farms would be included. But the 1971 allotment would be based on the 1970 farm allotment and therefore the buildup in allotment would be reflected in 1971 and later allotments for the farm.

In closing, may I comment on an additional matter of interest to this committee.

In informal discussions with members of the committee we have referred to the desire of cotton producers and others in the industry that research and merchandising be given for more attention than it has had in the past.

Cotton producers are now financing their own efforts in this area through $1 per bale contributions. In addition, market development work is being carried out in foreign countries through cooperative efforts of the Department and the Cotton Council International. Also, the Department is furnishing funds to meet the contribution of the United States for support of promotional activities in Western Europe and Japan on the part of the International Institute for Cotton. On the research side the Department is, of course, engaged in many projects directed toward reducing costs of producing cotton as well as the development of new processes and techniques to improve cotton products.

However, these research and promotional activities on behalf of cotton are lacking both in scope and effectiveness in comparison with the projects being carried out by the manufacturers and processors of synthetic fibers. We strongly recommend to this committee that consideration be given to the earmarking of a meaningful percentage of the funds that may be made available for payments in connection with the 1971 and subsequent cotton programs and that the bill spell out the manner in which these funds would be used to expand and improve research and merchandising activities for cotton.

There are some farm examples attached, in addition to table A, which may go a little further in explaining the set-aside proposal.

That concludes my statement, Mr. Chairman.

(Table "A" and attachments submitted by Mr. Frick follow:)

TABLE A.—PROGRAM RESULTS: FEED GRAINS, WHEAT, SOYBEANS, AND COTTON, 1969 AND 1971 CROPS
(OCTOBER 1969 ESTIMATES)

Item		1969 crop	1971 crop set-aside program [1]	
			Low	High
Summary—Feed grains, wheat, soybeans, and cotton:				
Acreage planted	million acres	223.3	223.3	220.8
Acreage diverted or set aside	do	50.0	55.3	56.8
Farm value of production	million dollars	11,829	12,063	12,165
Payments to farmers	do	3,268	2,346	3,211
Gross income	do	15,097	14,409	15,376
Feed grains:				
Acreage planted	million acres	114.8	116.0	112.5
Acreage diverted or set aside	do	38.5	34.0	38.0
Production	million tons	168	190	183
Utilization	do	172	188	184
Loan rate (corn)	dollar/bushel	1.05	1.00	1.00
Season average price (corn)	do	1.10	1.00	1.05
Payment rate (corn)	do	.30	.30	.35
Farm value of production	million dollars	6,482	6,700	6,775
Payments to farmers	do	1,570	1,180	1,522
Gross income	do	8,052	7,880	8,297

See footnotes at end of table

TABLE A.—PROGRAM RESULTS: FEED GRAINS, WHEAT, SOYBEANS, AND COTTON, 1969 AND 1971 CROPS (OCTOBER 1969 ESTIMATES)—Continued

Item	1969 crop	1971 crop set-aside program [1]	
		Low	High
Wheat:			
Acreage planted—million acres	54.2	54.0	56.0
Acreage diverted or set aside—do	11.5	14.9	12.4
Production—million bushels	1,457	1,392	1,450
Utilization—do	1,355	1,425	1,450
Loan rate—dollar/bushel	1.25	1.15	1.15
Season average price—do	1.25	1.20	1.18
Payment rate—do	1.52	1.15	1.70
Farm value of production—million dollars	1,821	1,670	1,711
Payments to farmers—do	878	615	909
Gross income—do	2,699	2,285	2,620
Soybeans:			
Acreage planted—million acres	42.4	41.0	40.0
Production—million bushels	1,070	1,052	1,025
Utilization—do	1,025	1,115	1,100
Loan rate—dollar/bushels	2.25	2.15	2.20
Season average price—do	2.25	2.40	2.45
Farm value of production—million dollars	2,408	2,525	2,511
Cotton, upland:			
Acreage planted—million acres	11.9	12.3	12.3
Acreage diverted or set aside—do		6.4	6.4
Production—million bales	10.4	12.3	12.3
Utilization—do	10.8	12.1	12.1
Loan rate—cents/pound	20.25	18.25	18.25
Season average price—do	21.50	19.00	19.00
Payment rate—do	14.73	12.00	17.00
Farm value of production—million dollars	1,118	1,168	1,168
Payments to farmers—do	820	551	780
Gross income—do	1,938	1,719	1,946

[1] The 1971 payment rates, loan levels and amount of set aside required used in this computation are for the purpose of this comparison. Actual rates used in 1971 would depend upon conditions confronting agriculture at that time.

MISSISSIPPI DELTA, 1,000-ACRE COTTON FARM ON SANDY SOIL: CHANGES IN LAND USE IN RESPONSE TO A "SET ASIDE" PROGRAM

Land use	1969 program extended to 1971	Set-aside [1]
Cotton—acres	[2] 265	439
Soybeans—do	325	81
Winter wheat—do	50	17
Oats—do	13	
Soybean-wheat—do	(17)	(17)
Set-aside—do		[3] 116
Total, cropland—do	653	653
Other land—do	347	347
Total, land—do	1,000	1,000
Net farm income:		
From operations	$22,477	$26,795
Price-support payments	22,807	
Set-aside payment		20,415
Total	45,284	47,210

[1] The 1971 payment rates, loan levels, and amount of set-aside required used in these computations are for the purpose of these comparisons. Actual rates used in 1971 would depend upon conditions confronting agriculture at that time.
[2] Cotton allotment, 265 acres.
[3] Set-aside is 75 percent of the 1971 domestic allotment.

GROSS VALUE OF CROPS AFFECTED BY PROGRAM ALTERNATIVES, 1,000-ACRE MISSISSIPPI DELTA COTTON FARM ON SANDY SOIL

1969-Type Program in 1971

Land use	Acres	Yield	Production	Price	Value
Cotton	265	780 lb. lint	206,700	$0.21	$43,407
		1.380 lb. seed	365,700	.019	6,984
Soybeans	325	24 bu	7,800	2.45	19,110
Wheat	50	26 bu	1,300	1.15	1,495
Oats	13	55 bu	715	.74	529
Government payments	(172)	780 lb	134,160	.17	22,807
Total value					94,332

Set aside program in 1971

Cotton	439	780 lb. lint	342,420	$0.21	$71,908
		1,380 lb. seed	605,820	.019	11,511
Soybeans	81	23 bu	1,876	2.45	4,596
Wheat	17	26 bu	442	1.15	508
Government payment	(155)	780 lb	120,900	.17	20,415
Total value					108,938

MISSISSIPPI DELTA, 1,000-ACRE COTTON FARM: CHANGES IN LAND USE IN RESPONSE TO A "SET-ASIDE" PROGRAM

Land use	1969 program extended to 1971	Set aside
Cotton acres	[1] 250	[2] 375
Soybeans do	342	186
Winter wheat do	50	0
Oats do	13	0
Soybeans-wheat do	17	17
Diverted acres do	0	[3] 94
Total cropland do	672	672
Other land do	328	328
Total land do	1,000	1,000
Net income:		
From operation	$18,535	$16,436
Price-support payment	19,278	
Set-aside payment		17,374
Other payment		
Total	37,813	33,810

[1] Two-hundred and fifty acres allotment.
[2] Assumes 50-percent increase above cotton allotment.
[3] "Set aside" equal to 65 percent of 1971 domestic allotment.

GROSS VALUE OF CROPS AFFECTED BY PROGRAM ALTERNATIVES, 1,000-ACRE MISSISSIPPI DELTA COTTON FAR

1969-Type Program in 1971

Land use	Acres	Yield	Production	Price	Value
Cotton	250	700 lb	175,000 lb	$0.21	$36,750
Soybeans	342	26 bu	8,892 bu	2.45	21,785
Winter wheat	50	26 bu	1,300 bu	1.15	1,495
Oats	13	55 bu	715 bu	.74	529
Government payments	(162)	700	113,400 lb	.17	19,278
Total value					79,837

Set Aside Program in 1971

Cotton	375	700	262,500 lb	$0.21	$55,125
Soybeans	186	26	4,836 bu	2.45	11,848
Government payments	(146)	700	102,200 lb	.17	17,374
Total value					84,347

SAN JOAQUIN VALLEY (CALIF.) 400-ACRE COTTON FARM: CHANGES IN LAND USE IN RESPONSE TO A "SET-ASIDE" PROGRAM

Land use		1969 program extended to 1971	Set aside
Cotton	acres	[1] 115	187
Alfalfa	do	145	103
Barley	do	80	----
Set-aside	do	----	[2] 50
Total cropland	do	340	340
Other land	do	60	60
Total land	do	400	400
Net income:			
From operation		$981	$1,921
Price-support payment		14,025	----
Set-aside payment		----	12,529
Total		15,006	14,450

[1] Cotton allotment 115 acres.
[2] "Set-aside" equal to 75 percent of the 1971 domestic allotment.

GROSS VALUE OF CROPS AFFECTED BY PROGRAM ALTERNATIVES, 400-ACRE SAN JOAQUIN VALLEY COTTON FARM

1969-type program in 1971

Land use	Acres	Yield	Production	Price	Value
Cotton	115	1,100 lb lint	126,500	0.22	27,830
		1,760 lb. seed	202,400	.019	3,846
Alfalfa	145	6 ton	870	24.00	20,880
Barley	80	62 bu	4,960	1.10	5,456
Government payments	(75)	1,100 lb	82,500	.17	14,025
Total value					72,037

Set aside program in 1971

Cotton	187	1,100 lb. lint	205,700	0.22	45,254
		1,760 lb. seed	329,120	.019	6,253
Alfalfa	103	6 ton	618	24.00	14,832
Government payments	(67)	1,100 lb	73,700	.17	12,529
Total value					78,868

ROLLING PLAINS (TEX.) 800-ACRE COTTON FARM:[1] CHANGES IN LAND USE IN RESPONSE TO A "SET-ASIDE" PROGRAM

Land use		1969 program extended to 1971	Set-aside
Cotton	acres	[2] 180	258
Grain sorghum	do	[3] 210	210
Diversion or set-aside	do	210	[4] 204
Idle cropland	do	72	----
Total cropland	do	672	672
Other land	do	128	128
Total land	do	800	800
Net farm income:			
From operations		$189	$1,759
Price-support payment		8,543	----
Diversion payment		2,245	----
Set-aside payment		----	7,880
Total		10,977	9,639

[1] Assumes 72 acres of idle cropland not in the conservation reserve.
[2] Cotton allotment 180 acres.
[3] Feed grain base 420 acres.
[4] Cotton set-aside is 75 percent of 1971 domestic allotment. Grain sorghum set-aside is 30 percent of 1969 feed grain base.

GROSS VALUE OF CROPS AFFECTED BY PROGRAM ALTERNATIVES, 800-ACRE ROLLING PLAINS, TEXAS COTTON FARM

Land use	Yield	Acres	Production	Price	Value
1969-type program extended to 1971:					
Cotton	325 pounds lint	180	58,500	$0.165	$9,652
	540 pounds seed		97,200	.019	1,847
Grain sorghum	33 bushels	210	6,930	.90	6,237
Diversion payment	do	(126)	4,158	.54	2,245
Support grain sorghum	do	(210)	6,930	.2968	2,079
Support cotton	325 pounds	(117)	38,025	.17	6,464
Total value					28,524
Set-aside program in 1971:					
Cotton	325 pounds lint	258	83,850	.165	13,835
	540 pounds seed		139,320	.019	2,647
Grain sorghum	33 bushels	210	6,930	.90	6,237
Cotton payment	325 pounds	(105)	34,125	.17	5,801
Grain sorghum payment	33 bushels	(210)	6,930	.30	2,079
Total value					30,599

Mr. ABERNETHY. Thank you very much, Mr. Frick.

Mr. Alexander?

Mr. ALEXANDER. No questions.

Mr. ABERNETHY. Mr. Burlison?

Mr. BURLISON. Thank you, Mr. Chairman.

Mr. Frick, I want to commend you for your forthright statement. I have a few very general questions, and then I will try to be a bit more specific.

It has been my understanding from our meetings with the Secretary and members of the Department, that the Secretary is presently committing himself—and you can correct me, if I am not stating this correctly—that the Secretary has committed himself for the year 1971, the first year of the program, the amount that is presently being expended for a Government farm program?

Mr. FRICK. He has committed himself to those expenditures; you say?

Mr. BURLISON. To roughly an amount equivalent to that, and I think we are speaking in terms of approximately $3.5 million, so far as the payments program to the farmer?

Mr. FRICK. I believe what he has really committed himself to is to the fact that he wants to maintain total farm income. I believe that is the thing he is trying to commit himself to.

Mr. BURLISON. And he does not necessarily mean by that, by the favoring of maintaining farm income, he does not mean that he is going to maintain the outlays of the Federal Government to maintain that income?

Mr. FRICK. I think that he is saying that whatever is necessary to maintain the income, why, this is what should be done, but I do not think he is committing himself as to Federal outlays in the total picture, no.

Mr. BURLISON. Well, you and I disagree on the impression that has been conveyed by the Secretary up to this time on that question.

I want to commend you on your point 5 appearing on page 11 of your statement. I take it, from that, that the position of the Department is to retain the projected yield concept in computing payments in contrast to the actual yield concept that had been advocated?

Mr. FRICK. Yes, sir.

Mr. BURLISON. Is that so?

Mr. FRICK. Yes, sir.

Mr. BURLISON. And for the purposes of the record, let me ask you if the reason for, or if the major reason for, the Department having taken that posture is the tragic loss of income which would inure to the farmer in case of a disastrous weather year or disastrous year because of adverse weather conditions?

Would that be a fair statement?

Mr. FRICK. Mr. Burlison, it is one of the reasons for doing this. I think another reason is to be sure that we do not continue the practice of causing some uneconomical practices to increase yields simply for more payments rather than for the market price or for the actual price of cotton.

Mr. BURLISON. The reason I stated is the one that I am chiefly interested in because of the three successive disasters that occurred in my area of the country, and I have been disturbed by the overwhelming preponderance of testimony before this subcommittee that we embrace the actual yield concept.

And, again, I want to commend the Department on the position taken.

I am a little bit disturbed by the departure from the parity concept. I know that this is a position taken in the last paragraph on page 9 of your statement. I wonder if you would like to elaborate on how the income of the farmer would be maintained with this departure?

Mr. FRICK. Well, I think that, first of all, our trying to get off of the parity concept was to eliminate the rigid position that we were in respect to markets themselves in both our local market and our foreign markets. Secondly, the concept of the set-aside is that during the 1970's, or we hope not too many years ahead, that with the giving of more freedom of decision to the farmer, himself, he can work out his most economic pattern of planting and his most economic pattern of marketing, and with this in mind, why, he should be able to have a more profitable operation which would, in the long run, mean that he would be better off than he is today.

Mr. BURLISON. Does your table A illustrate or bear this out?

It looks to me that, according to your computations here, we could expect the cotton farmer to have a reduced loan, a reduced payment and come up with a rather staggering loss of income in 1971.

Mr. FRICK. I think there are two points on this. One is, of course, as you will notice, the low and the high, according to the payments. This can help make the difference in itself, but probably more importantly is that this is gross income. The thing that is trying to be worked out here is to increase the net income through the efficiency of an individual's own decisions.

Mr. BURLISON. And while we are on this table, I am a bit disturbed that, at least from appearances, less effort will be made by the Federal Government to maintain the income of the cotton farmer with respect to the other segments of farm economy, that is, the feed grains and wheat, as reflected here—and soybeans. Do you feel that there is less priority in the administration to maintain farm income of the cotton farmer than of the wheat or feed grain farmer?

Mr. FRICK. I do not think so at all, Mr. Burlison. There is every intention to maintain one as well as the other. We do have to recog-

nize some shifts that have to go on. Cotton consumption has gone down, sadly enough. Soybean consumption has grown. Each one is working differently, but there is no intention at all to reduce cotton income relative to that of any other commodity.

Mr. BURLISON. Mr. Frick, I cannot find the exact sentence now, but in the earlier paragraphs of your statement you mentioned the favorable comments that the Department has received since coming out with the set-aside concept, and that has given you one reason why this session is being devoted to that. Apparently, that statement is made to buttress the Department's decision to go along or to propose here a set-aside program. Can you tell me more specifically where you heard any support for the set-aside program from farm groups or farm organizations, or farmers.

Mr. FRICK. Well, I think specifically, in the informal working with the committee, that the one proposal that received the most attention was the set-aside. That is why, the specific reason, we are going ahead with this proposal.

Another is, that although we have not had a lot of publicity on the set-aside out in the country, we have received some interest in the set-aside compared with other changes that people would want. So, I think that mainly it has been that working with the committee and with some groups across the Nation that we felt that of all of the changes suggested this has received the greatest support.

Mr. BURLISON. Well, I would disagree with you there. I can find no support anywhere for this set-aside concept. I have talked about it throughout my district, to my farmers, and everywhere I have seen it mentioned or discussed, there is unalterable opposition to it.

I do not know of any organization—at least, we have not heard any testimony, as far as I can recall before this committee of any farmer that is embracing the set-aside concept. I am frankly very surprised that this program was presented this morning, because I have felt that over the past few weeks that the Department probably had received an awful lot of discouragement for this program, and I base that merely on what my experience has been; and, apparently, your experience has been different. But I want to say that if we have a set-aside program where our farmers are required to set aside 75 percent to 100 percent—or I think you said 50 to 100 percent in your statement this morning—where our farmers are required to set aside 50 to 100 percent of their allotment, while at the same time lowering the loan level, lowering the payments, maintaining allotments at basically the same level, plus increasing the cost to the farmer for research and merchandising, how in the world can you maintain present farm income is a mystery to me. I have very serious reservations about the set-aside program.

In conclusion, I do, however, want to thank you and commend you for your presence and your very articulate presentation this morning.

Thank you very much, Mr. Chairman.

Mr. MATHIAS. Mr. Chairman?

Mr. ABERNETHY. Mr. Mathias.

Mr. MATHIAS. I would like to compliment Mr. Frick on his fine testimony. I know this has come about between this committee and the USDA, plus other people. I think it is a fine program. Of course,

we know that it is not the final program that will come about, but I do compliment Mr. Frick on his fine presentation.

I do have one question.

Mr. Frick, on page 11, concerning the national acreage allotment and the national acreage reserve, your testimony states that these two things would be completely eliminated?

Mr. FRICK. Yes, sir.

Mr. MATHIAS. Now, down at No. 4, you also mention the release and reapportionment of allotments as authorized by current law would be eliminated, and that sale of allotments would be authorized within the State.

Now, if No. 2 were carried out, if all of the allotments were eliminated, how could you then assign allotments within the State?

Mr. FRICK. We would have, as I believe No. 1 suggests, a domestic acreage allotment, and that would be the allotment that would be set, and, so, there would not be the national acreage allotment as we know it today, the 16 million acres, but more of a domestic consumption allotment, if you will, or something along this line. And as far as the sale within the State, that is what could be sold.

Mr. MATHIAS. You would still have allotments?

Mr. FRICK. Yes.

Mr. MATHIAS. For States?

Mr. FRICK. Yes, there would be an allotment for State—there would be a national domestic allotment, and then this would be divided down to the States, counties and individual farms. And it is in relationship to what each individual has today, but we would eliminate the national allotment that we have today of 16 million acres, and only talk of it in terms of this domestic consumption, and this would be the part that a man would be receiving his payments on.

Mr. MATHIAS. In this set-aside program, say in 5 years, many of the least productive cotton acreages would go out of production?

Mr. FRICK. This is what we are expecting, yes.

Mr. MATHIAS. Is this not the whole idea, to let the people who can grow good quality cotton or good cotton eventually plant this cotton and make money out of it, and the people who cannot make money growing cotton will eventually lose their allotment.

Mr. FRICK. Yes. I am sure that farmers within each State would do this. There are farmers across the road who are more efficient than the ones on the other side, and the determination here is that cotton producers must in the coming years get as efficient as they can. It cannot afford to be otherwise, and one way to do this is to let those who can take advantage of all of the research that has been done in the past and will be done in the future to improve production techniques and to get the most efficient cotton production there is.

Mr. MATHIAS. Well, I certainly buy that concept.

That is all I have, Mr. Chairman.

Mr. ABERNETHY. Mr. Sisk?

Mr. SISK. Yes, Mr. Chairman.

Mr. Frick, I appreciate very much your statement this morning, and as I understand the proposal—and in line with my colleague from California's comments here that what we are actually proposing to do—and I have been led to think, as far as I am concerned—I support basically the program that you have outlined. It, of course, goes to a

domestic allotment, and we actually get away from this so-called national allotment from the standpoint of being a penalty. So, above and beyond the domestic allotment the grower may grow, subject to his willingness to, let us say, get out there and speculate or gamble, and then there will be no penalties, and he will be free, and that is the freedom we are talking about basically. Is that your general statement?

Mr. FRICK. Yes, sir.

Mr. SISK. I would like to examine with you two or three specifics, sir, if I could, this morning. Again, starting first on page 9, you state here—and this is in connection with what I want to talk a little bit about—about this loan rate, because I do think this loan rate is going to be important in our program. I certainly recognize that it is an important thing, and the Department recognizes its importance, and if we are going to be able to regain any of our foreign markets— and I know the Department is desirous of getting back into this foreign market as we are all desirous of—if we are going to continue to have an affluent cotton industry in this country.

You mention here with reference to making the loan rate—it is your suggestion, as I understand it—to be at not less than 80 percent or more than 95 percent of the average price for middling one-inch cotton in the designated spot markets in the 3 marketing years preceding the marketing year in which the loan level is announced, as a general formula for setting this loan rate.

Then, you say that the Secretary would have some discretion under this language, but far less than that provided in the current law.

I would agree with you—I am not necessarily disagreeing with your statement, but I do raise this question, and I may be alone in this position, but it is my firm conviction that if we are going to improve this situation in cotton, we are going to have to give the Secretary more flexibility. I think, in the final analysis, that he is going to have to have broad flexibility, not only in connection—and I want to discuss with you briefly the question of setting the payments on a domestic allotment which, I understand from your language here, would be pretty well free—he would have broad flexibility in setting this in order to try to be sure to get the production. Is that basically right?

Mr. FRICK. Yes, sir.

Mr. SISK. Now, getting back then to the question of the loan. Are you sure that this gives to the Secretary the flexibility he should have?

I am one of these people who, having gone through the many years and seen what has happened under so-called rigid regulations, is inclined to give him freedom and then he sinks or swims with it. You know, we all have to take the monkey on our backs and sink or swim with it, and I would be one of those people who is prepared to give him the broadest possible flexibility, and in this area of loan rates I am wondering if this proposal gives him the flexibility that is needed, if we are actually going to get back into the world market in cotton?

Mr. FRICK. Well, under the way the market has acted in the last few year, yes we think that 80 to 95 percent would give the flexibility to be sure that cotton would be marketed in the world. Now, these figures were put out for your consideration, and we know that the loan does bolster or back up the cotton economy for financing and various reasons to stabilize production.

Now, this would put the loan rate, I believe, taking the figures we have, between, somewhere between, 18 and 21 cents, which would be the loan rate with the figures used here.

And I believe, to answer specifically, we think this would do the job.

Now, positively, we have to admit that we do not know for sure whether the committee would want to go as low as 15 cents, for example, and I do not know.

Mr. SISK. Well, let me say right here, in connection with it, and, again, I may be completely alone in this position on the committee, I don't know about that, but I personally happen to believe basically that we probably would be better off without any loan. But I recognize the necessity of the practicalities of this world in which we live—the need, for example, particularly—and I think it is especially true among the co-ops for some kind of loan program, because today farmers are using it as a financing mechanism, and, therefore, I think it is unrealistic to attempt to completely eliminate loans.

But I am one of these low loan-rate people. I just believe that if we are going to get in and do the job that we are talking about trying to do and maintain a cotton industry in this country up to, say, 12 million bales and up. We would hope, of course, we are going to have to keep this loan rate down. As I view these figures and try to analyze them, I am inclined to agree with you. We are talking now of a 18 to 20.25, or twenty and a quarter, and I honestly feel, Ken, that that is unrealistic. Now, maybe I am wrong, but, again, I am wondering, if we set it at that, as a practical matter we will not still be furnishing the umbrella for, you know, various countries who were involved to simply continue to undersell us in the world market.

Mr. FRICK. I am sure that there are countries that produce cheaper than 18 cents in the world, but they become fewer than at 21 cents.

Mr. ABERNETHY. Would the gentleman yield?

Mr. SISK. Yes, I would be happy to yield.

Mr. ABERNETHY. In one of our Monday evening conferences, did you or someone from the Department not suggest that the loan rate might be as low as 17½ cents and as high as 21?

Mr. FRICK. This could have been, Mr. Chairman. I do not recall it at this time. Mr. Chappell, do you remember?

Mr. CHAPPELL. I do not remember that figure, myself.

Mr. ABERNETHY. That is what my memorandum shows. I am sure. I am not saying that that is what it should be. I am saying that you contemplated it might be 17½ cents. If you do not remember, that is all right.

Mr. SISK. Well, I will not dwell further on this, but I did want to explore this with you a little, because it is one of those things that I think we are going to have to give some serious thought to, and what I am saying is that I would give to the Secretary broader authority than what you propose here. I probably would give him authority to use a figure of maybe all the way down to 60 to 70 percent rather than setting it at a base of 80 percent, because, again, if he is going to have the responsibility, which he is, of trying to move the American cotton in a world market, he is going to have to be able to get in there and have tools and the wherewithal to fight in this game, and it is a tough, rugged, competitive situation. On this there is no question. In essence, what I am saying again—I want to give him whatever tools he needs, and I am wondering if you are not making it just a bit restrictive.

As I would interpret your language at the bottom of page 9 and the top of page 10, of the matter of the payments on the domestic allotment, are you proposing, say, a broad outline—or let us not say "broad," minimum and maximums—within which he would use, say, 12 to 17 or 12 to 19, or do I understand it is a proposal to leave it more or less wide open?

And I would not be critical if it were wide open. I was just curious.

Mr. FRICK. We are proposing, again, as low as 12 and as high as 17, to give the opportunity to set this, both to be sure we get the production and to be sure the income of the farmer is maintained. In other words, at whatever level this is, in between those two figures.

Mr. SISK. Well, fine. Ken, I do not wish to take any more time. In fact, I have already taken too much time, Mr. Chairman.

On limitations, I would just conclude with this, though there are some other things that I would be glad to discuss with you, but I realize other members of the committee have questions. On this question of limitations, I would hope that the Department in their basic proposal does come out with some specific proposal in the area of limitations. I recognize, and I appreciate the fact, that the Department is desirous of our trying to work together in whatever, in the final analysis, the committee determines, and you would probably be inclined to go along with it. But, it seems to me that we are just operating with an our-head-in-the-sand attitude, if we feel that we have any chance of passing legislation in the Congress without some kind of a limitation. So, when the time comes we probably should take the bull by the horns and propose some kind of a program here, Ken.

Now, whether we propose the Sugar Act as a basis or whether we propose something like the Nelsen proposal of last year on a graduated scale, or a variety of other programs, I would urge that the Department give full consideration to some kind of a specific proposal in the area of limitations, and, of course, at least have a starting point, and then we will work from there, because I, for certain, feel that we just as well recognize—and in spite of the fact that I have always opposed limitations—and I think, basically, all of us do—have recognized what they would do to the cotton industry, and particularly I have opposed them, but, again, living in this world of today, I would hope that serious thought would be given to a specific proposal in this area.

Mr. FRICK. We are prepared to work with you on this.

Mr. SISK. Fine.

Thank you, Mr. Chairman.

Mr. ABERNETHY. Mr. Mizell?

Mr. MIZELL. Thank you, Mr. Chairman. Just one thing. On page 2, Mr. Frick, the fact that we have only been harvesting 10 million bales of cotton for the last couple of years—and we have had testimony before the committee that they anticipate the need to be 12 million bales next year—under your proposal, can you give us some assurance that we will have the necessary amount of cotton produced to meet the needs?

Mr. FRICK. I think that we have tried to lay this out, Mr. Mizell, in the testimony on page 8 to the point that there have been half of the growers, or half of the allotment, that has planted up to 100 percent of what they were allowed to do. And, for one thing, we are saying that it is really reasonable to assume that many of these grow-

ers will plant more if they have the opportunity, that they would not have just stopped at that point on their farm if they had been allowed their own decision. And, then, the points in the program of payments and also the size of domestic allotment, things of this nature, have to be worked in to be sure that there is adequate production, and I think there is within the set-aside enough room to assure production.

Mr. MIZELL. Thank you, Mr. Frick.

Thank you, Mr. Chairman.

Mr. ABERNETHY. Mr. Price?

Mr. PRICE of Texas. Mr. Frick, I regret I was late, because of previous commitments. I have read your testimony, however, and I want to congratulate you on your presentation here this morning. We have been having these hearings for some time now, but it appears to me that we are a long way apart—from the producers. Unless we or the Department get together with the producers and work out some kind of an agreement that is compatible between the producers and the Department, it is going to be very difficult for us to pass any kind of cotton bill. I think the points you mentioned in your testimony are a good basis to start from, but this in no way eliminates the necessity for achieving a meeting of the minds between the producers and the Department.

Turning to a different point, there has been discussion about synthetics taking over practically 50 percent of the market. I understand that 10,000 of these industries are spending $60 million a year on research to sell their products versus the cotton industry spending $10 million a year.

Would you care to comment on any recommendations you could give the committee regarding earmarking more funds for research?

Do you have any guidelines we might put into the bill?

Mr. FRICK. At this time, we do not have a specific figure. I do believe that the industry, itself, through their Cotton Producers Institute, is taking a complete relook at the operations they have in this area, and I am sure that when they have completed this study, which should be soon, that they will probably have one of the best figures that might be appropriate for such a suggestion as was made this morning.

In other words: We have left it flexible because I am sure the industry itself understands the needs and will know better the goals that they are out to achieve, and I understand that this will be known pretty soon.

Mr. PRICE of Texas. On this set-aside, are there any plans allowing for the production of livestock on the set-aside land?

Mr. FRICK. No, sir.

Mr. PRICE of Texas. What are your feelings regarding increasing crop insurance?

Mr. FRICK. Well, the crop insurance is with the payments being on the projected yield as laid out in 1970. This, within itself, is probably the best crop insurance that there is available anywhere.

Mr. PRICE of Texas. Is there a possibility that crop insurance can be increased, or is this in your area at all?

Mr. FRICK. I know it has been discussed that it needs to be improved and needs to be made available in a broader scope. Beyond that, I cannot say, except that we do feel that the payments that are suggested

here, based on a projected yield, for the man that has a poor crop, is good crop insurance.

Mr. PRICE of Texas. In regard to payment limitations, what effect do you think the payment limitation would have upon the cotton figures as projected? Do you think it would hinder or enhance the total number of dollars to the American farmer?

Mr. FRICK. Well, I am sure that arbitrary payment limitations would limit—make this program more difficult to operate.

Mr. PRICE of Texas. Once again, thank you for your outstanding presentation.

That is all, Mr. Chairman.

Mr. ABERNETHY. Thank you very much, Mr. Frick.

We appreciate your presence.

There are a few loose ends in the Department's presentation. I do not want to be misunderstood, but these loose ends are rather broad, such as limitations and other things. Would the Department be willing to put together a bill, which, heretofore, has been the custom, a bill from the beginning to the end, of the maximum that it would support in all phases of its recommendations?

Mr. FRICK. Mr. Chairman, we are certainly willing immediately to come and work together with you to come out with a bill, and we would work as hard as we can and do it right away.

Mr. ABERNETHY. Well, maybe this sounds a bit facetious: What you say sounds very nice, but that leaves us right where we are now. We have been working together here now since back in January. As of the moment, we are hardly together. There is not too much togetherness so far as cotton is concerned between the Department and the producers. You are rather widely apart. I know that you have at least either heard me or heard some comment that the members of this committee do not feel that they can act as arbitrators between the Department and the producers and at the same time take a bill to the floor of the House and sell it to the Congress. At the same time, it is rather difficult for us to put down in writing what the Department will support. You set forth what you support specifically in some instances, but in other instances you show some discretion, or you are not firm, and I was just wondering if you were willing to put together your own bill and let us have a copy of it so that we can go to work on it?

Mr. FRICK. Well, there are some areas in which we think the Secretary should have some discretion.

Mr. ABERNETHY. Yes, sir.

Mr. FRICK. And, so, within these, I would repeat that we are ready and willing to—write up a bill, but here, again, I have to say that we want to do this with the committee.

Mr. ABERNETHY. Yes, I understand.

Mr. FRICK. And, yet, we are ready and willing, and we know that time is running out.

Mr. ABERNETHY. Yes.

Mr. FRICK. And, so, we want to move ahead as rapidly as possible, and we are ready to do it.

Mr. ABERNETHY. Well, then, do I understand that you would rather not assemble a complete bill?

Mr. FRICK. I think to be real definite on this, that any bill that we assemble, we would like to work with you on it.

Mr. ABERNETHY. You leave us right where we started.

Mr. FRICK. Well, the only thing is, Mr. Chairman——

Mr. ABERNETHY. I think I understand.

Mr. FRICK. OK.

Mr. ABERNETHY. I do not mean this critically. I would have to assume that if a bill were drafted, we would be the ones to draft it. That is the way I see it.

Now, let me see if I can get some idea of what we are supposed to put in it.

What would be the maximum amount of payment that you would support, giving consideration to limitations?

What would be the maximum amount the Department would come to the Hill and fight for?

Mr. FRICK. Well, Mr. Chairman, as we have it laid out here the 17 cents is the high that we have indicated and, again, given discretion on this.

Mr. ABERNETHY. What are the payments now?

Mr. FRICK. The payments are 16.8 cents for 1970.

Mr. ABERNETHY. Sixteen—what?

Mr. FRICK. 16.8 cents for 1970.

Mr. ABERNETHY. 16.8 cents.

Now, that is for 1970?

Mr. FRICK. Yes, sir.

Mr. ABERNETHY. What were they for 1969?

Mr. FRICK. 14.73 cents.

Mr. ABERNETHY. 14.73 cents.

Now, it would be reasonable to assume, would it not, that with the difficulty we have had selling to the Congress a payment of 14.73 cents that it would be rather impossible to sell a 17-cent payment?

Mr. FRICK. I presume that payments will continue to be difficult to sell, yes, sir.

Mr. ABERNETHY. And more particularly if such are as high as 17 cents?

Mr. FRICK. Yes, except that in this there is the proposal which calls for slightly less total money that would be expended.

Mr. ABERNETHY. Yes, I agree with that. That is correct.

Now, do you anticipate any particular level of limitation from the Congress?

Have you given any consideration as to what level we might come to in the way of limitations?

Of course, maybe I am supposed to answer that, or the Members of the Congress, but I am sure you are familiar with the situation.

Mr. FRICK. Well, Mr. Chairman, we have worked up various examples of the types of limitations that might be imposed, and I think, beyond that—that is as far as we can go right now.

Mr. ABERNETHY. Yes, sir. All right.

Now, you have come to the 17-cent payment, because it is your feeling that you would have to make payments that high in order to maintain the Department's position which the Secretary made in his original statement not to reduce income; is that right?

Mr. FRICK. Yes. According to the example, this would not reduce income.

Mr. ABERNETHY. Providing there are no limitations?

Mr. FRICK. Yes.

Mr. ABERNETHY. Providing there are no limitations.

So, of course, we might as well face up to the fact, as Mr. Sisk and others have said, that there undoubtedly will be limitations. So, of course, there is going to be a reduction in income.

Mr. FRICK. For many farmers, yes. And we can work out figures, if you would like them, that would be more specific on the amount of the reduction in income if limitations were imposed.

Mr. ABERNETHY. And there will be further reduction in income, as the result of the set-aside?

Mr. FRICK. I do not believe we show that here.

Mr. ABERNETHY. Well, of course, if you set aside a portion of your land, there is bound to be a loss of income; is there not?

Mr. FRICK. Well, this, again, would be how a farmer reacts to the set-aside proposal. If he reacts that cotton is the crop that he can do best, or maybe some other crop that he can do best at, his net income could increase, and we have instances to show that this does happen.

Mr. ABERNETHY. Well, that is purely—with all deference—that is purely theoretical; is it not?

Mr. FRICK. At this stage, we do not know how any individual will be affected; yes.

Mr. ABERNETHY. I see. All right.

I certainly agree with the first point you make in your statement that your cotton situation is quite serious.

The object of the program, of a program, is to improve that situation.

Now, in order to have a desirable cotton economy, what size crop does the Department feel we ought to produce and put on the market?

Mr. FRICK. In the neighborhood of 12 million bales.

Mr. ABERNETHY. 12 million bales.

Your domestic allotment, I believe you now call that a base allotment, would be what portion of that?

Mr. FRICK. About 9 million bales.

Mr. ABERNETHY. Nine. When did it go to nine?

Mr. FRICK. I believe this was the figure that we put out to the group one of the Monday evenings we were up here.

Mr. ABERNETHY. I thought it was eight.

Mr. FRICK. Grover, do you have a different figure?

Mr. CHAPPELL. Nine would be quite close.

Actually, table A is calculated on the basis of a domestic allotment in 1971 being 10 percent less than the domestic allotment in 1969.

Mr. ABERNETHY. Well, did the adding of the million bales to the 1970 allotment have anything to do with that?

Mr. CHAPPELL. Well, it just means that the 1971 allotment we have assumed here would be 15 percent less than the 1970 domestic allotment.

Mr. ABERNETHY. All right. So, you anticipate a production of 9 million bales under the base allotment, and you anticipate a produc-

tion of 3 million bales from those who wish to plant over and above their so-called domestic allotment?

Mr. FRICK. Yes, sir.

Mr. ABERNETHY. Is that correct?

Mr. FRICK. Yes.

Mr. ABERNETHY. How did you arrive—and I must say now, Mr. Frick, that this has changed since the Monday night I heard it discussed, because it was 8 million and 4 million, and I think you will recall those figures. I do not think there is any question but what you will recall that it was eight and four, but now you say it is nine and three, which I accept.

How did you arrive at the fact that they would produce those 3 million bales?

Mr. FRICK. Grover, would you answer this?

Mr. CHAPPELL. Yes, sir.

In 1969, a little over half of our cotton producers—as we say here weighted by the size of their allotment—planted approximately 100 percent of their allotment Actually, the figure I like best is 55 percent of the allotment in 1969 planted 100 percent of the allotment. Now, with the lower loan rate that is envisioned for 1971, we estimated that only about 40 percent of the base allotment would expand. As I recall, on the average, these people would expand about 25 or 30 percent over and above their 16 million acre allotment which has guided their planting patterns for so many years past.

Mr. ABERNETHY. And you estimate how many of them will expand now?

Mr. CHAPPELL. Forty percent would expand.

Mr. ABERNETHY. How did you arrive at that estimate?

Mr. CHAPPELL. Well, it is based primarily upon comparing the returns from cotton over and above direct costs relative to the next best crop.

Mr. ABERNETHY. Was this a part of the determination of the computer that you mentioned here one evening?

Mr. CHAPPELL. Yes, sir; we used a computer analysis.

Mr. ABERNETHY. What did you put into the computer?

Do you have with you a list of the information and the material that you put into the computer?

Mr. CHAPPELL. No, sir, but I think we could supply it.

Mr. ABERNETHY. Could you tell us offhand what these things were?

Mr. CHAPPELL. Well, the major components would be the things I mentioned before, the returns from cotton over and above direct costs, relative to the returns from the next best crop which, in your area, is generally soybeans; in the Carolinas and some other places, it is corn; in other places, it might be barley or even alfalfa.

Mr. ABERNETHY. Well, you had to put in there what they anticipated they would receive for the various crops; did you not?

Mr. CHAPPELL. Yes, sir.

Mr. ABERNETHY. All right.

Now, the limitation would be a factor in this; would it not?

Mr. CHAPPELL. Yes, it would.

Mr. ABERNETHY. I believe you stated on one of the Monday evenings that you did not put in any limitation upon payments; that did not go into the computer?

Mr. CHAPPELL. That is right. The figures that we are presenting here were based on an assumption that there would be no limitation.

Mr. ABERNETHY. Right.

That is a very important factor, is it not?

Mr. CHAPPELL. Yes, sir.

Mr. ABERNETHY. And more particularly, if it involves a farm that had been planting a thousand or 15,000 or even 500 or 600 acres of cotton?

Mr. CHAPPELL. Yes, sir.

Mr. ABERNETHY. And if the Congress is more or less now thinking of the limitation of $20,000 which would be only a small amount compared to what the payment would be on a farm of a thousand or 15,000 or 2,000 acres, then you left out the most important dollarwise item when you put that computer in operation; did you not?

Mr. FRICK. Mr. Chairman, I think that this is a great unknown——

Mr. ABERNETHY. Yes, sir.

Mr. FRICK. And there is no intent to leave it out if we knew what level of limitation to put in.

Mr. ABERNETHY. I agree with you. I understand that. I fully understand that, but the point I am making is that you left out the most important dollar item when you came up with the determination that you would wind up with 12 million bales of cotton?

Mr. FRICK. It is a big dollar item.

Mr. ABERNETHY. Right.

Mr. FRICK. I do not know that it is the most important dollar item, incomewise, when it comes to payments in the cotton program.

It is important for those that are in the high acreage classification, but dollarwise I do not know that it is the most important one.

Mr. ABERNETHY. Well, for 1969, or—Let me go back.

What else did you leave out that did not go into the computer for the things which have meaning here? Do you know of anything else?

Mr. CHAPPELL. Well, I might just say, Mr. Chairman, before this program was put into operation, we will have some additional very valuable data; namely, what farmers do in 1970.

Mr. ABERNETHY. Right. But we are talking about writing the bill now. We are not waiting until you get that information. You are asking us to write the bill now. That is true; is it not?

Mr. FRICK. Yes; and this is why we want some discretion here, dependent upon what farmers actually do as we go into the 1971 program. I mean, we can make use of that information if the bill has enough discretion.

Mr. ABERNETHY. Who managed the computer?

Who handled it?

Mr. CHAPPELL. That comes under Dr. Paarlberg's operation.

Mr. ABERNETHY. Dr. Paarlberg? He is not here this morning?

Mr. CHAPPELL. No, sir.

Mr. ABERNETHY. Who provided the material that went into the computer—Dr. Paarlberg?

Mr. CHAPPELL. Yes, sir.

Mr. ABERNETHY. And, so, of course, you are not in a position to answer for him and state what he did or did not put in?

Mr. CHAPPELL. That is correct.

Mr. ABERNETHY. It is true, is it not, sir, that the Department's determination on this subject rests very largely with the returns and the findings of the computer?

Mr. CHAPPELL. Well, you know, there are a lot of ways to analyze things. I personally use a desk calculator to great advantage and confer with some of my experienced colleagues, many of whom who are here in this room, and if you want to call this less scientific and sort of an armchair economic analysis, you can; but we also put a great deal of faith in the informed judgment of our experienced people, and we do not hesitate to look over the computer's shoulder, so to speak, if it disagrees with our judgment.

Mr. ABERNETHY. I understand that.

Now, for 1969 the national allotment was 16.2 million.

I believe that is correct; is it not?

Mr. FRICK. Yes, sir.

Mr. ABERNETHY. And actually when you took out the frozen acres and these other items, it amounted to 15.3?

Mr. FRICK. Yes.

Mr. ABERNETHY. That is correct; is it not?

And only 11.9 was planted. I believe that is right; is it not? 11.9? And 11.1 was harvested—11.1 million; is that correct?

Mr. FRICK. Yes, sir.

Mr. ABERNETHY. That is correct.

So, you have an underplanting of 4,400,000 acres.

Now, those were people who planted 65 percent or less of their allotment?

Mr. FRICK. I am sorry. I missed that.

Mr. ABERNETHY. Well, beyond the planting of 4.4 were people who held allotments that were planting 65 percent or less?

Mr. FRICK. Yes.

Mr. ABERNETHY. That is, the domestic allotment. And those who planted all of their allotment, you say they planted 7.5 million acres; is that correct?

Mr. FRICK. Yes, sir.

Mr. ABERNETHY. That is less than half; that is less than half of the total national allotment.

Mr. FRICK. Yes, sir.

Mr. ABERNETHY. We only came up with how much cotton?

Mr. FRICK. A little over 10 million bales.

Mr. ABERNETHY. Ten million bales.

So, if you only came up with 10 million bales under those conditions—Well, let me put it another way.

The payments under that program were at the higher level as compared to what they would be in 1971?

Mr. FRICK. Possibly.

Mr. ABERNETHY. And the domestic allotment——

Mr. FRICK. If the payments that were at the 14.7 and we do not know what the payment will be for 1971. It could be higher.

Mr. ABERNETHY. Well, you really do not think the payments for 1971 are going to be higher than they are for 1969 or 1970; do you?

Mr. FRICK. Well, I am only saying that on a per-pound basis it could be.

Mr. ABERNETHY. I am speaking of dollar return to the farmer.

Mr. FRICK. No. I do not think that they will.

Mr. ABERNETHY. All right.

And your base allotment for 1971 is going to be less than, percentagewise, than it is for 1969 as well as for 1970; even with the increase in your national allotment, it will be less; will it not?

Mr. FRICK. Yes, sir.

Mr. ABERNETHY. So, with a base allotment in 1971 smaller than it has been at any time since 1965, and with the payment—and when I say "payment," I am speaking of income to the farmer—being less: how are you going to get 12 million bales of cotton?

Mr. FRICK. Well, I think very specifically that, again, there is half of the allotment that did plant up to 100 percent.

Mr. ABERNETHY. Right.

Mr. FRICK. And, again, we are saying that we do not think many of those would have stopped at the 100 percent. They would have planted over, and they will continue to do that. Secondly, we feel that opening this up would affect the more efficient producer. We do not know how far he will go with his planting, if he happens to have an efficient cotton operation, and that this, in itself, will mean more production, actually, probably, it will be the better producer who will produce more per acre than the average does.

Mr. ABERNETHY. Well, Mr. Frick, you answered my point with about six words in your statement that you have just made. You have just now said that "We do not know how far he will go."

So, therefore, you really do not know whether or not you are going to come up with 12 million; although you and I agree, and also the industry agrees, that a 12-million bale production is a must.

Now, suppose we miss the 12 million bales and wind up with another 10 million bale crop as we have this year and last year?

What happens to cotton then?

Will we get the markets back? We certainly will not have the cotton to supply the market.

Mr. FRICK. Mr. Chairman, as stated in the testimony, any error that could be contemplated, we will do everything we can to make that error on the high side. There is every reason for this Department to protect as well as it can the cotton industry and its future. To do this, we wish to make errors on the high side, and we believe that this can be done with these provisions, because it is absolutely vital that we do not make errors on the low side. And, by opening this up, it is the belief again that this error will be on the high side.

Mr. ABERNETHY. Well, I do not know of anything you can do about that, Mr. Frick, with all due deference, and you have a fixed program. He gets his domestic allotment, and then thereafter everything is opened, and he either can or he cannot—I mean he will or he will not plant.

There is nothing you can do, as I understand it, to see that they do plant right to the point that we have 12 million bales or that they do not plant to the point of 12 million bales. What can you do?

Mr. FRICK. I think there are three or four things, Mr. Chairman, that can be done. One, the size of the set-aside; No. 2 would be the size of the payments; No. 3 would be the loan rate, and I do think that we must take into consideration here that—yes, we are not expecting

those that it is uneconomical for them to plant; we are not suggesting a program that would cause the continued uneconomic production of cotton. We are trying to look for a future for this crop.

This commodity, to have a future, must become economic.

If it is going to get along without the tremendous support that it has had to have to struggle through, it must look for the economic acres, and this is the proposal here, to find those acres and not wait for the continuous hopefulness that research can do it all.

It can only be done if those who do the growing will put this research into action.

Mr. ABERNETHY. Do you think there is any possibility of your getting too much?

Mr. FRICK. There could be, yes, sir.

Mr. ABERNETHY. What would you do with it?

Mr. FRICK. That is what the job of the Commodity Credit Corp. is, to be sure that there will not be too much of a lowering of the market, causing the industry to be oversupplied at the moment. It is the responsibility of the CCC to take that in and make it available as necessary.

Mr. ABERNETHY. If you get too much, would that mean a lowering of the domestic acreage or base allotment for the next year?

Mr. FRICK. It would mean a changing of one of the components or maybe a number of the components at the same time. It would be so much better to have too much in the beginning of the program, so that you assure the industry of enough cotton as they move into the 1972 program.

Mr. ABERNETHY. Will your base allotment from 1971 on and thereafter be based on a percentage?

Is it a fixed amount, or does it move up and down?

Mr. FRICK. We would be hopeful that it would be eventually tied to that which is consumed within the United States, and I would say that we are hoping that that goes up.

Mr. ABERNETHY. What are you going to tie it to?

Mr. FRICK. To domestic consumption.

Mr. ABERNETHY. Domestic consumption?

Mr. FRICK. Yes, sir.

Mr. ABERNETHY. I see. All right.

Now, this is a problem, and I think you have to consider it, and certainly we have to consider it. First, let me say that the producers in this industry—at least, a very high percentage of them—are pretty intelligent people. You are one of them, yourself. They have come here from Carolina, and Georgia, Alabama, Mississippi, Missouri, Louisiana, Arkansas, Tennessee, Texas, New Mexico, and Arizona. They have all said that your program will not produce the cotton. In addition, there have been responsible and informed people associated with the cotton trade who have testified that your program will not produce the cotton to maintain a normal cotton economy. This has not been said by a majority of them; it has been all of them, every one of them. There were two witnesses from your State who presented a statement, who said that we ought to emphasize the things we agree on and work out the things that we do not agree on. That was all I got out of that statement, and I am not being critical when I say that.

So, here you have this entire industry, from Arizona all the way to the Atlantic coast, on one side—and I do not mean on a side, I mean of one opinion—and you and the computer of another opinion—and I do not mean that facetiously.

Now, what are we going to do?

Mr. FRICK. Mr. Chairman?

Mr. ABERNETHY. Yes, sir.

Mr. FRICK. We have had the opportunity, of course, to visit with many of these people.

Mr. ABERNETHY. Now, they visited with you; is that not right?

Mr. FRICK. Yes, sir.

Mr. ABERNETHY. Yes.

Mr. FRICK. And I do understand that when you turn a program around somewhat different than it has been in the past that it is difficult to accept the concepts of the set-aside, and yet I do notice that when time is taken with producers—and I want to stress this, with producers—when they get the concept and understand it, I do get from many of them a feeling of "Yes, we would like to cooperate with this type of program. We know that cotton needs a change, a drastic change, if it is going to be a commodity of the the future."

And, so, in talking with producers I do get the feeling that there are many that feel that this is a good concept.

Those, specifically——

Mr. ABERNETHY. All right, now. Would you name those from Arizona back to the Atlantic coast who think this is a good concept?

Mr. FRICK. You know, I am sure this is where I get into trouble.

Mr. ABERNETHY. I am the one in trouble; it is not you.

Mr. FRICK. But it is interesting to me: Organizations—and you mentioned Arizona. I talked to Jack Francis. I find that he agrees with this, but his organization does not. It is an interesting thing to me. Yes, he apparently could not convince his organization that this was a good concept. But he understands it, and he thinks it is good.

Now, apparently, it takes more effort than we have put into it, because we have continued to have this on an informal arrangement with the committee. We have not gone out into the country to sell this program or spend a lot of time with the producers trying to convince them that this is a great program. But it appears that we need to get this concept over to producers so that they do understand it as Jack Francis does.

Now, again, as the Secretary stated in his 24th of September statement, we are not suggesting that this is the great final answer for cotton, because we are not saying that and we know it, because it is apparent, because no one within the industry or ourselves has had that answer in the past.

Mr. ABERNETHY. Well, I think you never made a more accurate statement in your life, when you said that you have an idea here that has not been sold, and that, in order to pass it through this Congress, it has got to be sold to these producers. That is certainly correct, is it not?

Mr. FRICK. I am sure.

Mr. ABERNETHY. If they do not buy it, you know, I cannot sell it for you.

Mr. FRICK. Yes.

Mr. ABERNETHY. Off the record.

(Discussion was had outside the record.)

Mr. ABERNETHY. All right. Back on the record.

Then, Mr. Frick, I think it might be well, after we break off here today, that we start again with some meetings between the producers and the Department and see what you can come together on. I am sure you feel that is quite necessary.

Mr. FRICK. Yes; we are very ready to do that.

Mr. ABERNETHY. All right, sir. That will be fine.

Now, moving on to another point. Many witnesses have been before this committee, as they have been every year, and they properly have called attention to our exports having gone down; and also called attention to the tremendous imports in the way of textiles which are themselevs replacing a million bales of cotton.

I think that is the estimate.

Has the Department of Agriculture been in any conferences with those who make the policy in the State Department and other departments in an effort to slow down this rapid increase in the importation of textiles, particularly those made of cotton?

Mr. FRICK. I cannot speak specifically, except that, within the quotas as they are designed, there has been this effort. Beyond that, I cannot speak specifically.

Mr. ABERNETHY. Do you anticipate that there will be conferences between the people in the Department of Agriculture and other departments in an effort to slow these imports down?

Mr. FRICK. I would anticipate that within the quotas as they are set, they will try to be doing this; yes, sir.

Mr. MATHIAS. Mr. Chairman?

Mr. ABERNETHY. Yes, sir.

Mr. MATHIAS. If I could add something here?

Mr. ABERNETHY. Yes.

Mr. MATHIAS. I have had the opportunity to listen to the Secretary of Commerce, Maurice Stans, and several months ago he did make a trip to the Far East, to the Orient, and discussed with various countries this very problem that you are talking about.

It is a difficult problem, but he has studied it, and he informed me and the other Congressmen who were involved in this hearing that he was doing all he could through the State Department and the Department of Commerce to do something about this problem.

Mr. ABERNETHY. The gentleman is correct.

I also sat in a conference with the Secretary of Commerce. This was back in the spring. When the conference was concluded I had the opportunity to make a brief statement. My statement was that I had served under six Presidents, and all of them—and this is not said in criticism—I do not want to be misunderstood—had come into office recognizing the problem of textile imports. Each had committed himself, or had made some commitments to do something—and that something to be done was to stop this burdensome level of imported textiles.

I do not know why; we never get anywhere with it. I understand that Secretary Stans has been frustrated on every move he has made up to

now. I wish the administration would recommend that we just adopt some legislation along these lines. I know that the general policy of the executive branch of the Government has been not to adopt legislation; but I think such is the only way we are going to get anything done. These farmers and textile people are very much upset about the continued quantity of textiles coming in. I am afraid that we will wind up right where we wind up every year, with a quota system that does nothing about it.

Now, Mr. Frick, I am sure you agree with me that the passage of a cotton bill in some form or another is very important, or else we return to the old law.

Mr. FRICK. Yes, sir.

Mr. ABERNETHY. I think you will agree, too—and maybe I am going over the same territory again—that unless there is agreement between the Department and the producers in order that they can come together to the Hill and fight together for a program, that we will not have a new program; we will go back to the old law?

Mr. FRICK. Yes.

Mr. ABERNETHY. So, the next move is, would you not agree, the next move is for the Department and producers to start burning the midnight oil to see if they can agree; is that right?

Mr. FRICK. Yes. We will do all we can to bring the producers together in this type of proposal.

Mr. ABERNETHY. All right. Have you made any suggestions to them as to when you would like to see them?

Mr. FRICK. In fact, I am seeing one of them this afternoon, the head of one of the important producer organizations.

Mr. ABERNETHY. I want to assure you that you will have my cooperation and you will have the cooperation, I am confident, of the members of this subcommittee. I am also quite confident you will have the cooperation of Chairman Poage. If there are times in these conferences you would like for some of us to sit in with you. I want to assure you that we are available.

Mr. FRICK. Thank you very much.

Mr. ALEXANDER. Mr. Chairman?

Mr. ABERNETHY. Mr. Alexander.

Mr. ALEXANDER. Mr. Chairman, may I ask one question of Mr. Frick?

A minute ago, sir, you talked about efficiency in production and your desires to achieve production and competitiveness through better efficiency among cotton farmers.

Sir, what is your estimate and the estimate of the Department as to what minimum cotton acreage would be necessary in order to constitute an efficient production, an efficient producer?

Mr. FRICK. Of a single farm?

Mr. ALEXANDER. Yes, sir.

Mr. FRICK. I have seen the figure—Well, I had better ask.

What have you seen on this, Grover?

Mr. CHAPPELL. I do not recall a specific figure. It seems to be, though, a couple of hundred acres.

Mr. FRICK. This is the figure I recall having seen.

Mr. ALEXANDER. A couple of hundred acres, meaning more than 100 acres of cotton?

Mr. CHAPPELL. Yes.

Mr. ALEXANDER. Did you not specifically take this problem into consideration when you made your calculations as to efficiency?

Mr. CHAPPELL. Yes, we did, and as a matter of fact we find that there is a pretty good correlation between the size of the farm and the percentage of allotment that is planted. Most of the large farmers do tend to plant 100 percent of the allotment. In your State, we find that there were 773,000 acres of cotton allotment that planted 100 percent in 1969. This was the third highest of any State and it amounts to almost two-thirds of the cotton allotment allotted to the State of Arkansas.

Mr. ALEXANDER. One other question, then. What percentage of the 100-percent-production planters—if I may refer to it in that way—I am referring to the item that you list on page 7 of your testimony where one-half of the cotton producers planted 100 percent of their allotment, that is, the 100-percent-producer figure I refer to—what percentage of those farmers would you consider to be efficient producers based on your calculations?

Mr. FRICK. Do you have figures on that, Grover?

Mr. CHAPPELL. Well, presumably all of these farmers expected to have a better return growing cotton on that 35 percent of their allotment that was over and above their domestic allotment, than they could for any other crop. They were free to plant soybeans on it if they so wished; or were free to plant many other crops on it.

Mr. ALEXANDER. Just a couple of other questions.

What would be the minimum acreage planted by the farm, that is, the the lowest number of acres that constitute this part of this figure right here (indicating)?

In other words, do you have any farms in here that are less than a thousand acres of cotton or less than 500 acres or less than 100 acres of cotton?

Mr. CHAPPELL. Yes. In fact, there are quite a few of our farms who have less than 10 acres who plant right up to the maximum allotment.

Mr. ALEXANDER. And they are figured in this calculation?

Mr. CHAPPELL. Unfortunately, the figures I was quoting to you happen to be just the so-called large farms, larger than 10 acres, but statistics are available for the others, too. I do not have them with me.

Mr. ALEXANDER. Have you or the Department made any study or attempted to make an analysis as to how they would reach any more specific conclusion as to the number of cotton acres necessary in order to contitute an efficient producer?

Mr. CHAPPELL. I would think "Yes."

Mr. ALEXANDER. Is this study available to the members of the committee?

Mr. CHAPPELL. Yes. Virtually, all of the research we do is designed for publication.

Mr. ALEXANDER. Could I have the information that you have along this line made available to me at your earliest possible time?

Mr. FRICK. Yes, we could make sure, Mr. Alexander, that you do have that.

Mr. ALEXANDER. Thank you.

Mr. ABERNETHY. I would like to ask one more question.

There is one thing in your recommendation that disturbs me very much, and it also disturbs a number of other people. You propose that

payments would be made to a farmer irrespective of whether or not he plants his basic allotment. The one thing that has been condemned most in this Congress is paying somebody for doing nothing, and that is what you propose here. Are you going to stick to that?

Mr. FRICK. Mr. Chairman, we think the proposal has merit, because if a man chooses to get out of cotton, why, this does give him some financing to change over to another crop or to put his farm in a better condition with which to compete in the future. So, we think that this may have merit as he changes his pattern of production, yes, sir.

Mr. ABERNETHY. Well, off the record.

(Discussion was had outside the record.)

Mr. ABERNETHY. On the record.

That is going to be awfully hard to sell to this Congress.

Mr. FRICK. I understand that. I think the proposal does have merit, if it will be looked at in the broad farming picture.

Mr. ABERNETHY. Yes, sir. Well, we have a lot of people that are not going to get out. They will plant—well, up to the x percent that you propose and still I believe you say up to within 20 percent a year?

Mr. FRICK. Twenty percent a year, and after 4 years there would be no payment.

Mr. ABERNETHY. Yes.

Mr. BURLISON. Will the gentleman yield?

Mr. ABERNETHY. Yes.

Mr. BURLISON. I want to go back just a minute, Mr. Frick, to something that I emphasized earlier, that I do not understand how we can take, under your calculations, 6 million acres out of production on set-aside, lower the loan rate from 20.25 to 18.25, lower the season average price, have the season average price lowered from 21.5 to 19, and the payment rate from 14.7 through this year and 16.8 in 1970, and lower that, and still come out with anything approaching the same income to the farmer.

Now, you do not agree with me on that? But let us just assume, let us just assume that my analysis—that after studying this thing, we determine that my approach is right, that there is no way under these facts to maintain this farm income, what would you think about allowing the farmer who owns the property that he takes out of production for the set-aside, what would you think about maintaining some of the expenses of that land, paying the taxes or the interest on the loan?

What comments do you have with respect to that as an alternative approach to help tide the farmer over, or at least maintain his expenses on this land on which he cannot produce?

Mr. FRICK. Of course, we are saying here that the payment he is receiving is in return for setting aside a certain acreage for his contribution to the overall, the too-many-acres-in-production concept here, and that payment would help him in the set-aside. This is what he is being paid for, his contribution to the set-aside acres, so that we will not have too many acres in production and the payment, again, is something that can be varied to be sure that he does have a net income. So, it will not be decreased.

Mr. BURLISON. Thank you, Mr. Chairman.

Mr. ABERNETHY. What are you going to do with this set-aside acreage? What is the farmer supposed to do with it?

Mr. FRICK. It is a noncropping acreage.

Mr. ABERNETHY. I know it is noncropping. But does it just sit there, or what?

What can he use it for?

Can he use it for anything at all?

Mr. FRICK. The idea was to not be able to harvest anything off of it. That is correct.

Mr. CHAPPELL. Well, sir, this would be the same program as we have had in the feed grains and the wheat acreages. We ask the farmer to take the acreage out of production, and maintain it in a non-soil-depleting use.

Mr. ABERNETHY. Yes, but a man can grow feed grain and wheat whether he has ever grown it before or it. He can get in the feed grain and wheat business, can he not?

Mr. CHAPPELL. Yes, sir.

Mr. ABERNETHY. He cannot in cotton, though; can he, under your quota?

Mr. CHAPPELL. Yes, sir.

Mr. ABERNETHY. He cannot have the domestic part of it. He cannot have a domestic allotment?

Mr. CHAPPELL. That is right. If he has no allotment today, he would not be able to earn payments; that is correct.

Mr. ABERNETHY. Now, there are many feed grain and wheat growers who cannot participate in the program at all; is that not correct?

Mr. CHAPPELL. That is correct, sir. They also do not earn any type of payment.

Mr. ABERNETHY. I know they do not earn any payment, but if a man has a cotton farm, he has got to participate in the program and set aside in order to carry on a cotton operation?

Mr. FRICK. I think we would say this, and I think that one of the men who did testify up here indicated that if he could just be free to plant that maybe this would be better than participating, and so there may be some people that feel their set-aside is too expensive, and they would prefer to not set aside any land and to grow cotton from fence-row to fence-row.

Mr. ABERNETHY. Then, he is out of the cotton business; if he does not set aside, he is out of the cotton business, although he may have been in it all of his life?

Mr. FRICK. I see what you mean. from a payment standpoint. He would not be out of the cotton business. He would really be on his own decision, in the cotton business, as he sees fit.

Mr. ABERNETHY. Well, let me ask you this: Let us assume that here is a farm that has never planted an acre of cotton. Does this program open up the planting of cotton in unlimited quantities on all farms from Carolina to California?

Mr. FRICK. I do not think that has been spelled out specifically; the concept is that that farm or that area in the United States, wherever it is, that can produce cotton economically be allowed to produce so that the cotton economy will be on a sound economic basis.

Mr. ABERNETHY. Well, of course, the farmer is the man who makes the decision as to whether or not he can produce it economically, but

aside from the economics of it, here is a farm over here that has never produced a stalk of cotton. Under this program, he can plant every acre of it to cotton if he wants to; is that not right?

Mr. FRICK. Yes, sir.

Mr. ABERNETHY. Have you taken into consideration how many will plant?

Mr. FRICK. We have. We do not think it would be too many that would start up new.

Mr. ABERNETHY. Well, can you give us some idea of how many you think would start?

Mr. FRICK. I do not think I can.

Grover, can you?

Mr. ABERNETHY. I think this is very important.

Mr. CHAPPELL. We have no estimates of the number of people. The number of acres that might be planted on farms that receive no payment at all would be very, very small relative to the expansion on the part of those farms that do have an allotment and would overplant.

Mr. ABERNETHY. Well, we had a man here the other day that had 50 or 60 thousand acres, who said he did not want to get into any program at all, that he just wanted to plant the entire farm in cotton.

Mr. FRICK. I think that my answer might be that today we do have export acres available, and, of course, it is only for export which does make it more restrictive, and we do not have a lot of farmers trying to do this.

Mr. ABERNETHY. Well, now, he would not be required to export this cotton.

Mr. FRICK. That is correct. He would have all of the markets available to him.

Mr. ABERNETHY. If I had a 1,000-acre farm upon which there had never been a stalk of cotton and it was capable of producing cotton and I want to plant cotton, when this program goes into effect I can plant every acre of it in cotton.

Mr. FRICK. Yes, sir. We feel that, in the light of the worry that there will not be enough production, it is essential that we do not put a restriction, then, upon any available production.

Mr. ABERNETHY. I never dreamed you were recommending such. We had better take a second look at this one.

(The following letters and statement were also received by the subcommittee:)

NATIONAL COTTONSEED PRODUCTS ASSOCIATION, INC.,
Memphis, Tenn., December 10, 1969.

Hon. THOMAS G. ABERNETHY,
Chairman, House Agriculture Subcommittee on Cotton,
Washington, D.C.

DEAR CONGRESSMAN ABERNETHY: The board of directors of the National Cottonseed Products Association have approved unanimously the following:

"The Board of Directors of the National Cottonseed Products Association urges Congress to recognize that the continued existence and prosperity of the American cotton industry is of vital significance to the national interest and requests the enactment of a sound, long-range price and production program for the crop.

"Such a program must permit cotton to be fully competitive in both domestic and foreign markets and thereby encourage expanded consumption; it must also provide for dependable supplies of American cotton which are adequate to meet the requirements of modern competition. To the extent that payments are involved in such a program, they should be made on the basis of cotton produced

and not on estimated yields and should insure equitable treatment for all who participate.

"The program must make maximum use of normal trade channels and provide, for the producer, a reasonable return on his labor, management and investment. An intensified program of farm research, to enable growers to reduce production costs, is essential to the realization of this objective."

We shall appreciate it very much if this may be included in the record of hearings on the cotton program.

Yours very truly,

FRED H. HUSBANDS, *Executive Vice President.*

STATEMENT OF JOHN W. SCOTT, MASTER, NATIONAL GRANGE

Mr. Chairman and member of the committee, I am John W. Scott, master of the National Grange, a rural community family organization, with headquarters at 1616 H Street NW., Washington, D.C.

We wish to thank you for calling additional hearings on the future cotton programs and express our appreciation for having this opportunity to present the views of the National Grange.

We also wish to thank members of the House Committee on Agriculture who have cosponsored or introduced the coalition farm bill, the Agricultural Stabilization Act of 1969: Congressman Purcell of Texas, Congressman Foley of Washington, Congressman Jones of North Carolina, Congressman Vigorito of Pennsylvania, Congressman Melcher of Montana, and Congressman Zwach of Minnesota. We appreciate the bipartisan support the coalition bill has received and realize that we must remain this way if we hope to have effective farm legislation during the 91st Congress.

The Grange's desire for unity in agriculture is deeply embedded in Grange philosophy and Grange policy. As early as the Sacramento, Calif., convention in 1889, the first policy statement from the Grange on unity and united agriculture was presented and adopted and has remained firm Grange policy since that time. At the 102d annual session of the Grange, held in Peoria, Ill., in November 1968, this policy once more was reaffirmed by the committee on co-op activities and adopted by the delegate body. The resolution states in part: "What farmers most need at the present time is a better understanding of such economic and political questions as relate to the material interests and a disposition to unite with others of the same class to put this knowledge into practical use. It is apparently an easy matter for farmers to theorize upon those questions and even to arrive at a definite conclusion, but in times past it has been about as difficult to unite their forces and apply the knowledge gained, as it used to be for a camel to pass through the eye of a needle."

This charge from the Grange delegate body and the call from this committee, Congress, and the administration for unity and a consensus farm program for agriculture, prompted us to call the early meeting of the farm organizations in February. From this first meeting has grown the strong, united front of agricultural organizations called the farm coalition.

The National Grange, at its 103d annual session, just concluded in Daytona Beach, Fla., reaffirmed its strong support for the continued effort to bring agricultural organizations closer together in seeking essential farm legislation.

The delegate body of the 103d annual session of the National Grange adopted the following agriculture policy on farm programs statement.

"FARM POLICY

"The productivity of American agriculture is the envy of people around the world. The rapid adoption of technology and an efficient, well-organized and managed system of production provide consumers with a variety of products that requires the smallest proportion of disposable income of any nation. We believe that American farmers have the capability of meeting the needs of the growing population in this country and helping to feed the growing world population. This can become a reality only if the farmer receives the cost of production plus a reasonable return on his labor, management, and investment.

"All efforts should be continued to seek new cost-reducing methods. It must be recognized, however, that cost reduction alone does not guarantee an adequate level of income. Most gains from this source have, in fact, accrued to American

consumers. Greater efficiencies that lead to lower costs of production cannot be expected to solve the income problems of agriculture. There must be a continuation of farm programs to ease adjustments in this sector and to stabilize and improve farm prices and income.

"The year 1969 marks the close of the decade of the 1960's and the beginning of the 1970's. This year of transition also marks the end of the Food and Agriculture Act, due to expire after being extended for 1 year.

"This act provides price supports at near world market levels, greatly improving our competitive position in export markets. It provides payments to finance acreage and production adjustments as necessary. The absence of similar farm legislation in the 1970's could result in an unstable farm economy that would create chaos for farm families, rural communities, and the consuming public. It is therefore imperative that agricultural legislation be enacted which will provide parity prices, opportunity, and public service to rural people, while, at the same time, providing an adequate and stable supply of food and agricultural products necessary for the growth and prosperity of the Nation's economy.

"Over the years, parity prices have served as guidelines for measuring fair and equitable prices for agricultural commodities relative to the prices of things farmers buy. The ability of farmers to secure credit would be adversely affected if the parity price index were to be discarded. We cannot scrap the anchor of parity and retain fairness in prices to farmers.

"We recognize the importance of preserving and protecting the integrity of the owner-operator-manager farm as exemplified in the commercial family farm system, not only as very efficient in the production of food and fiber, but as the backbone of rural America.

"The commercial family farm of America has been the foundation of the most progressive and efficient agriculture the world has ever known. It has contributed to the economic growth of the Nation, provided an abundant supply of food for domestic consumption and relief of hunger over the world. We reaffirm our traditional support of the commercial family farm unit and urge that all programs and policies be constituted and implemented to protect and promote the well-being and continuance of the commercial family farm.

"FARM PROGRAMS

"The Agriculture Act of 1965, while not achieving the total objectives of the act, has aided materially in increasing gross farm income from $44.9 billion in 1965 to $51.1 billion in 1968. During the same period, however, farm production expenses rose, from $30.9 billion in 1965 to $36.3 billion in 1968, resulting in a decrease in net farm income for the period of $0.3 billion thus making it appear that the act of 1965 has been, ineffective in increasing farm income.

"The most recent increase in the cost of production that can be readily seen and easily applied is the recent 6-percent increase in freight rates the ICC allowed the railroads. This will result in approximately a 3-cent decrease in the return to a Montana wheatgrower and 2½-cent reduction in the return to a wheatgrower in the Dakotas, and so forth. Is this the fault of the present commodity-by-commodity approach to solving farm problems? We think not.

"It was the provisions of the 1965 act that rescued American agriculture from a sea of surpluses that threatened the livelihood of every American. It not only reduced the high tide of mounting stocks in Government hands of food and fiber, it reduced the cost of the abundant supply of high quality food to the American housewife, to the lowest percentage of expendable income in the history of the world (estimated to be 16.4 percent in the last quarter of 1969), while at the same time increasing net farm income to $15 billion, an increase of 28 percent since 1960.

"The record of accomplishments of the act of 1965 is encouraging; however, the American farmer has not shared in the rapid advance of economic growth of his counterpart in other segments of the society. Nor has he been adequately compensaed for his contribution to efficient production, whereby he produces for himself and 45 others, while at the same time produces 1 out of every 4 acres for export, which produces 17 percent of the world trade in agricultural products, thus making the greatest single contribution to the United States' favorable balance of trade.

"Meanwhile, during the past two decades the hourly earnings of manufacturing workers have increased by 127 percent and corporate dividends are up 251 percent. During this same period of time farm prices have dropped 9 percent. The estimated net income of agriculture for 1968 is $14,9 billion, compared to $15.9

billion in 1948. National income reached $713 billion in 1968, compared to $244 billion in 1948. Thus, while the national income shows an increase of 218 percent, farm income is down approximately 6 percent.

"One other factor has had an important influence upon the public dissatisfaction with domestic farm programs. This can be best described as a blessing of the good things from Mother Nature, plus the American farmer's unselfish sharing of his techniques of modern agricultural production that has made exporters of many of the lesser developed countries, as well as an overproduction of farm products in our friendly neighbors of Canada and Australia.

"These factors have led to an overabundance of some agricultural commodities that are causing concern in world trade; however, the experience of our domestic farm programs in curtailing our own production is leading to the adoption in our rival countries of production controls. It is highly unlikely that such international developments would have been initiated had it not been for the Act of 1965.

"We would emphasize that the decrease in net farm income from 1965 to 1968 was due to factors unrelated to the Agriculture Act of 1965. Inflation has caused higher costs of agricultural inputs, which has resulted in a cost-price squeeze totally unrelated to farm programs.

"The National Grange believes continuation of the basic provisions of the Food and Agriculture Act of 1965 is the first step in securing effective domestic farm programs for the seventies. We must not be forced to return again and again to pass legislation already approved by Congress. Our main purpose is to improve the basic act, improvements that cannot wait because improvement in farm income cannot wait; therefore, we are proposing them this year.

"We specifically recommend for cotton the following:

"*Cotton*

"Extend present cotton program.

"Continue Public Law 86–172 which permits the release and reallocation of unwanted cotton allotment acreage.

"Adjustments in the regulations affecting the redistribution of cotton in each county and State which will accelerate movement of it on a permanent basis into the program of bona fide cotton farmers, yet without injury to any cotton allotment holder.

"In addition to these proposals for cotton, the National Grange recommends that the following programs be a part of new farm legislation. They are not specifically related to cotton but would have an effect on the eventual effectiveness of the cotton program, as they relate to the total farm program; the establishing of a consumer reserve and supplemental land retirement programs. All of these features were more fully explained when we testified before the full committee on farm legislation back in July. They are as follows:

"*Reserves*

"Establishment of consumer protection reserves of wheat, feed grains, soybeans and cotton. Consumers must be assured of stable supplies, despite crop failure at home and abroad. Reserves will make supply-management more workable by removing the threat of shortages. Production can be planned more accurately to fit market needs if we have a buffer reserve fully isolated from the market.

"*Cropland adjustment*

"We commend the Secretary for rejecting a massive cropland retirement program as a substitute for existing commodity programs, as we agree that programs must be tailored to fit individual commodities. Cropland adjustment programs should be supplemental and work in combination with commodity programs.

"We recommend the removal of the limit of $245 million on amount of funds that can be appropriated for the cropland adjustment programs.

"In our efforts to improve farm income and therefore economic conditions in rural America, we dare not be misled by proposals and counterproposals that promise increased farm income, while at the same time a reduction in total cost of farm programs to the Federal treasury. This would mean total reliance upon the marketplaces for farm prices, therefore farm income, an economic situation that is unrealistic as long as the American farmer is called upon to supply an abundance of food and fiber, in excess of that needed to correctly match supply to demand. The amount produced over and above that needed to

match supply to demand is a sufficient amount to destroy the marketplaces as the sole source of fair and reasonable prices for the producer; therefore it is the opinion of the Grange that present farm programs, that supply a proper mix of public and private funds, must be continued if we are to have a viable family farm structure in American agriculture."

This, then, represents the National Grange's official position on future cotton programs, as it was overwhelmingly endorsed by the delegate body at its 103d annual session just concluded on November 18, 1969.

I fully realize that it does not recommend nor does it condemn the set-aside cotton program, as set forth in the summary of draft legislation submitted by the USDA on October 25, 1969. But such a strong position in favor of the continuation of the Food and Agriculture Act of 1965 can only be interpreted as a complete rejection of the set-aside cotton program, by the membership of the National Grange.

The agriculture committee of the National Grange did consider what little information they had concerning the new cotton program before recommending to the delegate body that the Grange support the coalition farm bill. The information the committee had was supplied to us by a member of the House Agriculture Committee and we have not had the privilege or the opportunity of being briefed on the set-aside cotton program by any members of the Department of Agriculture.

In light of the limited information available to us, it is rather difficult, if not impossible, to pass judgment on farm program proposals that have not been sufficiently and clearly explained by the Department and which have not reached a stage of development where one can judge the overall effect of such proposals on net farm income.

In all fairness to the Secretary of Agriculture and to the administration, it was the judgment of the National Grange's Committee on Agriculture that they were not in a position to pass final judgment on the "set-aside" program for cotton.

In studying the figures supplied with the set-aside cotton program, you have to use the optimistic column if you are going to improve farm income and with what little we know about the source of the figures or their meaning, the chart is useless in helping us to determine the net effect of the set-aside cotton program on cotton farmers and their real income.

It is for these reasons that we are unable at this time, knowing what little we know about the main "set-aside" proposals, to give National Grange support to such proposals or alternatives to farm programs.

LIMITATION ON PAYMENTS

The delegate body of the 103d annual session of the National Grange passed the following resolution pertaining to limitation of payments:

"FARM PROGRAM PAYMENT LIMITATION

"Supply management programs in agriculture must include producers of all acreage or unit levels to be effective. Payments under present programs to a few large producers has resulted in unfavorable publicity and creation of an unfavorable image of farm programs, through misunderstanding of the objectives and purpose of supply management farm programs.

"We must recognize the increasing pressure for limitation of payments that may arise in considering new farm program legislation. We therefore authorize and instruct the national master and executive committee to carefully review all proposals for payment limitations; their effect in the consideration and passage of farm program legislation; and the effect on proper administration and implementation of farm programs and take such action as will be in the best interests of agriculture as a whole.

"We urge that no payment limitation be imposed unless workable supply control measures be simultaneously developed and we further urge that any payment limitation that might be imposed be such that the constitutionality of the cotton and wheat certificate programs will not be jeopardized."

Please allow me to add that agricultural support and adjustment programs have been long recognized as a means of strengthening our national economy and of assuring consumers of an adequate supply of food and fiber to meet all essential needs plus an additional reserve supply to protect against shortages which might otherwise arise from short crops or other unforeseeable condi-

tions. Without such a program the additional reserve supply which is essential to protect the consuming public against food and fiber shortages would unfairly depress the price of agricultural products and destroy the productive capability of American agriculture and severely injure our national economy.

In the mid-1950's producer payments were adopted and used in varying degrees as a method of implementing the production adjustment program. The carrying out of price supports in part through the use of payments had as its objective and effect the lowering of the price of the commodities in the marketplace to a point substantially below parity or the fair market value which would have otherwise resulted from a loan or purchase-type program. This lowering of the price through payments had the effect of making our agricultural products more competitive in the export market and to a large degree eliminated export subsidies, but, of even greater significance, such payments served to reduce the price of agricultural commodities in the marketplace to the benefit of consumers. Thus the payments to farmers currently being made under the existing price support and adjustment programs clearly cannot fairly be categorized or analogized to gifts or welfare-type payments. They are, in fact, payments for the purpose of offsetting the price reductions which farmers are taking for their products in the marketplace. If, therefore, we are to obtain and maintain the production needed and an agricultural plant capable of supplying such level of production to constantly assure consumers of an adequate supply to meet their needs and reserves to protect against short supplies, we must maintain an adjustment-support program through loans, payments, or other operations which will assure producers cost of production and fair return for their products. Any attempt, therefore, to arbitrarily limit payments or price support, except in relationship to the quantity produced under the production adjustment program, would endanger the productive capability of American agriculture to meet consumer requirements and would rapidly impair our national economy by destroying the balance between agriculture and the other segments of our economy. If we have learned anything in the past, we have learned that the industrial and agricultural segments of our economy are interpendendent and that one cannot prosper without the other.

I'm sorry that we cannot be more constructive in our support or criticism of the "set-aside" cotton program, but the National Grange has not been invited to the council tables in the Department of Agirculture. Most, if not all of the commodity groups have, on more than one occasion. We are glad that they have had this opportunity to learn firsthand the explanation of the new proposals for cotton, feed grains, and wheat. We have not been so privileged; therefore, our statement lacks the depth which we would like it to have and we cannot condemn too harshly that which we don't clearly understand.

We wish to compliment the efforts of the Secretary and the Committee on Agriculture for their long hours of work on new farm legislation and, as we told the Secretary, we hope the ultimate farm legislative package coming from this committee will be such that it can have the support of the National Grange.

We appreciate, Mr. Chairman, this second opportunity to present our views on cotton, and again express our thanks to you for your continued leadership in this area.

Thank you.

KANSAS STATE UNIVERSITY,
Manhattan, Kans., December 10, 1969.

Congressman THOMAS ABERNETHY,
Chairman, Subcommittee on Cotton,
Committee on Agriculture,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: I am submitting a summary of my views on needed cotton programs and payment formula amendments for 1970. I request that these be incorporated in the record of the hearings of your subcommittee. The following is a brief excerpt from my testimony last week before the Subcommittee on Livestock and Grains of the Committee on Agriculture of the House of Representatives:

"I am not sure I should comment directly on other commodities before this subcommittee. Yet all these programs are related, so I want to add a word on cotton. Of the programs for major commodities, the cotton program is most in need of

amendment from the standpoint of equity among commodity producers, flexibility on the farm, and total costs. The payment level is excessive if not exorbitant, and should be reduced sharply; cotton payments should be computed only on a domestic allotment; acreage allotments are ridged in contrast to the producer flexibility available on feed grain and wheat farms, and should be phased out.

"My views on payment limits are well-known. Details appear in the two papers submitted for the record. I strongly urge this subcommittee to act to limit farm program payments to $5,000 per program and $10,000 per farm."

Enclosed also, either for the record, or for the information of the subcommittee, are two papers which give my detailed views on changes needed in the cotton program.

Sincerely yours,

JOHN A. SCHNITTKER.

[From the Atlantic Monthly, August 1969]

THE FARMER IN THE TILL

(John A. Schnittker)

John F. Kennedy is reported to have remarked that he didn't want to hear about agriculture from anyone except John Kenneth Galbraith, and didn't want to hear about it from him either. As President, Lyndon Johnson nursed an incurable longing for the rustic pleasures of the LBJ Ranch, but he avoided farm-policy questions when he could. Public officials are alternately war and weary of agricultural policy. There is ample reason for both attitudes. Farm voters are notoriously hard to please, and farm-policy debates are seldom stimulating. Yet the need for agricultural policy will not go away simply because frustrated politicians wish it. Advanced technology on the farm assures plenty of food for consumers. It also requires stable prices, and there are far too many farmers to arrange such a result without Federal help.

Official lethargy on this score was shattered late in May this year when the House of Representatives, reacting against million-dollar payments to big farms, overwhelmingly approved a ceiling of $20,000 on direct subsidy payments to any farm. This revolt against the old order in farm policy was a replay of a surprising House action in 1968, an action later reversed by the Senate.

Congressional advocates of a farm-payment ceiling have some good things going for them. Farm-program costs, at 4 to $5 billion a year, are high and moving higher. In a careful survey made late in 1968, 85 percent of the farmers favored limiting farm benefits. City people are nearly unanimous in objecting to the big budget drain for farm programs when other priority needs beg for funds. Most important, advocates of farm-program reform in the House of Representatives and the poor people's lobby have skillfully contrasted giant Federal payments to a few farms with the hand-to-mouth budget granted Federal food programs by Southern-dominated Agriculture Committees in both the Houses of Congress, despite evidence of widespread malnutrition. Congressman Paul Findley—Republican, of Illinois—has reported to the House that the cotton and wheat areas with the largest number of big farm payments were doing least about hunger and malnutrition. Finally, a study prepared last year at the request of President Johnson has destroyed the claim of the agricultural establishment in both political parties that surpluses and economic chaos would inevitably accompany a ceiling on farm benefits. Budget savings of $250 million per year are now anticipated by those who favor payment reform, and the savings could be doubled if the payment ceiling were set at $10,000 instead of the $20,000 that was proposed.

Those members of the Congress who opposed the ceiling on farm benefits claimed that such a plan could not be administered, that it was unworkable and unfair, and that it would not save money. Fortunately for the public, none of this is believed any more, at least not in the House of Representatives.

It helps to know some of the words and symbols, if one is to understand the need for change in farm programs. Parity, price supports, and direct payments are the key words.

Parity has been the battle cry of farmers since the 1920's. Public discussion of farm policy, however, has been clouded by three parity doctrines. Parity in the abstract is hard to argue with; it is essentially a fairness doctrine. The effort to find out what is fair for farmers, however, has spawned two competing statistical measures of farm parity.

Parity prices originated a generation ago out of what seemed to be a sensible notion: that farm-product prices should increase in step with the general price level; this would maintain the farmer's purchasing power. Conceived before the new technology revolutionized farming, the parity-price system has failed to account for recent rapid gains in productivity. If farmers were guaranteed 100 percent parity prices in 1969 (instead of the present 65 to 70 percent of parity), wheat, corn, and cotton prices would increase by about 50 percent. Crop surpluses would be inevitable, and the Agriculture Department budget would soon rival the Defense budget. Clearly, the parity-price doctrine is obsolete, although not quite dead.

Parity income is a more recent standard. Simply put, the parity-income doctrine says that a good farmer investing his capital in an operation large enough to employ him more or less fully should be able to earn as much farming as he would earn operating any other small business. A recent Department of Agriculture study showed that a half million of the biggest farmers producing two-thirds of our farm products are meeting this standard, at least on the average if not on every farm every year. Net incomes on the largest farms, thanks partly to big payments, are generally far above parity; rapid land-price escalation as farms are enlarged is a clear sign of this. In contrast, the smallest and poorest 2 million farms could not earn parity incomes on the farm even if market prices are doubled or tripled.

Farm prices left to themselves are notoriously unstable. Price support programs, begun in 1933, grew out of that fact and out of the general economic depression. The new programs were supposed to raise prices by reducing crop production and by removing surpluses from the market. But neither the farm programs nor pump-priming expenditures in the rest of the economy brought real recovery in the 1930's. World War II did that, pushing farm prices so high that price ceilings and consumer food subsidies were applied. After the war, the farm bloc in Congress succeeded for a time in maintaining the high wartime prices under peacetime conditions, even though agricultural prices around the world were declining as Europe recovered and began producing again. The results were predictable. By the late 1950's high market-price guarantees and half-hearted production control were creating huge surpluses. More than that, farmers were gearing their expectations to high prices and buying their land at inflated values. Thus they were generating their own cost increases to justify future demands for even higher prices. By 1960, every grain-and-butter storage structure in the United States was filled. The annual cost of simply owning and storing the $9 billion farm surplus reached $1 billion in 1961. "How to let go of the bear's tail" became the principal preoccupation of reform-minded farm officials and economists.

The answer was a system of direct payments to farmers in place of high-price supports. In the early 1960's, payments became the key instrument of farm-policy reform, cushioning the impact of an abrupt shift from high to lower price guarantees for wheat and cotton, and providing farmers the cash incentives required to reduce acreages and limit farm output. Big farmers, who had profited handsomely from high market-price guarantees in the 1950's, became identified in the 1960's as the recipients of huge Government checks. The stage was set for the present struggle to reduce the size of those checks.

Recent developments in farming have also helped to focus public attention on farm-program benefits. When farm programs were introduced in 1933, there were 7 million farms in the United States. A few were huge holdings, but most were small, one-family enterprises. Benefits were geared to production, and so farm aid was spread fairly evenly. By 1968, more than half of those farms had disappeared. Today there are 3 million farms, but 2 million of them are small, part-time, residential, or hobby farms. One million top farmers produce nearly all of the farm products marketed, and they get most of the money spent on farm programs. A new study just published by the Joint Economic Committee of Congress, for example, shows that the largest 5 percent of sugarcane and cotton growers get 63 and 41 percent, respectively, of all the direct benefits from those programs. The largest 1 percent of cotton growers in California and Mississippi get 25 percent of all the direct Federal benefits in those States Under such circumstances, public concern is certainly understandable.

Clearly, the large payments are not going to the traditional American farm, still typically a one-family enterprise. Instead, they help insure financial security for such well-heeled enterprises as the J. G. Boswell Co. of King's County, Calif., which collected direct farm payments of $3 million in 1968 and $4.1 million in

1967. The Boswell Co. is a multimillion-dollar diversified cotton operation with good connections in Washington. Senators and Congressmen are not excluded from farming, nor do they always disqualify themselves when the Congress votes on big farm payments. Family interests of Senator James Eastland of Mississippi (the Eastland Plantation, Inc., and H. C. Eastland) collected payments totaling $142,078 in 1968, down from $189,050 in 1967. In October 1968, Senator Eastland voted against the payment ceiling which would have cut the Eastland farm payments to $60,000 or $20,000 on each of three farms. Campbell Farming of Big Horn County, Mont., often cited as the model of a modern wheat-farming operation, got $162,897 in 1968. Garst Farms, run by Roswell Garst, the international seed-corn figure and one-time host in Iowa to Premier Krushchev, got $70,923 in 1966, but only $45,212 in 1968.

Nearly two and a half million farmers get Federal payments, but only 10,000 farmers get over $20,000 per year. Most of the big payments go to cotton farmers in California, Texas, Mississippi, Arkansas, and Arizona. When Congressman Findley placed the names of all recipients of $25,000 or more in the Congressional Record this year, the list from the five biggest cotton States filled 21 pages. Five leading grain States required only four pages. Concentration of Federal payments in a few cotton States makes them really ripe for reform, although sugar and wool, with powerful political support, are also involved.

Late this spring, when the House of Representatives voted a $20,000 ceiling on farm payments, the majority and minority leaders were opposed, as were most committee chairmen. Understandably, the bulk of the opposing votes were from Texas, California, Mississippi, Arkansas, Kansas—the States with the biggest payments. The Senate could vote a ceiling this summer, if urban Senators and the leadership take the initiative. If the Senate fails, final action may have to wait until the farm program is reviewed in 1970.

The White House does not seem to have learned anything from President Johnson's 1968 experience in this matter. When the House voted a payment ceiling last year despite intense administration opposition, President Johnson began to have second thoughts about supporting his own farm bill, which continued the increasingly vulnerable big payments in a year when most budgets were being cut. Official embarrassment mounted after the poor people's march when the administration's expected assault on hunger fell before the tax surcharge, the $6 billion budget retrenchment, and higher Vietnam spending. When the Senate-House conferees on the farm bill dropped the payment-limiting amendments, last year's official White House strategy was designed to get the conference report stalled or rejected, so that the entire farm issue would have to be reviewed in 1969. That failed in a parliamentary maneuver designed without the President's knowledge by the administration's own lobbyists. After that, President Johnson reluctantly signed the farm bill and directed "the Department of Agriculture to study the effect of a payment limitation on programs which require voluntary diversion of productive land."

That study was conducted in the Department of Agriculture and became public after President Johnson left office. Its findings flatly contradicted the principal argument the administration and farm Congressmen had made in recent years: That payment limits would destroy the production-control programs and would lead to new farm surpluses. The study also documented the potential budget savings associated with a payment ceiling. All this, even the potential budget savings, seems to have been lost on the new administration.

The advocates of unlimited payments are now left without any sensible arguments for their position. Previous opposition to the ceiling rested on the argument that big payments are needed to prevent too much corn and wheat production. This spurious claim had a limited validity in the 1961–64 period of heavy surplus removal, but it has none in 1969 when grain surpluses are down. The Department of Agriculture simply did not know the distribution of payments by size of farm until around 1965. Acting on faulty information, Department officials took an early stand against a payment ceiling, and never found a way to change their position. Now we know that only 2 percent of all feed grains and 4 percent of all wheat would be affected by a $20,000 limit. Even a $5,000 ceiling would not materially affect the stability of the feed-grain economy.

Cotton is more concentrated; one-third of the crop is grown on some 5,000 big farms (out of more than half a million cotton farms) which would be affected by a $20,000 ceiling. Legislative leaders who had insisted that a payment ceiling would cause a grain surplus, now said it would cause a cotton shortage, an argument so symmetrical it seemed plausible. Senator Holland said last year that the

prospect of lower payments made "it appear very unlikely that such producers could continue to supply the mills with low priced cotton. . . ." This is a proposition that ought to be tested: If American cotton growers cannot compete on even terms in world fiber markets without unconscionably high Federal payments, it is not too early to discover it. Major changes in addition to a payment ceiling are required in the cotton program. The most important is to remove a provision of the 1965 act which ingeniously exempted cotton from any future payment ceiling. This must be repealed before the ceiling can be effective for the crop and the areas with most of the huge payments.

No firm principles have emerged to direct the Congress toward a particular maximum level for farm payments. Budget savings are the best guide. By that test the $20,000 ceiling is too generous; the figure should be no higher than $5,000 per crop or $10,000 per farm, in order to save more money. Reduced payments will not undermine farm-price stability as long as top payments are not forced below those levels. Inevitably, the maximum payment level will be set somewhat arbitrarily: A $20,000 limit will save $200 to $300 million a year; a maximum of $5,000 per crop or $10,000 per farm would save $500 million or more. If farms are allowed to split up to circumvent the new policy, however, some of these savings will be lost. This will bear watching; Congress should give the Department of Agriculture firm directions against farm splitting.

These reforms will not silence the sharpest critics of farm programs, who have never accepted the policy of limiting farm production to stabilize prices while anyone anywhere is hungry. So long as the agricultural economy remains inherently unstable, with too many producers to combine effectively to set their own prices the way industrial combines do, the opponents of any farm stabilization effort will probably be disappointed. We need a farm policy as well as a responsive fiscal policy and a compassionate food policy. But a sensible farm policy does not require giant payments.

Farm payments and food programs will inevitably be paired off in the coming debate, although ending big payments will not automatically insure more food for the poor. The public can't help seeing tragic irony in Congress' tight-fisted approach to hunger, in contrast to its openhanded financing of farm programs. Budget pressures alone ought to encourage the administration to sense its interest in this matter, if principle does not, although White House help may never materialize, given Mr. Nixon's dependence on the South. Political advantage seems assured for those members who help drive farm-payment reform through the Congress. Big payments lack any legitimacy in real program objectives. It is right, therefore, to end them. Only the most twisted sense of priorities will let us continue to pay millions every year to a few big farms while we procrastinate about ghetto reconstruction, postpone remedial education, close Job Corps camps, and let poor people starve.

The Distribution of Benefits From Existing and Prospective Farm Programs [1]

(John A. Schnittker [2])

SUMMARY

1. Most of the direct benefits of U.S. agricultural price and income support programs go to a small percentage of our farmers. Sugarcane, cotton, and rice program benefits are the most concentrated, with the largest 20 percent of the growers receiving, respectively, 83, 69, and 65 percent of the benefits in a recent year. Feed grain and wheat program benefits are also concentrated, but less so.

2. Small farmers get only a small share of total farm program benefits. The smallest 20 percent of sugarcane, cotton, and ricegrowers received, respectively, 1, 2, and 1 percent of direct program benefits in a recent year.

3. Program benefits are increasingly concentrated because farm production is concentrated on about one-third of all U.S. farms, and program benefits continue to be distributed in proportion to production.

4. Most people consider total farm program costs too high, taking other national needs into account; these costs will continue to increase unless major statu-

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[1] Presented at the Symposium on Public Problems and Policies, Iowa State University Center for Agricultural and Economic Development, May 27, 1969.

[2] Research Consultant, Resources for the Future, Washington, D.C. and Guest of the Institute, Massachusetts Institute of Technology. Views expressed are those of the author only.

tory and administrative changes are made. The level of total farm program costs, and the prospect that costs will go even higher, not the overall distribution of farm program benefits among farmers, is the principal farm issue facing Congress and the administration.

5. Farm program costs can be reduced, in time, by a 5-point program including smaller payments for cotton and wheatgrowers, lower feed grain prices, long-term land retirement contracts, and a limit on direct payments. Even with those changes, relatively large farmers would continue to get most of the benefits. Gains in average income per farm and in the parity income position of full-time commercial farmers could continue, however, if the indicated changes were phased over several years.

Direct benefits arising out of price support programs for agricultural commodities go primarily to persons who have relatively large farms, enjoy a comfortable living out of current income, and have substantial equities in property. This is true also for the benefits of agricultural conservation programs, research, extension education, and probably, for higher agricultural education as well. This tendency is not limited to agricultural programs; it is evident also in certain education programs; many urban renewal projects stand convicted of displacing the poor for the convenience and edification of the rest of us; rapid snow removal and regular street sweeping often appear to be limited to the "better" neighborhoods. A complete list of regressive public programs would be a long list.

The incidence of program costs is relevant to any discussion of the distribution of benefits from public programs. One might find that those who get the greatest benefits also pay roughly in proportion to the benefits derived. In the case of agricultural commodity price and income support and production adjustment, however, program costs are paid principally out of general revenues, while the direct benefits go principally to farmers and to the owners of agricultural land. Costs and benefits are almost entirely disassociated.

I have chosen to set aside the claim made occasionally that it is not farmers but consumers who really benefit from farm programs. Occasionally when some less creditable aspect of existing farm programs is being questioned—like the sugar program or giant Federal payments to giant farmers—apologists tell us that big farmers only appear to benefit, and that the real gains escape the farmers and are harvested by consumers. There is an element of truth to this assertion; consumers have unquestionably benefited from the research and education which underpin agricultural productivity. The farm commodity price support programs also share in the credit for our efficient agriculture; without the prosperity and the stability provided by recent farm programs, farm prices and food costs may well be higher than they are. Even so, that farm programs have benefited farmers very substantially from year to year is seldom denied, although the longrun impact is certainly arguable.[3]

Who benefits?

From the start in 1933, direct benefits of farm price supports in the United States have been distributed almost exactly in proportion to the share of total production each farmer controlled. As agricultural production became increasingly concentrated, largely because of technological change, the concentration of benefits increased also.

A formidable paper prepared by Professor James T. Bonnen of Michigan State University for the Joint Economic Committee of Congress has been published on the concentration of benefits in farm commodity programs.[4] We have known from the start how farm program benefits were distributed, so it may be asked just how important it is to have greater statistical precision to prove a point that is already accepted. I believe this new information can make an important contribution to further improvement in the farm programs in much the same way the National Nutrition Survey is improving the prospects for more adequate food programs. That study being done by the Department of Health, Education, and Welfare, by adding precision to already valid information regarding the incidence and the effects of malnutrtion in the United States, has made denial of the fact

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[3] An excellent paper on this subject, entitled "An Examination of Past Farm Programs From the Standpoint of Equity", by Professor K. L. Robinson of Cornell University deserves broader circulation.

[4] James T. Bonnen, "The Absence of Knowledge of Distributional Impacts: An Obstacle to Effective Public Program Analysis and Decisions." In *Economic Analysis of Public Expenditure Decisions: The PPB System,* Joint Economic Committee. U.S. Congress, May 1969.

of widespread hunger and malnutrition unbelievable if not quite impossible. Perhaps more precise information on the incidence of farm program benefits can have a similar result.

What is the distribution of benefits from farm programs? Bonnen provides the details for major commodities by size strata of farms and State by State. The tables attached are taken directly from his study (with the author's permission).

Table 1 (Bonnen's table 7) shows that:

> Sugarcane, cotton, and rice have the greatest proportion of direct benefits concentrated on a few farmers. The larger 20 percent of these growers receive respectively, 83, 69, and 65 percent of program benefits. Benefits going to the largest 5 percent of all farmers were 63, 41, and 35 percent for sugarcane, cotton, and rice.
>
> Wheat and feed grain program benefits are less highly concentrated. The largest 20 percent of the farmers receive 62 and 57 percent of the direct benefits. Tobacco and sugar beets are the least concentrated of the major crops. Even so, the largest 20 percent of all tobacco growers get 53 percent of program benefits, and the smallest 20 percent, 4 percent.
>
> Differences among crops in the concentration of benefits, while large in absolute numbers, are not meaningful for policy. Small differences indicated in table 1 in the concentration of benefits from price supports compared with benefits from direct government payments, are also not important for policy. It is worth nothing, however, that the relatively large proportion of total direct payments received by small wheat and feed grain producers is the result of "small farm provisions" in effect since 1961 for grains, and now also for cotton program—provisions which have provided helpful income bonuses to small farmers.

Table 2 (Bonnen's table 9) shows the State distribution of cotton program benefits. Differences among States are interesting but not meaningful for policy. The largest 1 percent of cotton growers in California and Mississippi get 25 and 23 percent respectively of total benefits; in Texas that select group gets only 10 percent of total benefits. If such a table were available for wheat or corn, it would show the same pattern but with less concentration.

Table 3 (Bonnen's table 10) shows that limiting direct payments to $10,000 per farm would not alter the degree of concentration of farm program benefits in any revolutionary way, assuming the money thus diverted from the largest farms was not redistributed directly to the smaller farmers (and using the statistical indicator selected by Bonnen). This is a somewhat surprising, although undoubtedly valid conclusion. It does not, in my opinion, weaken the case for limiting payments—a case which rests primarily on potential budget savings to be diverted to other programs, not on a more equitable income distribution in agriculture. With a $10,000 payment limitation, Bonnen's index of concentration of total benefits under 1967 farm programs declines only from 0.67 to 0.62 (on a scale where an index of 1 would represent a situation where all benefits went to one person).

One other point deserves mention in connection with table 3: The evidence that the smaller farmers who benefit little from price support and payment programs, benefit substantially from full employment policy. The smaller 20 percent of all farmers received only 4.5 percent of total national net farm income, but 26 percent of all the nonfarm income of farmers; the smaller 60 percent had 19 percent of farm income but 70 percent of nonfarm income. Farm program amendments suggested below would not assure greater attention to jobs and incomes for less advantaged farmers to improve that score further, but by increasing overall fiscal flexibility, they would surely improve the prospects for greater and more appropriate assistance for low-income people wherever they are found. There is no point at all in dealing with the income problems of small farmers primarily through farm programs.

What do we want from farm programs?

The principal objective of agricultural price and income support and production adjustment policies and programs is to stabilize the agricultural economy, to benefit those who produce and market agricultural products, and to help insure an adequate and reasonably priced food supply. I have no argument with those objectives. It is not essential that farmers benefit in direct proportion to their production, but that was a plausible way to begin 35 years ago when agricultural production was less concentrated than it is today, and it is not surprising to find the concept governing the distribution of benefits little changed, even though agricultural production methods have been transformed.

In the early years of modern farm policy, there was an element of truth to the rhetoric which insisted that farm programs were needed to help, or even to save the small family farmer. This meant most farmers in the 1930's, when there were nearly 7 million farms and a deep economic depression. It is different today. The United States has 3 million farms but only 1 million of them are serious producers and major beneficiaries of farm programs. It is increasingly acceptable, but still not quite accepted, to say this, and to insist that conventional farm programs can never help persons on small farms to the better life they want. Commodity-oriented agricultural policy must be designed principally for commerical full-time farmers. But programs and expenditures to help farm people need not be primarily commodity oriented. Only if we understand this can we design and finance future farm programs in accordance with other national priorities, and at the same time (strategically in the same bills) move on to the business of creating and financing better programs to assist low-income people on farms (as well as in other places).

Farm program costs

Once we see the real purpose of agricultural price and income support programs, we see also that it is not simply the concentration of farm program benefits which makes farm programs vulnerable; considerable concentration of benefits is almost inevitable in a concentrated agriculture. The most fundamental criticism of farm programs arises out of the total level of public costs and farmer benefits in relation to the level of public support for other pressing public needs.

Programs for the three major field crops now require direct payments to farmers of around $3 billion each year. Price supporting operations (apart from payments) sometimes lead to further expenditures which are later partially offset by receipts from the sale of surpluses. The prevailing public opinion is that this is an indefensibly high level for farm program expenditures, especially in view of the distribution of benefits:

> When family food program expenditures total only $600 million a year and millions of Americans are publicly acknowledged to be malnurished and many are permanently damaged as a result.
>
> When education and job training programs already poorly funded must be further stretched and postponed.
>
> When pollution threatens the environment on every side with little authority and even less money to stop it or to clean it up.

In a time of intensive competition for Federal funds—a competition which will surely increase in the next decade even if the Vietnam disaster can be liquidated and the peacetime demands of the defense establishment restrained, the critical questions on farm programs (taking the Federal tax structure, the character of the agricultural economy, and other pressing national needs as given) are:

> Are we spending too much on farm commodity programs?
>
> If we are, how can we reduce farm commodity program expenditures to a level compatible with the financial needs of other public programs?

Two key points set out below, in addition to the urgency of other pressing national needs, lead me to the conclusion that we are spending far too much on commodity price support, production control, and direct income payments. Even more serious, farm program costs will increase unless major changes are made, and will preempt a part of the post-Vietnam dividend from other programs of far higher priority.

First, a large part of the farm program costs are not serving any important national purpose. The modern farmer (as distinguished from the landowner) values price stability and predictability within a limited range more than a high price level. Farmers resemble business in this regard. Federal farm spending does not need to be as great as it is in order to assure stable and remunerative market prices for farmers. Farm prices can be stabilized at present (or recent) levels with far lower Federal costs than we have incurred in recent years.

Second, I am persuaded that the American people want to spend less on farm programs and more on other programs, but are frustrated in this resolve by the unique open-ended, or back door financing of farm programs, by the impression that farm programs are too complex for a layman to understad, and by the continuing, although declining, agrarian bent of Congress. A Doane agricultural service survey showed last year, for example, that some 85 percent of farmers want to limit the size of farm program payments. City people are surely more

single minded on this score than farmers, yet the Congress had decisively rejected proposals to limit payments year after year.

Before going on to the means by which farm program costs could be reduced, I want to review farm program history briefly, for it bears on what can now be done to make policy for commercial agriculture more compatible with our overall national priorities. We have now been engaged for some 20 years in efforts to disengage from the post-World War II farm policy—a policy which set out to freeze wartime agricultural prices in peacetime. When it was clear that wartime prices could not be maintained, a second false start was made in the 1950's, featuring ineffective production controls and timid price support reductions. This ended in a round of commodity surpluses. By 1961 the public, the President, and the farmers told us it was time to try again.

Three related events finally determined the direction of the new effort in the 1960's. First, the House of Representatives in 1962 would not apply mandatory acreage controls to feed grains, sensing that feed grain producers would repudiate that approach, and would accept only a payment-based voluntary program to control production. Second, wheat farmers in 1963 also refused to accept mandatory acreage controls, after many years undre such controls. Third, cotton producers at last discovered the high prices were giving their market to other fibers, and they determined to do something about it.

These three developments gave direct Government payments to farmers a new lease on life and led in 1964 and 1965 to enactment of long-term, payment-based, income support and acreage control legislation for feed grains, cotton, and wheat. Payments had previously been used, but they were by no means secure politically. Beginning in 1961, direct payments had been applied on an emergency basis as the incentive for feed grain acreage reduction; in 1962, direct payments (as wheat certificates) became a part of the wheat program. In 1965, cotton interests, with the greatest reluctance, accepted a "low price support-direct payment" program, but only after an unnecessarily costly payment formula for both the cotton and wheat programs had been placed in the law.

The shift to direct payment programs was important for three reasons:

It made the extent of agricultural production restraint and the related level of price support which can be sustained over time, a function of the public's willingness to spend Federal money on farm programs. Before direct payments became the chief instrument of production control, the level of price supports and of acreage allotments were looked upon as strictly the business of the agricultural community. Now these are budget issues.

By offsetting the income effect of lower prices, payments made it possible to reduce the level at which market prices were supported, and to guarantee approximately world-level prices for production intended for world markets. For the first time in nearly 30 years, farmers in the 1960's came to have a fairly clear view of the real value of U.S. agricultural commodities in peacetime world markets. It is one that is essential to sensible farm policy in a country which claims to be an efficient agricultural producer and a legitimate agricultural exporter.

By separating the income support techniques (payments), from the price support technique (loans), the new programs made it possible to limit direct benefits to individual farmers—to gear payments to an income standard rather than to total production. This is a result long advocated by economists and long feared by the really big farmers.

These three features of direct payment programs provide a great deal of leverage for influencing future farm program costs, if the Congress and the public are willing to take an interest in the next farm policy debate.

How to spend less on farm programs

There are fixe basic routes to reduced spending on agricultural programs, leaving aside the additional option of terminating them. None of these options would alter the distribution of benefits materially, although the absolute difference between those who benefit most and those who benefit least would be reduced if total farm spending is reduced.

1. The cotton program requires the greatest changes, and offers the largest potential savings—compared with present spending levels. Total payments could be reduced by at least one-half and perhaps by two-thirds ($400 to $500 million) from 1968 or 1969 levels without any important adverse effects on the cotton growers or the cotton economy, although the value of cotton land might stop increasing for a few years. Cotton payments should be made on only a por-

tion of the crop (like wheat and feed grains), with the balance of the crop being produced for world prices not supplemented by payments. I believe U.S. cotton growers will produce for world markets without a big subsidy, but if they will not, it is not too early to find out about it, and to forget about being a major cotton exporter. The public interest in paying a large subsidy to produce cotton for export would be most difficult to establish.

2. For wheat, processors (and eventually consumers) finance about $400 million of direct cash payments to farmers. Another $400 million comes from the Treasury (as required by law, based on the difference between the parity price for wheat and $2 per bushel, times the amount of wheat milled for domestic food). Budget costs will increase over time as the parity price of wheat, now $2.75, follows a rising general price level. The Treasury-funded payment feature was not in the wheat program proposals in 1962 or 1965, but was added by Congress along with the expensive cotton payment formula noted earlier. Neither stability, nor prosperity, nor production control in the U.S. wheat economy requires wheat program payments as large as $800 million per year. One payment formula or the other, but not both, appears to be needed to provide an incentive for limiting acreage and existing surpluses. Beyond that, additional payments in cotton or wheat simply add to the capitalized value of resources used in production, to the costs of the program, to the tendency for growers to produce more than is needed, and to the certainty that grower demands in the next round are going to be greater than in the last round of farm policy debate.

3. The only way to reduce feed grain program expenditures sharply over time is to support feed grain prices at lower levels, unless farm costs increase more rapidly than productivity in the years ahead. Feed grain program expenditures have been around $1.5 billion per year recently. This level of spending was required to keep surpluses in check, given the level at which market prices were supported and the existing state of production technology. A feed grain program operating under existing laws extended into the 1970's could require total annual expenditures as low as $1/2 billion per year (if price support was reduced from the present $1.05 for a bushel of corn to perhaps 90 cents per bushel) or it will require annual expenditures of $2 billion or $2.5 billion per year if the present support guarantees are maintained in the face of rapid increases in corn yields. Even to hold the line on spending will almost certainly require a lower price support level. This is a fundamental and difficult choice which must be faced soon, unless drought slows the rapid rise in feed-grain output per acre, or unless unexpected export demands materialize out of a world market now glutted with grain.

4. Changing the method of diverting acreage, principally out of feed grains, from annual contracts to long-term contracts, can also produce important savings in program costs. This prospective change has far less leverage on public spending, however than does the price support level for feed grains and the payment formulas for cotton and wheat. Long-term land retirement may be one-fourth more efficient than annual contracts (other things being equal), and can lead to direct savings of several hundred millions of dollars per year after a few years. This approach has the additional merits of diverting some land out of crops permanently, which annual contracts are less likely to do. Long-term land retirement is eminently worthwhile, if we are going to continue to support grain prices. By itself, however, it is neither a major departure in farm policy nor a major source of budget savings. Its prospects are still clouded politically by the soil bank experience of the 1950's.

5. Limiting direct payments is a fifth potential source of farm program savings. I favor a limit of $5,000 per program or $10,000 per farm. A limit at $10,000 per farm would have affected only 31,845 producers in 1967, but since so many of those farmers get payments only slightly above $10,000 per year, roughly half that number, principally in cotton, sugar, and wheat areas, would have been substantially affected. Applied to 1969 payment formulas, this feature would save more than $500 million per year if firm rules were enforced to prevent farm splitting to circumvent the limitation. Applied to the scaled-down level of payments discussed above for the major commodities, payment limitation savings would be smaller but still sizable. The rationale for payment limits is not a difficult one. Clearly it would save Federal funds now going principally to those farmers who are already doing very well financially. It would slow but not stop the rapid increase in farm size. It would slow the rise in farmland values, but would not threaten the present asset structure. Large farmers have

always benfited the most handsomely from agricultural research; they remain the principal clients of the agricultural extension services; their sons make up most of the student body in the colleges of agriculture. They need not get most of the benefits of direct payment programs, too.

It will be objected that such a limitation would make the voluntary payment-based production control programs inoperative. That claim is false. So little grain (especially feed grains but also wheat) is grown on really large farms that the effect of greater production from payment limits as low as $5,000 per program can be ignored. Large cotton payments, on the other hand, have been justified, not to reduce output but to increase it. No one will argue that limiting payments will lead to a cotton surplus.[5] No one needs to take seriously the claim that a payment limit will lead to a new grain surpluses.

TABLE 1.—DISTRIBUTION OF FARM INCOME AND VARIOUS PROGRAM BENEFITS: PROPORTION OF INCOME OR BENEFITS RECEIVED BY VARIOUS PERCENTILES OF FARMER BENEFICIARIES[1]

	Percent of benefits received by the						
	Lower 20 percent of farmers	Lower 40 percent of farmers	Lower 60 percent of farmers	Top 40 percent of farmers	Top 20 percent of farmers	Top 5 percent of farmers	Gini concentration ratio
Sugar cane, 1965[2]	1.0	2.9	6.3	93.7	83.1	63.2	0.799
Cotton, 1964[3]	1.8	6.6	15.1	84.9	69.2	41.2	.653
Rice, 1963[3]	1.0	5.5	15.1	84.9	65.3	34.6	.632
Wheat, 1964:							
Price supports	3.4	8.3	20.7	79.3	62.3	30.5	.566
Diversion payments	6.9	14.2	26.4	73.6	57.3	27.9	.480
Total benefits[4]	3.3	8.1	20.4	79.6	62.4	30.5	.569
Feed grains, 1964:							
Price supports	.5	3.2	15.3	84.7	57.3	24.4	.588
Diversion payments	4.4	16.1	31.8	68.2	46.8	20.7	.405
Total benefits[4]	1.0	4.9	17.3	82.7	56.1	23.9	.565
Peanuts, 1964[3]	3.8	10.9	23.7	76.3	57.2	28.5	.522
Tobacco, 1965[3]	3.9	13.2	26.5	73.5	52.8	24.9	.476
Farmer and farm manager total money income, 1963[5]	3.2	11.7	26.4	73.6	50.5	20.8	.468
Sugar beets, 1965[2]	5.0	14.3	27.0	73.0	50.5	24.4	.456
Agriculture conservation program, 1964:[6]							
All eligibles	7.9	15.8	34.7	65.3	39.2	(7)	.343
Recipients	10.5	22.8	40.3	59.7	36.6	13.8	.271

Source: Except as noted all figures are from a 1968 study by Bonnen [4].

[1] This table presents portions of 2 Lorenz curves relating the cumulated percentage distribution of benefits to the cumulated percent of farmers receiving those benefits. Cols. 1 through 3 summarize this relationship cumulated up from the lower (benefit per farmer) end of the curve, and cols. 4 through 6 summarize the relationship cumulated down from the top (highest benefit per receipient) end of the curve.

[2] For price-support benefits plus Government payments.

[3] For price-support benefits.

[4] Includes price-support payments and wheat certificate payments as well.

[5] David H. Boyne, "Changes in the Income Distribution in Agriculture," Journal of Farm Economics, vol. 47, No. 5, December 1965, pp. 1221–1222.

[6] For total program payments. Computed from data in "Frequency Distribution of Farms and Farmland, Agricultural Conservation Program, 1964," ASCS, U.S. Department of Agriculture, January 1966, tables 3 and 8.

[7] Not available.

[5] Walter W. Wilcox, "Large Farm Program Payments and Implications of Proposals for Limitations." Legislative Reference Service, Library of Congress, Washington, D.C., Feb. 19, 1969.

TABLE 2.—DISTRIBUTION OF 1964 UPLAND COTTON PRICE-SUPPORT BENEFITS: PROPORTION OF U.S. ,REGIONAL, AND STATE BENEFITS RECEIVED BY VARIOUS PERCENTILES OF FARMER BENEFICIARIES [1]

State	Percent of total benefits received by the—									
	Lower 10 percent of farmers	Lower 20 percent of farmers	Lower 33 percent of farmers	Lower 50 percent of farmers	Top 50 percent of farmers	Top 33 percent of farmers	Top 20 percent of farmers	Top 10 percent of farmers	Top 1 percent of farmers	Gini concentration ratio
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Alabama	2.1	4.3	8.0	17	83	73	60	45	15	0.546
Florida	2.7	5.3	8.8	19	81	69	54	37	10	.483
Georgia	1.2	3.0	8.0	16	84	71	58	42	11	.531
North Carolina	2.5	4.9	8.2	13	87	76	64	47	15	.577
South Carolina	1.7	3.3	5.6	13	87	77	63	48	13	.594
Virginia	5.2	10.4	17.3	26	74	65	52	37	11	.401
Southeast	1.9	3.7	6.2	15	85	75	61	47	14	.571
Arkansas	.8	2.6	5.2	11	89	80	70	56	20	.652
Illinois	1.2	2.4	4.9	11	89	83	71	53	12	.650
Kentucky	1.5	3.0	5.0	11	89	80	66	47	10	.613
Louisiana	1.0	2.8	6.4	12	88	79	69	54	16	.628
Mississippi	1.0	2.1	4.9	9	91	84	75	64	23	.701
Missouri	1.3	3.0	6.5	14	86	74	61	44	14	.565
Tennessee	2.4	4.8	9.0	18	82	72	58	42	13	.515
Delta	1.2	2.3	5.9	11	89	81	70	58	21	.657
Oklahoma	1.1	3.7	9.6	21	79	65	50	31	7	.446
Texas	.4	2.0	6.4	15	85	71	56	37	10	.530
Southwest	.5	2.0	6.3	14	86	73	56	39	11	.542
Arizona	.5	1.5	4.1	10	90	80	65	47	15	.628
California	.7	1.9	4.2	8	92	84	72	57	25	.686
New Mexico	.8	2.4	5.7	14	86	75	60	42	11	.565
West	.5	1.6	3.9	8	92	84	72	56	22	.682
United States	.9	1.8	4.9	10	90	80	69	53	21	.653

[1] This table presents portions of 2 Lorenz curves relating the cumulated percentage distribution of benefits to the cumulated percent of farmers receiving those benefits. Cols. 1 through 4 summarizes this relationship cumulated up from the lower (benefi t per farmer) end of the curve, and cols. 5 through 9 summarizes the relationship cumulated down from the top (highest benefit per recipient) end of the curve.

Sources: (a) "1964 Upland Cotton: Final Planted Acres and Number of Farms Planting Cotton by Size of Effective Allotment," USDA, ASCS/Policy and Program Appraisal Division, mimeo, Nov. 6, 1964 (2 pages); (b) "Agricultural Statistics, 1966," USDA, 1966, p. 62. Prices from this source were used in computing State value of production figures for use as weights in combining the distributional data from source (a); (c) "Crop Production, 1965 annual Summary," USDA, SRS, Dec. 20, 1965, p. 84. Yield and acreage data from this source were used in computing State value of production figures for use as weights in combining the distributional data from source (a).

TABLE 3.—DISTRIBUTION OF 1967 GOVERNMENT PAYMENTS AND FARM INCOME: PROPORTION RECEIVED BY VARIOUS PERCENTILES OF FARMERS [1]

1967	Percent of income received by the—						
	Lower 20 percent of farmers	Lower 40 percent of farmers	Lower 60 percent of farmers	Top 40 percent of farmers	Top 20 percent of farmers	Top 5 percent of farmers	Gini concentration ratio
1967 total Government payments:							
With no limitation on size of total payment [2]	1.1	5.7	13.3	86.7	69.0	42.4	0.671
Assuming $25,000 limitation [3]	1.1	6.0	14.1	85.9	67.2	39.0	.652
Assuming $10,000 limitation [3]	1.2	6.5	15.3	84.7	64.4	33.8	.623
Various measures of farmer income in 1967:							
Gross receipts from farming [4]	1.6	3.3	10.1	89.9	72.3	40.4	.693
Realized net farm income [5]	4.5	9.0	19.3	80.7	50.0	26.2	.541
Nonfarm income of farmers	25.5	51.0	70.1	29.9	15.6	5.6	.125
Total income of farmers	14.9	29.8	44.5	55.5	37.0	16.0	.211

[1] This table presents portions of 2 Lorenz curves relating the cumulated percentage distribution of benefits to the cumulated percent of farmers receiving those benefits. Columns 1 through 3 summarize this relationship cumulated up from the lower (benefit per farmer) end of the curve. and columns 4 through 6 summarize the relationship cumulated down from the top (highest benefit per recipient) end of the curve.

[2] Government payments to farmers as actually distrubuted in 1967. Total payments were $3,100.000,000.

[3] Assumes all 1967 beneficiaries continue to participate in programs and are eligible for payments. Under the $25,000 limit payments would total $2,800,000,000 and under the $10,000 limit $2,600,000,000.

[4] Including Government payments and imputed nonmoney income from farm products consumed at home and from the rental value of the farm dwelling.

[5] Net of farm production expenses and changes in farm inventories of livestock and crops.

Sources: Computed from data in "Farm Income Situation." USDA. FIS–211. July 1968, pp. 68–69, except direct payment data which are from the Congressional Record, July 31, 1968.

Mr. ABERNETHY. The committee will stand in recess.

(Whereupon, at 11:55 a.m., the hearing was recessed to reconvene at the call of the Chair.)

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AND
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HEARINGS

BEFORE THE

SUBCOMMITTEE ON LIVESTOCK AND GRAINS

OF THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

NINETY-FIRST CONGRESS

FIRST SESSION

NOVEMBER 20, 21, 24, DECEMBER 1, 2, AND 3, 1969

Serial Q
PART 4

Printed for the use of the Committee on Agriculture

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34-326 WASHINGTON : 1970

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FEED GRAINS

THURSDAY, NOVEMBER 20, 1969

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON LIVESTOCK AND GRAINS OF THE
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:05 a.m., in room 1301, Longworth House Office Building, the Honorable Graham Purcell (chairman of the subcommittee) presiding.

Present: Representatives Purcell, Foley, Jones of North Carolina, Lowenstein, Rarick, Melcher, Mayne, Zwach, Kleppe, Price, and Sebelius.

Also present: Christine S. Gallagher, chief clerk; Lacey C. Sharp, general counsel; Hyde H. Murray, associate counsel.

Mr. PURCELL. The subcommittee will please come to order. We begin this morning the hearing before the subcommittee on matters concerning feed grains; any witness who is here to testify in regard to feed grains, if they desire to cover the wheat situation, that will certainly be permissible so we won't have a duplication of more than one appearance before the subcommittee. I am not speaking to the Department representatives when I say that.

Our first witness is Mr. Roland Stelzer, who is Assistant to the Administrator, ASCS, in the U.S. Department of Agriculture. We will be glad to hear from you at this time, Mr. Stelzer.

Mr. ZWACH. Mr. Chairman, I have a question here. Is this gentleman going to be speaking for the Secretary? Or is this a division, is it a division of the Department? Is he going to be speaking officially? For whom will he be speaking?

Mr. PURCELL. Well, he will be speaking for the Department. I am glad you brought this up. I think the announcement had been made but let me say it again for the record and for the witnesses and then for the members. Our idea in having Mr. Stelzer here and having representatives of the Department is to have them answer any questions that we might have on the set-aside type program. They are not here to speak for policy. I have assured them and have assured the whole Department that there would not be a challenging of a philosophy at this time.

Mr. ZWACH. I see.

Mr. PURCELL. The Department will be asked—they have already indicated this is the way that they would like to come before the subcommittee as the last witnesses in regard to policy matters. We have asked these gentlemen to come here so that we might better understand just what the set-aside approach is. I would hope that we don't

get into a policy discussion because the Department has been assured that is not what we are here for.

Mr. ZWACH. Thank you, Mr. Chairman; further clarifying, does that mean that the witness is going to confine himself pretty much to the technical workings, how these various proposals would work from a technical standpoint?

Mr. PURCELL. Yes. And our discussion has not been very deep but probably some of us plus the public who might be interested in this possibility have not had the opportunity to study just how this program would work if it were the law. So that is what I hope will take place.

Mr. Stelzer, do you have a statement that you want to present to us to start with, please, sir?

STATEMENT OF ROLAND STELZER, ASSISTANT TO THE ADMINISTRATOR, ASCS, U.S. DEPARTMENT OF AGRICULTURE

Mr. STELZER. Mr. Chairman, I am glad you made these clarifying statements with respect to the reasons why I am up here for the Department of Agriculture.

It is further my understanding that you did not want any prepared statement from us at this time, so I have no prepared statement.

What I was hopeful could be done is that you people would have your copies of your prepared legislative proposals on feed grains to discuss this morning, and we could go through that and primarily I would spend my time in attempting to answer questions you may have with respect to the technical aspects of the entire legislation.

Mr. PURCELL. Yes. This is perfectly satisfactory. That is in light of what I had taken the privilege of assuring these people what we would do.

Mr. KLEPPE. Mr. Chairman, wouldn't it be proper that we hear the witnesses first and if any questions arise along the lines of technicalities that we could then ask Mr. Stelzer at such time as we are ready to go into some details of the draft itself?

Mr. PURCELL. Well, I will certainly be governed by whatever the desire of the subcommittee is. I was maybe assuming, maybe hoping that we could get clarity by having some examples given. I realize most of us here today are those who have been present during the meetings maybe have more of an understanding than some of the other members of the committee have and we might not accomplish as much as I hoped we would. So we can be governed by what the desires are and handle it anyway you wish. Would that be the desires of the members, to wait until questions came up to call on the representatives of the Department?

Mr. KLEPPE. It would seem to me to be, Mr. Chairman.

Mr. ZWACH. I would prefer that.

Mr. MAYNE. Well, I notice that some of these witnesses have come from a great distance and it might be well to let at least some of them testify so they can be on their way.

Mr. PURCELL. All right. We will, if you don't mind, Mr. Stelzer, we will hear the other witnesses. It might be that you could be present and listen to the statements of the other witnesses because from those statements might come questions that we would have and then later in the

morning we would ask you to answer whatever questions we have developed.

Mr. STELZER. Mr. Chairman, I am here at yours and the committee's pleasure, and I would be very happy and willing to proceed on that basis.

Mr. PURCELL. All right, sir; thank you very much. And we will call Mr. C. H. DeVaney, who is assistant legislative director, American Farm Bureau Federation. And Mr. DeVaney does have a statement, I believe, that touches on both feed grains and wheat and I have assured Mr. DeVaney it would be satisfactory with the subcommittee.

STATEMENT OF C. H. DeVANEY, ASSISTANT LEGISLATIVE DIRECTOR, AMERICAN FARM BUREAU FEDERATION, WASHINGTON, D.C.

Mr. DEVANEY. Thank you, Mr. Chairman.

I would like to ask that the prepared statement be included in the record and I won't cover all of it, especially some charts that are in here.

Mr. PURCELL. Without objection, it is so ordered.

Mr. DEVANEY. We appreciate this opportunity to appear before this Agriculture Subcommittee on Livestock and Grains. Mr. Shuman and eight of our State farm presidents presented our recommendations for amendments to the Food and Agriculture Act of 1965 on August 5, 1969 to the full Committee on Agriculture.

These recommendations covered all commodities affected by the act of 1965. Even though this subcommittee is considering only wheat and feed grains at this time, we feel sure its findings will be part of an overall program for all commodities. We would request that our remarks today be considered only a part of such an overall program.

The farm program proposal supported by the Farm Bureau—the Agricultural Adjustment Act of 1969—has been introduced by over 40 Members of the House, including two members of the Agriculture Committee, Mr. Teague of California, and Mr. Goodling of Pennsylvania.

Briefly, this overall proposal would (1) provide a 5-year transitional period during which acreage controls, base acreage, marketing quotas, processing taxes, and direct payments for wheat, feed grains, and cotton would be phased out; (2) it would limit the total funds that may be spent on all direct payments for wheat, feed grains, and cotton under the Food and Agriculture Act of 1965 to 80 percent of the amount spent on 1969 crops in 1971, 60 percent in 1972, 40 percent in 1973, and 20 percent in 1974; (3) reduce the cost of wheat certificates to processors to 80 percent of the 1969 level in 1971, 60 percent in 1972, 40 percent in 1973, and 20 percent in 1974; (4) effective with 1975 crops, discontinue all acreage allotments, base acreages, marketing quotas, processing taxes, and direct payments (annual land diversion, compensatory, and certificate) for wheat, feed grains, and cotton; (5) continue the cropland adjustment provisions of the act of 1965 with amendments:

A. To require that programs be operated on a competitive bid basis with emphasis on whole farms, and

B. To direct the Secretary of Agriculture to retire at least 10 million acres per year in 1971, 1972, 1973, 1974, and 1975.

The Secretary would announce in advance the maximum acreage to be contracted for each year. If accepted bids do not exhaust this acreage, high bidders could be offered the opportunity to negotiate contracts at the accepted bid level. (Grazing would be prohibited on this retired acreage, and the Secretary would be authorized to limit the total acreage that may be retired in any county or local community to avoid adverse effects on local economies.)

(6) Provide that loan rates for wheat, feed grains, cotton, and soybeans, shall be set at not more than 85 percent of the previous 3-year-average price, beginning with the 1971 crop year.

(7) Prohibit the sale of CCC stocks at less than 150 percent of the current loan rate plus carrying charges, except when sales are offset by equivalent purchases in the open market.

(8) In addition to and conditional on the adoption of items 2, 3, 4, 5: Authorize the Secretary of Agriculture to offer a special transitional program in 1971, 1972, 1973, 1974, and 1975, which would be open to any farmer who has had average gross annual sales of farm products of not more than $5,000 and off-farm income of not more than $2,000 per year for husband and wife for the immediately preceding 3 years. Such farmers would be eligible to receive one or more of the following:

A. Compensation for acreage allotments and base acreages surrendered to the Secretary for permanent cancellation. (This would apply to all commodities having acreage allotments or base acreages. Such compensation would be in addition to land retirement payments under the cropland adjustment program and would also be available to eligible farmers who wish to surrender their acreage allotments or base acreages without participating in the cropland adjustment program.)

B. Restraining grants of not to exceed $1,000.

C. Adjustment assistance of not to exceed $2,500 per year for 2 years.

D. Loans under existing credit programs to further facilitate the transition of eligible farmers to more gainful employment.

(9) Authorize the appropriation of such funds as may be necessary to carry out the programs enumerated in the bill.

Looking directly to wheat and feed grains, reductions in carryover stocks have been due to expanded markets—not reduced production. Grain production actually has been higher under Government supply-management programs that in the immediately preceding 5 years. While a substantial acreage of land has been diverted under current programs, much of this land would have produced little or no grain in the absence of these programs. Furthermore, the diversion programs have had offsetting effects. It is well known that payments received for diversion are often used to finance yield-increasing practices, especially higher fertilization rates, on land remaining in production. It is also well known that noncompliers not only sought to improve yields but also increased grain acreages in the expectation that reductions by compliers would strengthen markets.

Thus, while feed grain acreages have been cut by diversion programs, and wheat acreages also have been reduced except for a sharp increase in 1967 and 1968, wheat and feed grain output has been higher than before these programs became operative. This is evidenced by the following comparisons of acreages and output of these grains during the

years preceding and following adoption of the Government supply-management approach.

(The table follows:)

SELECTED CORN AND WHEAT DATA—AVERAGES FOR 1956–60 AND 1961–68

Period	Harvested acreage (thousands)	Yield per acre (bushels)	Production (million bushels	Utilization (million bushels)		
				Domestic use	Exports	Total
Corn:						
1956–60 average	67,001	51.4	3,442	3,046	227	3,273
1961–68 average	57,061	70.2	4,006	3,598	529	4,127
1961–68 compared to 1956–60	−9,940	+18.8	+564	+552	+302	+854
Wheat:						
1956–60 average	50,033	23.5	1,178	598	513	1,111
1961–68 average	50,504	25.9	1,309	655	732	1,387
1961–68 compared to 1956–60	+471	+2.4	+131	+57	+219	+276

Note particularly from the above that during the years after Government supply-management type programs became operative, corn acreage averaged 9.9 million acres less, but corn production averaged 564 million bushels more, and corn utilization averaged 854 million bushels more than during the 1956–60 period.

Wheat acreage averaged only 471,000 acres more, but wheat production averaged 131 million bushels more, and wheat utilization averaged 276 million bushels more than in the 1956–60 period.

The fact is that feed grain and wheat stocks have been reduced by market growth—not by production control under Government supply-management programs. Furthermore, carryover stocks increased in both 1968 and 1969 due to overproduction in the 2 preceding years of 1967 and 1968.

In 1967, corn production reached 4.8 billion bushels and wheat production totaled 1.5 billion bushels—both new alltime highs. While corn production declined slightly in 1968, sorghum grain and oats production increased, and wheat production increased, and wheat production rose to a new high of 1.6 billion bushels. Thus, the carryover showed a substantial further increase of 278 million bushels.

While factors other than Government programs were responsible for most of the reductions in commodity stocks, let us assume for the sake of discussion that the programs were responsible and then look at the fantastic per-unit costs of these reductions.

If we include only the cost of price support and diversion payments, the cost of reducing the wheat carryover since the certificate plan went into effect with the 1964 crop has been $37.50 per bushel.

The cost of reducing the feed grain carryover since the feed grain program went into effect in 1961 has been $246 per ton, or $6.89 per bushel of corn equivalent.

(The table follows:)

WHEAT

Fiscal year	Estimated cost of wheat program in millions [1]	Change in carryover during year in millions of bushels	Cost per bushel of reduction in carryover
1965	$442.3	−84.1	$5.26
1966	508.8	−282.1	1.80
1967	679.0	−110.2	6.16
1968	726.4	+114.4	
1969	782.0	+278.3	
Total	3,138.5	−83.7	37.50

[1] Diversion payments, fiscal years 1965–67; plus certificates issued to producers, fiscal years 1965–69.

FOUR FEED GRAINS

[Millions tons]

Marketing year [1]	Carryover	Change from previous year
1961	85.0	
1962	72.2	−12.8
1963	64.4	−7.8
1964	69.3	+4.9
1965	54.8	−14.5
1966	42.1	−12.7
1967	37.1	−5.0
1968	48.3	+11.2
1969	50.2	+1.9

[1] October 1 for corn and sorghum grains; July 1 for oats and barley.

Crop year	Estimated cost of feed grain program in millions [1]	Change in carryover in million tons	Cost of reduction in carryover	
			Per ton	Per bushel of corn equivalent [2]
1961	$782	−12.8	$61	$1.71
1962	843	−7.8	108	3.02
1963	846	+4.9		
1964	1,171	−14.5	81	2.27
1965	1,382	−12.7	109	3.05
1966	1,295	−5.0	259	7.25
1967	867	+11.2		
1968	1,369	+1.9		
Total	8,555	−34.8	246	6.89

[1] Diversion payments, 1961–68; plus price-support payments, 1963–68.
[2] 1 ton equals 35.714 bushels of corn.

Source: Cotton and wheat program costs from "Department of Agriculture Appropriations for 1970," pt. 3, hearings before a subcommittee of the House Committee on Appropriations, 91st Congress, 1st session. Feed grain program cost from "Feed Situation," FS–227, 219, 213, 203, and 200, Economic Research Service, U.S. Department of Agriculture. Stocks of Grain in All Positions, Crop Reporting Board, Statistics Reporting Service, U.S.D.A., Oct. 24, 1969.

WHEAT

[Million bushels]

	Carryover	Change from previous year
July 1:		
1964	901.4	
1965	817.3	−84.1
1966	535.2	−282.1
1967	425.0	−110.2
1968	539.4	+114.1
1969	817.7	+278.3

The act of 1965 has put wheat and feed grain farmers in a most vulnerable position with a Congress strongly oriented to other priorities. Government payments amounted to approximately 20 percent of net farm income in 1966 and over 23 percent in 1968. However, considerably more than 20 percent of net income from the production of feed grains and wheat now comes from Government payments. In fact, almost 30 percent of the total receipts received by farmers from these commodities in 1968 came from payments. This is shown in the following table:

CASH RECEIPTS FROM FARM MARKETINGS AND GOVERNMENT PAYMENTS, 1968

[Dollar amounts in millions]

	Cash receipts from farm marketings	Direct payments	Total receipts	Payments as percentage of total
Feed grains	$3,586	$1,366	$4,952	27.6
Wheat	1,815	747	2,562	29.2

Source: "Farm Income-State Estimates, 1949–68," A Supplement to the July 1969 Farm Income Situation, August 1969, Economic Research Service, USDA. Farm Income Situation, July 1969, FIS–214.

Government payments are an unreliable basis for the income that is necessary for a healthy agriculture because they can be cut or limited at any time.

The proposed Agricultural Adjustment Act of 1969 has been carefully designed to correct the difficulties that have arisen under existing farm programs including the cotton program.

The transition to the market system would be gradual. Substantial payments would be made during the transition period to help farmers make needed adjustments.

The acreage retired from production under the cropland adjustment program would be increased as existing programs are phased out. Increases in the acreage required under the CAP would tend to offset reductions in the acreage diverted under annual diversion programs.

The use of a bid procedure to select the land that is to be retired would hold down Government costs and insure the retirement of the land that farmers themselves most want to retire.

The special transitional program provided by the Agricultural Adjustment Act of 1969 for low-income farmers would help farmers who do not have the resources needed for a successful farming operation to make a transition to more gainful employment. This program would be entirely voluntary. Producers who wish to participate would have a number of alternatives. This gives the program the flexibility that is needed to solve individual problems.

At the end of the proposed phaseout of acreage allotments, marketing quotas, base acreages, certificates, and Government payments for feed grains, wheat, and cotton each producer would be free to plan his wheat, feed grain, cotton and soybean production as to make the best uses of his resources in the light of the market outlook. Thus, the way would be clear for farmers to earn and get higher incomes in the marketplace.

In short, Farm Bureau is recommending a broad-based program to help individual farmers make needed adjustments, increase prices,

expand markets, cut costs, and thus provide the basis for increased net farm income.

I thank you, Mr. Chairman.

Mr. PURCELL. Thank you, Mr. DeVaney. You and I have known each other for a long time and our differences in philosophy I hope haven't affected our friendship. I guess I was naive; I was hoping that you might have said something other than what you did say on this occasion. Do you have any comment that you want to make in regard to the Department's proposals particularly pertaining to the set-aside idea in a program.

Mr. DEVANEY. We have some reservations on certain parts of it. For instance, the idea that all of the payments that would be made would be termed income support payments, it seems to me, would immediately wave a red flag in front of those who want to limit payments, who are opposed to income support payments to farmers.

Another is we don't feel like they go far enough in the land retirement program and that on an annual basis as it will be, the cost to bring the needed retirement will be much more than it would than if it was a long-term program.

Another thing that worries us is that there is apparently no phase-out at all in this, that it would be a continuation of payments forcing farmers to depend on payments from the government for a big portion of their income.

Mr. PURCELL. Well, I think there may be a breakdown in, or a lack of mutual understanding. You are concerned about phasing out the programs. Some of us feel that to do what you propose would phase out the farmers even more rapidly than is happening anyway. And so I hope I happen to fall on the farmers' side as far as my own philosophy is concerned. Now, could I ask you, under your proposal and not arguing with the figures that you give in relation to the percent of net income to the farmers as a result of Government programs, what is your best estimate as to what would happen to the net income of farmers under your program during the first year or the first few years, or any other time for that matter?

Mr. DEVANEY. We believe that by going through this transitional period if enough land is taken out under the cropland retirement program that the farmers' income could easily go up. A study that we made in Texas a few years ago indicated that every time we have stopped a support program under farm programs that the price of commodities have gone up in the next year following it. And we think this would happen if there is enough land under the CAP program, in this case.

Mr. PURCELL. Well, what programs have we stopped that you are talking about?

Mr. DEVANEY. Well, like back in 1936, and then there was another period there where we—I haven't looked at that study in the last week or two, but it covered I believe three programs. I would be glad to furnish that for you, the findings of that.

Mr. PURCELL. Well, one of those times I guess would be about the time the war came on, and I think you are right that World War II did cause some increases in prices and we didn't need some programs we now have. Is that one of the programs you are talking about?

Mr. DEVANEY. I think it probably was. I think it was in 1941.

Another one was when the old AAA Act was called unconstitutional and we had to get out of that program. I believe one other time but offhand I don't remember when it was.

Mr. PURCELL. I don't want to use up all the time here, but would you give me any estimate that you have as to the projected cost of your program just in relation to page 2, part B under (5) when you are going to retire 10 million acres a year for 5 years setting aside 50 million acres. Now, what does your cost estimate show that this would cost?

Mr. DEVANEY. This would be cheaper—you see, at the present time we are retiring under the annual acreage diversion program approximately that many acres annually, somewhere in that neighborhood. And the Department's figures show that when we had the soil bank, the program where they had it on a bid basis and taking it out for long terms, the cost was about two-thirds as much to do it that way as the annual diversion programs do. So we would estimate—I don't know what the dollar figure would be but it would be somewhere in the neighborhood of two-thirds or 75 percent of what the annual diversion program is costing us now.

Mr. PURCELL. Well, have you made a detailed cost analysis, or are you just assuming some of the rather small land retirement or diversion soil bank type things have done that in years in the past?

Mr. DEVANEY. No; we have not made a detailed financial statement or projection of what the actual cost would be on that.

Mr. PURCELL. Well, in the interest of not taking up all the time here, I would ask Mr. Mayne, do you have any questions?

Mr. MAYNE. Mr. DeVaney, as I understand the set-aside program, after the farmer has set aside a certain number of acres there would then be complete freedom on his part to do whatever he wished with the remaining acres. Now, does this draw any commendation from you? Do you think that that is a step forward, giving the farmer greater flexibility and freedom of decision?

Mr. DEVANEY. Yes, sir; I do. I think it would be helpful to let him be free to plant what his particular type of operation could produce most economically.

Mr. MAYNE. Well, this is a pretty fundamental part of this alternative proposal; is it not?

Mr. DEVANEY. Yes, sir.

Mr. MAYNE. I am a little disappointed that you wouldn't think it was significant enough even to comment on when invited by the chairman to comment on this. As I understand the philosophy of your organization, it has been to stress individual freedom and flexibility by the farmer and here you don't even recognize that this exists in your comment.

Mr. DEVANEY. Well, I didn't answer his question right, Mr. Congressman. I took his question to mean the things that might not be in line with our policy. Certainly we would think this would be a step in the right direction.

Mr. MAYNE. Would it not also result in less need for policing and less administrative work by the Department?

Mr. DEVANEY. Yes, sir. The cost of administering it should be reduced considerably.

Mr. MAYNE. Why would that be?

Mr. DeVaney. Well, the measuring of the various crops and checking compliance. As I understand it from what I know about the set-aside program all the compliance they would have to check is to see whether you complied by setting aside a certain number of acres and then they wouldn't be worried about what you planted on the rest of your land.

Mr. Mayne. Would you think that if such a program were adopted with this provision that we might even hope to approach the millennium when we would start to have less employees rather than more in the Department of Agriculture?

Mr. DeVaney. I would hope so.

Mr. Mayne. Now, I would also like to ask you, Mr. DeVaney, one of the things that we are considering as a part of the feed grain program is a type of payment limitation to be included in this legislation. Now, what type of payment limitation would you favor?

Mr. DeVaney. Traditionally our position has been to oppose any type of limitation.

Mr. Mayne. Well, if we do have one, which one would you prefer? Let me say to you that this is a very definite issue which I think this subcommittee is prepared to come to grips with.

Mr. DeVaney. I wouldn't have an answer on that. I expect we will have in about 10 days or 2 weeks. Our annual convention is coming up—well, the resolution committee starts meeting the first of December and by the 15th we will have a position on this specifically I believe. I know that it is being talked about a lot now out in the State farm bureaus and county farm bureaus. But I couldn't specify any preference here. The thing about the type of approach we have, we say we wouldn't want any type of limitation on our approach because they would all be phased out in 5 years.

Mr. Mayne. Thank you, Mr. Chairman.

Thank you, Mr. DeVaney.

Mr. Purcell. Mr. Rarick.

Mr. Rarick. Mr. DeVaney, I notice from your testimony on page 2, paragraph 6, that Farm Bureau feels loan rates be set at not more than 85 percent of the previous 3-year average price. Had you given any consideration to the loan rates, on parity rather than on market price?

Mr. DeVaney. Our members—I forget now how many years ago it was, Congressman, 3 or 4 years ago anyway—took the position of getting away from parity and going to the 3-year average market price. It is considered at every convention. But that is the position that they have taken on this.

Mr. Rarick. I realize that the theory of parity has in experience become a dream world but market price can be artificially manipulated one way or the other, too.

Mr. DeVaney. The reasoning, if I may, that they use on this is that basing it on the 3-year average market price would bring about the use of CCC, merely an instrument for orderly marketing and not as a market for your crop. There would be very little going into CCC stocks under a program like this. They would be going in the marketplace.

Mr. Rarick. I was not talking about creating a market. If we use parity as a loan basis instead of average market reducing the percentage to maybe 40, 45, to 50 percent of parity.

Mr. DeVaney. Well, the arguments that I have heard on that is that they feel that parity is outmoded. I mean that is what the members have said on that.

Mr. Rarick. You have given up obtaining parity for farmers?

Mr. DeVaney. I imagine so.

Mr. Rarick. I have no further questions, Mr. Chairman.

Mr. Purcell. Mr. Zwach.

Mr. Zwach. Mr. Chairman.

Mr. DeVaney, do you make your living in the main from farm operations?

Mr. DeVaney. Yes, sir.

Mr. Zwach. Where is this farm?

Mr. DeVaney. It is in west Texas. Well, you might—it is right at the foot of the Plains area close to Big Spring, Tex. I have a cotton, little grain sorghum and cattle operation there.

Mr. Zwach. I like your last statement. The only thing that I can understand about your presentation is your last paragraph where you say that this should provide the basis for increased net farm income.

Mr. DeVaney. Yes, sir.

Mr. Zwach. Now, that is a statement that I think is commendable and worthy. But you think retiring 50 million acres of land is going to result in increased farm income?

Mr. DeVaney. Well, the minimum of that would. We say a minimum. It might take a few acres more. It is our belief that when you cut this agriculture machine down to where it is the size that can produce what the market can absorb at a fair price, then it will increase the net income of farmers.

Mr. Zwach. How much do you think of the good Panhandle area would go into retirement if you passed this legislation?

Mr. DeVaney. I think that would depend on several things. It would depend on the type of land. It would depend on the age and the desire of the farmer to continue in farming. It would depend on his financial setup, whether he can get the credit or the financial backing, and then as I say the desire to stay in farming. That is what it would depend on in any area, and I think you would have them going in in all areas.

Mr. Zwach. You believe that that would result in the end statement you make here, that that would result in increased farm income.

Mr. DeVaney. Yes, sir.

Mr. Zwach. Well, I didn't like to hear the Farm Bureau say that they are abandoning the parity concept for farm income. I don't know where you are going to get a substitute for a parity concept. For instance, let me point this out to you. You talk about a moving average price. How will an average reflect these things?

Last week my son said, "I ordered the seed corn, Dad, and all the seed corn is up sharply."

Now, how will an average of 85 percent of something reflect this cost as parity does today?

I know my taxes are going up sharply. How will this reflect that factor in its relationship to all others?

My interest rates have skyrocketed in my operation. How will anything but parity reflect this actual factor of cost in relationship to all of the other facets in the agricultural business?

How will it reflect increased costs of machinery? My labor costs are going to go up again. They have gone up each year very steeply. They are going up again.

Now, how will this 85 percent of some previous years, how will this reflect to anybody these increased costs? These are four items: labor, taxes, seed, and interest. How will they be reflected? And interest rates. How will this be reflected?

Mr. DeVaney. Well, we would hope it would be reflected in a higher price for the commodities or a better price for them and that would absorb it.

When we say we abandoned the parity concept or the idea of parity, I don't think there is any farmer who wouldn't like to receive parity.

Mr. Zwach. Any what?

Mr. DeVaney. Any farmer who wouldn't like to receive parity of income, or parity prices for his commodities. But my statement was that the Farm Bureau felt that in developing farm support programs that it would be better to use the market instead of the parity concept as a basis for that.

Mr. Zwach. Because the market wouldn't really mean a thing. It wouldn't really reflect farm input costs, would it? It would just cover over the actual true relationships; wouldn't it?

Mr. DeVaney. In that sense it would; yes, sir.

Mr. Zwach. Now, I have been a Farm Bureau member for many years. I also belong to some other organizations, some farm organizations. But I don't think our Farm Bureau people agree with your droping the parity concept, and I am very sorry to see a Farm Bureau representative, Mr. DeVaney, come up here and say that they have abandoned the parity concept, which I think is a true reflection of relationships of the farm industry with all other facets of the U.S. industry.

I differ sharply with my fine colleague that the parity idea is something in a dream world. It is in a world of reality. And if you live it every day as I do out there on my farm there is just no dream or joke about having a measuring stick that truly reflects the relationships of inputs with receipts. I hope that you are not speaking for the rank and file of Farm Bureau members when you say that you ought to drop the parity concept.

Mr. DeVaney. Congressman, they are the ones who told me to say that.

Mr. Zwach. Who told you to say that?

Mr. DeVaney. Our membership.

Mr. Zwach. Your membership?

Mr. DeVaney. Right, sir.

Mr. Zwach. Your membership in Texas?

Mr. DeVaney. The American Farm Bureau at our annual meetings.

Mr. Zwach. They told you to say that?

Mr. DeVaney. Yes, sir.

Mr. Zwach. Thank you, Mr. Chairman.

Mr. Rarick. Would the gentleman yield?

Mr. Zwach. I certainly yield.

Mr. Rarick. Thank you, Mr. Zwach. I am a member of the Farm Bureau, too. I haven't been a member for 40 years but probably 20 or 25 years.

Mr. DeVaney, I don't believe, said he abandoned completely the idea of parity. It was only in response to my question about the loan rates. All the farm people, I believe, would like to retain parity, and yet over the many years that we have been seeking to achieve parity, I don't believe they have ever attained the goals—more like living in a dream world. Most have become disillusioned, they have tried and worked and strived to reach parity and yet it always was beyond reach. My thinking on the question was that if we use parity rather than the market prices for the loan, that the loan rates would be more stable. During one season the market price might actually be at parity, while the next season the market might fall below parity. Of the two cases, it would appear to me that parity would be the more dependable base.

Mr. ZWACH. It is a true measure, a true measure of relationships between income and costs.

Mr. RARICK. Yes. I thank the gentleman for yielding.

Mr. ZWACH. I do want to say that it is correct that his position on parity was in response to a question of yours, but it carried just as much weight coming that way as if it would have been in the same statement and I can't sit here and not oppose this when it's presented.

Thank you, Mr. Chairman.

Mr. PURCELL. Mr. Foley.

Mr. FOLEY. Thank you, Mr. Chairman.

Mr. DeVaney, I represent that little white space on your map there that represents the upper righthand quarter of Washington. As your map shows, ours is not one of your most active membership areas. I am perplexed as some other members are by the presentation of the Farm Bureau Federation. The Farm Bureau people I know who are involved in actual wheat production disagree with the national position much of the time so it strikes me as rather strange when I sit as a subcommittee chairman and we hear testimony on potatoes, or feed grains or wheat, which does not seem representative of the membership. One witness recently testified following the Farm Bureau representative and stressed that as a former Farm Bureau State President he disagreed strongly with the Farm Bureau position and that it did not represent a realistic national position. I do not know how we are to evaluate presentations that come before us from the Farm Bureau when members have so many constituents who do not agree with these presentations. But we are not going to resolve that today.

Let me just ask you a couple of questions. I don't want to take up too much of the time.

You mentioned that you farm yourself for a living and you have a farm in west Texas, and that among other things you said you raise cotton. Do you have a cotton quota?

Why haven't you opted to get out of the program and plant unlimited cotton for world production?

Mr. DEVANEY. Well, there is a penalty on that.

Mr. FOLEY. No, sir. The law permits you to plant all the cotton you wish without penalty as long as you are planting it exclusively for the export.

Mr. DEVANEY. Well, yes, that's right.

Mr. FOLEY. Could it be fair to say that you do not feel you can make a better living that way?

Mr. DEVANEY. No, sir.

Mr. FOLEY. How would your proposal be much different from that at the end of the 5-year period? Do you feel you would have a better domestic market for cotton.

Mr. DEVANEY. Yes, sir. That is our feeling, that the domestic market would be better and that cotton or wheat or feed grains, whatever the commodity is, would be grown on those farms that could provide it the most economically and profit the best by whatever market we have.

Mr. FOLEY. Do you know of an industrial nation in the world that does not provide some support for its agricultural setting.

Mr. DEVANEY. I didn't get your question, Congressman.

Mr. FOLEY. Do you know of any industrial nation in the world that does not provide some support for its agricultural sector?

Mr. DEVANEY. Not that I know of. I am not familiar with all of them, but I couldn't name one off hand.

Mr. FOLEY. I was hoping you might give us an example of a country that has followed a policy of disestablishing all agricultural support—thus relying on the domestic market and export trade without controls or support—that has found that program successful?

Mr. DEVANEY. Well, I can't give you an illustration of that, but nearly all that have programs like that get in trouble with them. The EEC is in trouble now on their farm programs and some of the other countries are.

Mr. FOLEY. Are the French farmers having problems in wheat?

Mr. DEVANEY. I believe it is the livestock folks that are in the biggest trouble over there right now.

Mr. FOLEY. Livestock?

Mr. DEVANEY. I believe it is. I know they were just a short time ago. I believe their poultry production is hurting them, too.

Mr. FOLEY. Poultry is not supported here.

Mr. DEVANEY. No.

Mr. FOLEY. I am talking about feed grains or wheat.

Mr. DEVANEY. Well, I was thinking about any type of support like a tariff or anything that way. That is the method they use for supporting in some countries.

Mr. FOLEY. But they all do something in the way of support, don't they?

Mr. DEVANEY. As far as I know they do.

Mr. FOLEY. Thank you.

Mr. PURCELL. Mr. Kleppe.

Mr. KLEPPE. Thank you, Mr. Chairman.

Mr. DeVaney, I wish somewhere along the line I could get the feeling that the American Farm Bureau has that if we adopt their recommended program that it would improve income for farmers. Somehow or another the Farm Bureau members that I know in North Dakota, I think I can honestly say, feel as I do that we are very, very skeptical of this—as a matter of fact, don't believe that that is the case. I think it would be a fair statement to say that we could admit that the farmers are in trouble economically, and this is a great part of the basis of the presentation for a change from the American Farm Bureau. But the question is, as I see it, how much worse would it be had we not had some Government support of something like $3.5 billions through the certificate and diversion payments. That to me is

the question. And another thing, of course, comes home loud and clear in my area is the proposal of massive whole farm land retirement. There is a well-accepted fact that if this were to become a reality, this is the demise of agricultural America, as it exists in my area anyway; not only would the little farmer be unable to succeed and progress but all of the little towns that live on servicing of farmers are just out of business. And this is about all I have, a bunch of little communities that service agriculture.

Some of your county organizations in my State have passed resolutions opposing the concept of whole farm retirement very strongly. I talked to one of the directors of the State organization in North Dakota just 2 weeks ago, and I believe the convention is on in North Dakota right now or else it just finished, and I indicated that there might be a move to pass resolutions that would be completely contradictory to the American Farm Bureaus' position, and I suspect you know that this might happen.

Mr. DeVaney. Yes, sir.

Mr. Kleppe. The only reason I am saying this is because what has been expressed here by other members of the committee, that we do sense a tremendous difference in the attitude of individual members of the Farm Bureau from the position taken by the American Farm Bureau.

Well, having said this, I would like to get down to one specific question. It is on page 5 of your statement, if I could. You are reciting the costs based on the wheat situation of $37.50 a bushel to take care of reducing the wheat carryover.

I know you used that figure to implant in our minds the bad part of the program we have and the terrible costs of it. But I wonder if you are not applying it improperly here when you are using the evils, so to speak of the wheat certificate program to reduce a surplus that was created prior to the introduction of the wheat certificate program. I wonder if that isn't an unfair figure to use in justifying your position. Could you add some further light or comment on that question?

Mr. DeVaney. I don't understand your question.

Mr. Kleppe. Well, if we just read this paragraph:

> If we include only the cost of price support and diversion payments, the cost of reducing the wheat carryover since the certificate plan went into effect with the 1964 crop has been $37.50 per bushel.

You are making no reference to what the size of the carryover was when the wheat certificate program went into effect but you are assessing all the troubles and problems and the cost of reducing that surplus to the wheat certificate plan and I think unfairly so. This is my point.

Mr. DeVaney. Yes, sir. Well, the table following that gives the carryover.

Mr. Kleppe. Yes, I am looking right at that, 1964 it was 901 million bushels and it got down as low as 425 million bushels and I suspect that is where your $37.50 figure came from. But the wheat certificate program did not go into effect until 1966. So why should the wheat certificate program be assessed all the blame, if you please, for the creation of the large surplus that we had at the beginning? I think

that is an unfair figure. And if you disagree with me I would like some more explanations or comments.

Mr. DeVaney. Well, our reasoning on presenting this is to try to bring the point to you that our organization is aware of the situation we are in as far as farm programs are concerned in getting the support of all the Congress to continue programs of this type, the tremendous cost. This is the reason that our delegates take the position they do on this program. When they come in from all of the States and they are looking at all of the commodities and looking down the road ahead they feel that they can't depend on this type of program because Congress won't keep giving them the money.

Mr. Kleppe. I suspect that one of the easiest things to do politically would probably be to run against any kind of a farm program because it costs so much and because it has done such a poor job, our surpluses are so high. But to my way of thinking that is not the answer to the individual farmer. And again I go back to my original comment. I wish I could have some of the obsessional faith that you and your organization have presented about the fact that income for farmers would go up if we followed your approach. I just don't have that feeling. I don't have that faith. As a matter of fact, I am concerned seriously that it would go the other way and that we would see the demise of much of agricultural America. And, of course, I represent nothing but a large group of small family farmers basically. I just don't want to be a part of chasing them onto welfare rolls because we are not meeting an obligation of keeping agriculture healthy.

Mr. Chairman, I guess I have taken enough time.

Thank you, Mr. DeVaney.

Mr. DeVaney. Thank you.

Mr. Purcell. Dr. Melcher.

Mr. Melcher. Thank you, Mr. Chairman.

Mr. DeVaney, is this the same testimony that was made by President Shuman before the full committee?

Mr. DeVaney. It is the same.

Mr. Melcher. Basically, the same?

Mr. DeVaney. The figures, I believe some of these charts are the result of some updating from some other figures from the Department of Agriculture that we have.

Mr. Melcher. Will the proposals that you have made for the fiscal year, if it were adopted, in the first fiscal year, would your proposals cost more or less out of the Treasury than the current fiscal year expenditure?

Mr. DeVaney. I think probably the first year it would be very close to what it is now.

Mr. Melcher. About the same.

Mr. DeVaney. Yes, sir. When you consider the crop-land adjustment and the continuation of the present program as 80 percent of what it is, I think it would be pretty close to the same thing.

Mr. Melcher. I find a statement on page 7 that I certainly agree with and I think most people in Agriculture agree with. That is that Government payments are an unreliable basis of the income that is necessary for healthy agriculture because they can be cut or limited at any time.

I think this is the crux of it.

How many farmers and ranchers does your organization feel that there are in the United States? I know we use the figure of 3 million.

Mr. DeVaney. Well, our estimate is based on USDA figures.

Mr. Melcher. 3 million.

Mr. DeVaney. Yes.

Mr. Melcher. Right, and I have been reading the press releases of President Shuman as he addresses the State organization meetings, and I think in every press statement he refers to the fact that the American Farm Bureau has a million and a half farm family members. Does that mean that your membership then is roughly one-half of the total farm and ranch operators of the United States?

Mr. DeVaney. Yes, sir. I think so. We have some members other than farmers.

Mr. Melcher. But they are not part of the one and a half million?

Mr. DeVaney. They are counted in that, some of the others are counted.

Mr. Melcher. Would I be counted? I am a veterinarian when I am not here, and if I were a member I would be counted as a farm family?

Mr. DeVaney. Yes.

Mr. Melcher. My family would be——

Mr. DeVaney. You would be counted as a member family.

Mr. Melcher. And that would be one of the one and a half million?

Mr. DeVaney. Yes, sir. It is about 1.8 million now.

Mr. Melcher. What I am trying to arrive at is the real operators, if you represent about half of them.

Mr. DeVaney. Yes, sir. We don't know exactly. We are in the process now of a program with the State of classifying every member as to his occupation, whether he is a farmer or a land owner or a producer and whatever commodity he produces.

Mr. Melcher. Well, I wanted to make it clear that I think all of us that are in agribusiness have a very definite stake in the structure of farm prices and the community programs in all phases of agriculture. So I am not trying to look down my nose at including members in the Farm Bureau people who are not truly farm operators, but I want, I am just trying, to arrive at the impact of your membership who are truly farm operators or ranch operators.

Mr. DeVaney. The only figures I could give you on that—and these are probably 4 years old—in Texas we have 116,000 members as of now. We have them classified as to farms and nonfarmers. Just a fraction over 20 percent of our membership were nonfarmers, and the rest of them were farmers.

Mr. Melcher. I notice on the map that most of your membership is in the East. In my area the Farm Bureau does not operate cooperatives, but in much of the United States the Farm Bureau is involved with the cooperatives, operating cooperatives.

Mr. DeVaney. This is especially true in the Midwest and to some extent in the Northeast. It is not true to the same degree in the South. We have some Farm Bureau-operated cooperatives there. We thought that was the answer in the early twenties and went all out on this, but it didnt' solve our problems there then. And as a result we don't have the Farm Bureau cooperatives in the South that we have in the Midwest.

Mr. MELCHER. Now, there have been views by the Secretary of Agriculture suggesting that possibly 400,000 ranch and farm operators would go on the new family welfare program that has been proposed. You have a section in our testimony similar to this. Does this fit in with your estimate of what might happen if we had a new family welfare-type program?

Mr. DEVANEY. Well, it seems to me it would be possible—our figures are, I believe, that there are around 450,000 families that would come under our smaller farmer program, that is, less than $5,000 gross income, less than $2,000 of farm income. I mean gross sales. And our figures are that—we got this from the census, the last census and it was around 450,000 farmers on this.

Mr. MELCHER. Well I have, of course, some concern for these operators, but I also have a great deal of concern for the operators with sizable spreads, whether it is farming or ranching, that I am intimately connected with and know their operation. I am also concerned about whether or not they are going to survive another year, how many of them might be out of business next year or the year after for lack of income or lack of credit. And I am also aware that there is quite an increase in farm sales in our State of Montana this fall. I have to view this with a great deal of concern especially since if we are going to accept the 3 million farm operators, which is about one-half of what it used to be, now we are still having a high percentage of farm sales. My question is this. Do you feel that since many farmers are right on the edge now of making it or going broke and being forced to liquidate; forced to sell out, can they stand not to have, or to have any drop in their income next year and the year after?

Mr. DEVANEY. I think there is a big group of them that come in that category.

Mr. MELCHER. I am not talking about ones that have gross sales of $5,000. I am talking about well-equipped operators that might be in the gross sales of $30,000 to $50,000 or more per year.

Mr. DEVANEY. Well, there are several hundred thousand farmers going out each year and I don't think it is just the little ones. I think it is the ones that you are talking about that gross more than $5,000—I believe our figures show that there are a million farmers that gross $20,000 in sales or more. They produce about 85 percent of the food and fiber. And then the other 2 million gross less than $20,000 and produce about 15 percent of it. But there are a lot of people in that area there under $20,000 that are having to go out. I know that is true in my country, just every year. You either get bigger or you get out. That is the way it is going in my country.

Mr. MELCHER. Well, have I misinterpreted your testimony here that you are not projecting an increase in farm income for next year or the first year after your program goes into effect, or are you?

M. DEVANEY. It would—we would hope so, but it might take 2 or 3 years to get an increase.

Mr. MELCHER. Well, you are projecting that increase on the basis of what, then, improved markets?

Mr. DEVANEY. Right, and taking some of the land out of production and leaving the rest to move toward producing in the areas where a commodity, whether it might be wheat, cotton, or what it is, can be produced most economically

Mr. MELCHER. Well, I understand this movement, but I interpret your moving toward a more favorable marketing situation to mean over a period of 2-, 3-, 4-, 5-year program, is that correct?

Mr. DEVANEY. That's right.

Mr. MELCHER. Well, then, if there were going to be an increase in net farm income in the first year or two of your proposal it would be on the basis of how much land was taken out of production and the Government paying for taking it out of production, is that correct?

Mr. DEVANEY. Yes, sir. You see, under our proposal your present annual diversion would continue at 80 percent of what it is now, and then in addition to that, the Secretary would be directed to take out 10 million additional acres more, which would be pretty close to about the same amount. But it would be those going out of farming who didn't have the capabilities or the desire to stay in the farming and give them a way out and then let those who do have the desire and capabilities and the resources to do the producing on areas where it can be done at the market price.

Mr. MELCHER. Well, then, the added farm income would be to those operators who went out of business then.

Mr. DEVANEY. Well, the rental on the land; yes, sir.

Mr. MELCHER. Those would be the ones who would have a net increase in their income then.

Mr. DEVANEY. Not necessarily. It could happen to those who stayed, in the marketplace.

Mr. MELCHER. Well, you mean in the first year or two?

Mr. DEVANEY. Yes, sir; it could.

Mr. MELCHER. Well, I interpreted your remarks previous to this to mean that the improvement in the marketplace would be a gradual thing that would build up at least from the second or third year beyond that, but not in the first year.

Mr. DEVANEY. I wouldn't anticipate a big buildup the first year.

Mr. MELCHER. My concern is—I think I made myself clear—what happens the first year for those operators who want to stay in the business?

Mr. DEVANEY. Right. Well, that was the point that I made, that they are getting out now. They are having to, these same people that you are talking about, they are having to get out because they can't stay even under the present program.

Mr. MELCHER. I am afraid we are to buy your theory that the market prices would improve quickly simply on the basis of your testimony that after the period 1936 to 1941, there was some improvement in farm commodity prices when some programs were dropped, but that is a long time back and there was a war building up, and we did get into a war in 1941. And I am very skeptical that what you are projecting has nothing to do with improved markets within the first year or two if your program were in effect. I find that very treacherous grounds to be on.

Mr. DEVANEY. Yes, sir.

Mr. MELCHER. Thank you, Mr. Chairman.

Mr PURCELL. Mr. Price.

Mr. PRICE. Mr. DeVaney, I just want to thank you for bringing your testimony to the committee and taking the time to come up here and present the Farm Bureau position on this program. I know any-

time there is change a person has to go through the criticism of the public and I want to thank you for your presentation.

Mr. DeVaney. Thank you, Congressman.

Mr. Purcell. Mr. Sebelius?

Mr. Sebelius. No, sir.

Mr. Purcell. Thank you, Mr. DeVaney. We are not really through with you. We are just quitting.

Mr. DeVaney. Thank you, sir.

Mr. Purcell. And so as I quit, let me just say that my impression of your statement that all over the world the commodities that have programs are in trouble is like saying that all sick folks going to doctors, if you just quit doctoring them they would all get well. Perhaps at some time in the millenium, the Farm Bureau and most of the rest of us can have a philosophy more parallel to each other's.

Mr. DeVaney. I hope so, Congressman.

Mr. Purcell. The next witness that we will call is Mr. Earl L. Strong, president of the Nebraska Feed Grain Growers Association of Aurora, Nebr.

Mr. Strong, we will be glad to hear from you at this time.

STATEMENT OF EARL L. STRONG, PRESIDENT, NEBRASKA FEED GRAIN GROWERS ASSOCIATION, AURORA, NEBR.; ACCOMPANIED BY TED REGIER

Mr. Strong. Mr. Chairman, I am Earl Strong, president of the Nebraska Feed Grain Growers and I have with me Mr. Ted Regier, one of our directors and also a Hamilton County ASCA committee chairman. He might be able to help me answering questions or things like that.

I have a very brief statement here, so if you permit me, I would as I go through make a few clarifications so we might not come back and change it.

Mr. Chairman and members of the committee, the Nebraska Feed Grain Growers welcome this opportunity to testify before the committee on the draft for feed grain legislation that you have before you. The Nebraska Feed Grain Growers, from the beginning, have had as one of their primary goals legislative action to improve farm programs.

We believe the present feed grain program has worked well for most farmers and, with proper funding and a few amendments to remove some of the inequities could still function to improve the farmer's income. We realize that a new administration would most likely use a new approach to our continuing farm problem of the ability to produce more than we can consume or export at a fair price. We have studied the darft before us to see what changes have been made and how they affect the feed grain growers. We can see only three significant changes and will proceed to discuss them separately.

I would like to say right here that we didn't realize that you were considering the set-aside program and the ability to plant what you want on the rest. We know that that has been proposed but we didn't see it in the draft so we didn't take that up in here.

The price support would be changed from a percent of parity to a percent of the average price received by farmers in the three market-

ing years preceding the marketing year for the crop in which support price is announced. We feel that this is not an improvement and could lead to a gradual decline in the support price and therefore in the market price. Except for a few years of relative short supply, the market price has risen and fallen along with the support price. Therefore, we oppose this change. As has been said before, it is probably a hundred percent parity which would be about a dollar seventy for corn which is probably a dream but we do want to keep it tight because that is the only thing that we have, it is the best thing we have, if you have your cost of production and your price. So we would like to see the parity.

We note also that the payment rate might be adjusted down by not more than 50 percent. We do not understand this provision fully, but we believe it would discourage participation in the program. We oppose this change. We know when the farmer signs up in the spring he figures what his payment is going to be, how many acres he is going to have to lay idle to get the payment. He decides whether he is going to go with the program or not. Well, if that could be cut 50 percent in the fall, I don't believe we would get very good participation. It just wouldn't encourage them.

On the payment limitation we would suggest a flat cutoff at 50,000. Now, I know that 20,000 has been mentioned and it wouldn't hurt too many feed grain growers right now. It is only a small percentage that would go over the 20,000. But this is an expanding economy and inflation and it isn't going to be too long until there will be a lot of feed grain growers who would be affected by this 20,000 limitation. So we would like to see it at least higher than the 20,000.

We can see no other significant differences in the proposed draft and the current feed grain program. We would like to suggest some changes we think would improve the present program. We would like to change from the present feed grain base, wheat allotment and conserving base to a cropland base and a conserving base. The conserving base to consist only of permanent pasture and the average cropland devoed to summer fallow. All of the rest of the farm would be considered as the cropland base. This would eliminate the so-called free acres which at present must be left idle or planted to some such crop as popcorn or soybeans or something like that. It would have to be a definite crop. And also many farmers—it would also eliminate the 4- or 5-acre conserving base. Many farmers who had a few acres in alfalfa in 1959 and 1960 would rather not have any alfalfa at all now. Many farmers leave these few acres idle and receive no income from them.

In lieu of payment we would recommend that a farmer be eligible for price supports in relation to the amount of crop land he sets aside. For instance: for a 10 percent reduction he might receive 65 percent of parity; for a 20 percent reduction, 75 percent of parity; and for a 30 percent reduction, 85 percent of parity. In addition he should be guaranteed a certain amount above market price. This price might be 5 cents a bushel for 10 percent reduction up to 20 cents per bushel for 30 percent reduction. These are only example and could be set annually by the Secretary of Agriculture according to the supply situation.

We would like to see a buffer or market reserve established to stabilize the market and assure an amply supply of grain to meet all

our needs. In times of surplus the reserve could be expanded in times of short supply the reserve could be drawn upon to meet our needs. We know you considered the reserve a couple years ago but then it was more or less of a merger reserve and this would be a market reserve to help our farm program operate. In other words, the Secretary of Agriculture would have a little more freedom to move if he had a reserve back there that if he overshot or undershot it would work either way to help stabilize it.

Briefly then, we oppose price supports based on: (1) Price supports based on a percent of the average price reecived by farmers in the 3 preceding years; (2) a reduction in payments after the signup.

We recommend: (1) A crop land reduction program with payments based on percentage of reduction in crops; (2) a market reserve to stabilize the market.

Thank you, Mr. Chairman.

Mr. PURCELL. Thank you very much, Mr. Strong.

Are there questions members have of Mr. Strong at this time? Mr. Rarick, do you have any questions?

Mr. RARICK. Thank you, Mr. Chairman. I have no questions. I certainly think that Mr. Strong presents a different approach. I compliment the gentleman for a most enlightening statement.

Mr. PURCELL. Mr. Mayne.

Mr. MAYNE. Thank you, Mr. Chairman.

Mr. Strong, I understood you to say in the interpolations to your testimony here, although it is not in your prepared statement that you believe the $20,000 limitation would be acceptable as far as feed grain producers are concerned.

Mr. STRONG. At the present time.

Mr. MAYNE. Well, if you feel that way why do you suggest a cutoff at $50,000?

Mr. STRONG. As I said, I feel that this—we know that operations are expanding and within a few years' time—of course I suppose that could be brought up again, but you would cut out quite a few of the larger operators.

Mr. MAYNE. Then you weren't suggesting the $50,000 with other crops in mind but as it would apply to feed grain production?

Mr. STRONG. Yes. That is primarily what we are in central Nebraska is feed grain growers.

Mr. MAYNE. Do you have any feeling that payment limitations should be the same for all groups.

Mr. STRONG. Possibly not. I mean if there could be—there might be extenuating circumstances where other crops could have a higher payment.

Mr. MAYNE. And you think that would be acceptable to the members of your organization.

Mr. STRONG. I would feel so, yes.

Mr. MAYNE. Thank you.

Mr. PURCELL. Mr. Zwach.

Mr. ZWACH. Mr. Strong, you believe that the parity concept as a goal should be retained?

Mr. STRONG. Right. Yes, sir.

Mr. ZWACH. Well, I think that is a very basic concept because I know of no other measuring stick that shows true relationships.

You throw out one idea here that looks pretty good to me. You say the crop land production program with payments based on percentage of reduction in crops. You believe that this might be a practical approach.

Mr. STRONG. Yes, I believe so. At the present time you either go in 20, 30 percent or whatever the Secretary sets or else you are out. And here you could go in anywhere from 10 to 30 percent and it would give the farmers a little more freedom of choice of operations.

Mr. ZWACH. Under the present program they can divert from 20 to 50 percent.

Mr. STRONG. Yes, that's right.

Mr. ZWACH. You would work in some consideration because the one that retires the most land will be helping the most to bring production in line with demand.

Mr. STRONG. That's right, sir.

Mr. ZWACH. That is all, Mr. Chairman.

Mr. PURCELL. Dr. Melcher.

Mr. MELCHER. Thank you, Mr. Chairman.

Mr. Strong, just one question. What are your estimates on how much costs are increasing?

Mr. STRONG. We don't have a large staff, but I do feel that this idea of tying the payment in with the percentage of support could very well reduce it. Now, we have no figures to show that it could.

Mr. MELCHER. I think perhaps you misunderstood my question. I mean the cost of the individual farmers and ranch operators, are they going up year by year?

Mr. STRONG. Oh. Just for instance our taxes went up 40 percent on the average in Hamilton County this year. Now, that is probably a little above the average.

In talking about this parity I just can't quite understand why it doesn't reflect our increases in costs as much as I think it should because parity has stood for corn somewhere in the $1.60 range for almost 10 years. Can anybody explain to me why parity hasn't gone up a little more than that? I believe our costs have gone up—of course I realize the increased efficiency has something to do with it but our costs have definitely gone up in the last few years and it seems like it increases.

Mr. MELCHER. Is about 5 percent per year a fair figure?

Mr. STRONG. I think that would be a very conservative figure.

Mr. MELCHER. In your estimate it would be higher than 5 percent per year.

Mr. STRONG. I would think so.

Mr. MELCHER. Thank you.

Mr. PURCELL. Mr. Kleppe.

Mr. KLEPPE. Thank you, Mr. Chairman.

Mr. Strong, I agree with your concept wherein you state that generally the market price rises and falls with the price support level established. Second, the fact that we would produce more feed grains in this country than we consume domestically, we are then subject to having to sell some of our feed grains in export. Do you believe that we can keep up our level of export sales or expand them in feed grains if the price support is lowered, or do you believe—maybe I should put the question the other way. Do you believe we can keep up our level or expand it if the price support level is kept the same on feed grains?

Mr. STRONG. To me this whole foreign trade business is really a complicated thing, and I have here the guaranteed price supports of wheat in the other countries. I wish I had one for feed grains. But we see here France has a price support of $2.46 and yet they are selling wheat in competition with our feed grains.

Mr. MELCHER. So we know then that the Government is picking up a tab there for the difference, don't we?

Mr. STRONG. Yes, and it looks like——

Mr. MELCHER. Specifically, on my question I would like to get your own personal opinion. I realize that's what it will be. Do you think we can be competitive in the export market, keeping our price support level on feed grains where it is today?

Mr. STRONG. We may have to have a small export subsidy. I can't see any other solution to compete with the others as long as they are going to subsidize their exports.

Mr. MELCHER. Thank you.

Thank you, Mr. Chairman.

Mr. PURCELL. Mr. Jones, do you have any questions?

Mr. JONES. No questions.

Mr. PURCELL. Mr. Sebelius.

Mr. SEBELIUS. I have one, Mr. Strong. I note on the second page at the top of your statement you are stating a cropland base and conserving base. What would be wrong with just using tillable acres on a farm?

Mr. STRONG. The only thing about that, the conserving base we are thinking about, you will notice I have permanent pasture and summer fallow. There are people who have this summer fallow in their rotation, and if you allowed those to have that as a separate base they could just put in their idle acres and then the next year they could go back and they really wouldn't be laying anything idle. Otherwise if it wasn't for that I think the tillable acres would be fine.

Mr. SEBELIUS. Doesn't a man summer fallow for purposes of getting a better crop the next year?

Mr. STRONG. That's right.

Mr. SEBELIUS. Then why should he be penalized by having a separate base for it?

Mr. STRONG. Well, do you know through the years he has always summer cropped?

Mr. SEBELIUS. Well, they have since they discovered it back several years ago, but doesn't it tend to penalize the man who adopts this practice?

Mr. STRONG. I can't see why it would because otherwise if he was allowed to put his set-aside acres, put it back into wheat the next year, he wouldn't actually be making any reduction in the crop.

Mr. SEBELIUS. I think so. If he gets hailed out one year, he loses what would be the basis of—he won't get another group for 2 more years, for a 4-year base on it. I think the summer fallow people have been penalized in all farm programs, and I would hope that somewhere if I stay here long enough I can do something about it, and I appreciate your presentation this morning.

Mr. STRONG. Personally, I wouldn't object to it. I mean as far as that goes I wouldn't object to it. I mean as far as that goes I would object to it.

Mr. SEBELIUS. Thank you.

Thank you, Mr. Chairman.

Mr. PURCELL. Thank you very much, Mr. Sebelius.

I will now call Mr. Elton Berck, president of the Nebraska Farmers Union, who is speaking for the National Farmers Union, so if you will, please, come around.

STATEMENT OF ELTON BERCK, PRESIDENT, NEBRASKA FARMERS UNION, REPRESENTING NATIONAL FARMERS UNION; ACCOMPANIED BY REUBEN JOHNSON

Mr. BERCK. Mr. Chairman, members of the committee, I am Elton Berck, representing the National Farmers Union in this instance. I come from Nebraska.

First, Mr. Chairman, I would like to commend the leadership which you have exercised in introducing and influencing other Members of Congress to cosponsor the coalition bill, H.. 14014 which embodies the recommendation of the 22-member, or more I believe, general farm and commodity organization groups. And in addition, Mr. Foley of your committee who has also joined in the introduction of this bill, and I believe Mr. Melcher who has introduced a companion bill, and Mr. Jones.

To a considerable degree also, Mr. Chairman, you may find personal satisfaction in your efforts to bring unity to agriculture because it is largely in response to the call for unity by Members of Congress, Secretary of Agriculture Hardin, and others that we have been able to develop such a high degree of unity in agriculture.

Nebraska is a feed grains and livestock State. Our economic lifeblood relates directly to the prices of these commodities. Producers of feed grains and livestock almost universally recognize the economic interlock between these commodities. The success of the feed grains program in managing of feed supply, bringing a reasonable balance between production and utilization, is a major contributing factor in increasing returns from livestock.

We recognize that there are other factors, such as increasing consumption of livestock and livestock products and the dropoff in numbers of cattle resulting from the depressed livestock price situation for several years. However, in spite of the fact that livestock prices have not been as high as they should be, livestock producers would have undoubtedly suffered even greater economic hardships in the absence of a feed grains program that has had as its objective the management of feed supply. We doubt if it will ever be possible to perfectly balance supply with demand in any commodity. Be that as it may, Mr. Chairman, we in Farmers Union are strong defenders of the feed grains program.

But the worsening of the price-cost squeeze brought on by increasing prices for almost everything farmers buy, calls for immediate improving amendments to increase the income of feed grains producers and to help underpin recent increases in cattle and hog prices. We recommend improvements in the program as follows:

(1) The feed grains program should be extended permanently.

(2) Price support loan rate on corn should be increased from $1.05 to $1.15 per bushel with the loan rate on grain sorghum increased in the same ratio from $1.61 to $1.76 per hundredweight.

(3) The payment for corn and grain sorghum should be so increased that together with the price support loan program, participants will receive 90 percent of parity. If this were done, the corn payment would be increased from 30 to 40 cents per bushel and grain sorghum payment would be increased from 53 cents to 71 cents per hundredweight.

(4) The payment should be made on the full amount of the projected yield on base acres.

(5) The farm projected yield for any crop of feed grains for any year should not be reduced more than 5 percent lower than it was for the crop year immediately preceding, if the actual yield from such farm was reduced as a result of drought, flood, or other natural disaster.

If these improvements were made, participants in the feed grains program would receive $1.55 per bushel of corn on the full amount of their projected yield and $2.52 per hundredweight on grain sorghum for their full projected yield.

Corresponding price support loan benefits would be afforded producers of barley, oats, and rye and would raise the income of producers of these commodities.

We do not know whether some of the "leaks" of an administration program are serious proposals. However, in response to a rather widespread press accounting program details attributed to the administration, we should like to state our views on some of the proposals.

We are opposed to any budget cut in expenditures on commodity programs. We are opposed to the abandonment of the concept of parity and the basis on which parity price levels for various commodities are calculated. We are opposed to dropping the term "price support" from existing farm legislation. We are opposed to a sliding scale means of setting price support loans whether it be related to a moving average of the market prices or any other criteria.

We are opposed to giving discretionary authority to the Secretary of Agriculture to set price support loans or payments and we do not want any tampering with minimums and floors set in the 1965 Agriculture Act. We are opposed to eliminating authority for the wheat export certificates.

Mr. Chairman, we in Farmers Union believe that the existing farm program is working well and that with some increase in the amount of funds, as the coalition has recommended, it will work even better.

This closes the testimony as you have it before you.

Mr. PURCELL. Thank you very much, Mr. Berck. Are there any questions of Mr. Berck.

Mr. Kleppe.

Mr. KLEPPE. Mr. Berck, just one question. I notice in your statement that you have made no mention of a proposition for payment limitation of any kind. What is your organization's feeling on payment limitations? And I ask you this question with knowledge of the fact that I assume you are aware of the mood of the House. Would you comment on that, please?

Mr. BERCK. We appreciate the spirit in which you ask the question. This is one of these iffy questions I might say, and I am going to turn to Mr. Johnson, who is our technical adviser here who represents the national position more frequently than I before committees.

Mr. JOHNSON. Mr. Kleppe, we have opposed a flat payment limitation, and we have opposed the efforts of those who would impose a limitation if they didn't have pure motives, and by pure motives I mean if they were hostile to farm programs we have not supported their efforts.

In an attempt to deal realistically with this, our delegates did enact at the most recent convention a recommendation in regard to this matter. Looking at the need to set a payment limitation at a rather high level in order to protect the supply-management features of farm programs, our delegate body put together this kind of formula: 25,000 would be the starting point. Anybody that had 25,000 would not be cutting back. The next, $10,000 from $25,000 to $35,000, payment of $7,500 would be provided. And from $35,000 to $45,000, $5,000 of that $10,000 would be provided, which would mean a payment recipient who would normally get $45,000 under our formula would receive $37,500.

Mr. KLEPPE. Is that the maximum, then?

Mr. JOHNSON. The maximum would be $37,500.

Mr. KLEPPE. That would be the maximum?

Mr. JOHNSON. Now, let me make it very clear, and what a lot of people in cities apparently don't understand is that when you are talking about $37,500, you are not talking about that much home free, in other words, free of any incumbrance or liability. Farm expenses today are such that if a farm operator can get 25 percent of his gross in the form of net, he is doing pretty good, and there are a lot of farmers who don't do that well. So I think we ought to make the record very clear for our city friends that this is not an unreasonably high level.

But I want to say again that we do not intend in the Farmers Union to support the efforts of those who attack farm programs, who are opposed to farm programs, who want to see farm programs come to an end and attempting to use the device of a payment limitation in order to bring them to that objective.

Mr. KLEPPE. Thank you.

Thank you, Mr. Chairman.

Mr. PURCELL. Any other questions?

Mr. Zwach.

Mr. ZWACH. You make this statement:

> We are opposed to the abandonment of the concept of parity and the basis upon which parity provides levels for various commodities are calculated.

Now, you are aware that for several years there has been an effort to get away from this term. Would you give us your concept of the fairness and the real measuring stick of that term parity?

Mr. BERCK. Sir, it would probably be impossible with exactitude to state what we imply in the term "parity." However, this is a term that farmers understand. They are accustomed to working with it over a period of years. It is very doubtful whether any other kind of a term could be used which would be any more readily acceptable, any more readily understood. What we are trying to spell out is a relationship of farm income from crops to farm costs and a fair return. So that is why we have taken this position.

Mr. ZWACH. You would like to see it retained——

Mr. BERCK. Exactly so.

Mr. ZWACH. Thank you, Mr. Chairman.

Mr. PURCELL. Any other questions?

If not——

Mr. RARICK. Mr. Chairman, may I ask one question?

Mr. PURCELL. Excuse me. Yes, Mr. Rarick.

Mr. RARICK. I noticed from your testimony that you oppose giving discretionary authority to the Secretary to set price-support loans. Who do you feel should retain the authority, or should there be statutory measures enacted by Congress, or do you feel we of the Agriculture Committee should maintain control?

Mr. BERCK. Well, again, on this particular point, I am going to turn to Mr. Johnson because he is more familiar with the working of this particular authority and the reason for our position in this regard.

Mr. Johnson.

Mr. JOHNSON. Well, Congressman Rarick, that is a very interesting question and we are happy to respond. We, in the Farmers Union, feel like we are part of the Government. Now, not all people and not all organizations take this attitude, but we are part of the Government because we conduct ourselves in such a way that we become a part of the Government. We feel very kindly toward this committee because we feel welcome here. You always listen to our comments, even though you may not act on them. At least we get a cordial reception.

Well, I am taking too much time to build up to what should be a relatively short answer. We would feel much more comfortable having the elected representatives of the people make decisions about the minimums and floors that should be established in legislation. And I must say that while we have some Members of the Congress who don't understand farm programs we believe that the Congress as a whole, and this includes this committee and all the members, believes that there ought to be equity among economic sectors in our economy and that when the dust all settles and we have a farm bill we would much rather ride with the congressional directives in regard to these price-support levels than with a Cabinet officer, with all due respect to Secretary Hardin, who is appointed and not an elected official.

Mr. RARICK. You are saying that you would much sooner trust the destiny of the farm people to the will of the elected representatives than to an unelected bureaucrat. Is that substantially correct?

Mr. BERCK. Mr. Rarick, if you put that word bureaucrat and use it in its finest sense, I will agree with you, sir.

Mr. RARICK. Thank you, sir.

Mr. PURCELL. Dr. Melcher.

Mr. MELCHER. Thank you, Mr. Chairman.

Mr. Berck, on page 2 you are stressing the price-cost squeeze brought on by increasing prices for almost everything farmers buy.

Now, I know how true this is, Mr. Berck, but I think that it is not generally understood. In my State of Montana, and in many other areas that I have spot checked, I have found that there are an increasing number of farm and ranch sales, not because the people want to retire and move off the land but because their credit has not been extended or the squeeze has been so tough that they just cannot continue their operation. Is that true in your State of Nebraska?

Mr. BERCK. This is very true. I was interested in this question because of a very recent publication that perhaps I am sure the members

of the committee are aware of, a publication by the USDA, "Economic Research," and they have gone into this thing of the increases in costs of operations for various types of agricultural pursuits. And I turn to just one here on table 5 and this has to do with hog/beef raising farms in the Corn Belt, and we have here a comparison of costs, an average of 1957–59 figures compared to 1968, and the gross farm income for those same periods. Now, we are referring to gross farm income first. The average gross farm income in this group of farms in the Corn Belt, this type of production, the 1957–59 year average was $8,623. We come down the road to the 1968 period, and each year of the years 1967, 1966, there was an increase. For 1968 it was $17,838 gross farm income as compared to the $8,623 gross income in 1957–59.

Now we turn to the total cash expenditures and we begin there with 5,000-some-odd dollars of total cash expenditures in the 1957–59 period and we come up to $11,048 for the 1968 period. So we have here—and I will not burden the committee further with quotations, but we have in this study a very accurate picture of what has happened to farm costs over this era of time.

In response to your question, certainly, Nebraska, the Cornhusker State, has experienced this same thing, and it has had a very great effect on the total economy of the State since our State is so largely agricultural depending so much on livestock, livestock products, and farm products generally for its income.

Mr. MELCHER. Last week the the Interstate Commerce Commission granted to the railroads a 6-percent increase in freight rates. Mr. Berck, who is going to pay the 6 percent in farm commodities?

Mr. BERCK. Those people who use the railroads most in freight shipments, and this will be the farm people who pay not only on crops shipped out but on supplies shipped in.

Mr. MELCHER. To ship cattle or to ship grain the farmer or rancher pays the total freight bill; is that correct?

Mr. BERCK. He will; yes. He will.

Mr. MELCHER. It will be reflected back in a lower net price to him.

Mr. BERCK. This is very true.

Mr. MELCHER. Thank you, Mr. Berck.

Thank you, Mr. Chairman.

Mr. PURCELL. Mr. Jones.

Mr. JONES. Mr. Chairman, one quick question. I direct your attention back to this word parity. As I recall your testimony you said you didn't believe you could define it. I asked Secretary Freeman some 3 years ago to give me an interpretation or definition and he said he wasn't quite sure he had one.

With that in mind, would you agree, sir, that perhaps this committee and others should start seeking a new level of support, for example, cost of production as it varies from year to year for support prices?

Mr. BERCK. Well, we are dealing pretty much with the same subject here which is a fair return to the farmer for his investment.

Mr. JONES. Parity has not provided that.

Mr. BERCK. Well, this is true, it has been short in this, but it has provided in some measure a standard—imperfect, this is true. And certainly there is need of improvement. But this will not be accomplished by abandoning the concept of parity or changing the term.

Mr. JOHNSON. Mr. Jones, we don't have parity. We don't have parity prices——

Mr. JONES. I just said that, sir; yes.

Mr. JOHNSON (continuing). To these commodities. In other words, the Congress has authorized much higher prices than we have. The reason why we don't have these higher prices, we haven't had the money to fund the programs to the point that we could raise prices up to the parity level. Now, without belaboring the point here, I wonder, Mr. Chairman, if I might be permitted to submit the level of prices in terms of the parity level, percentage of parity, that we are receiving currently?

Mr. PURCELL. We have a member of this subcommittee who can tell you hourly what that ratio is.

Mr. ZWACH. Mr. Chairman, I have it in my pocket at all times. And I use it regularly.

Mr. PURCELL. So in order to just verify Mr. Zwach's figures, you may submit yours.

Mr. JOHNSON. Mr. Chairman, I will check with Mr. Zwach.

Mr. PURCELL. All right, then, gentlemen, we thank you very much.

We have two more witnesses who are scheduled to be heard, Mr. Lloyd Reeser, United Grain Farmers, from Weldon, Ill., and I have noticed that Mr. John H. Butterfield of Hanna, Ill., is here. He is vice president of the National Corn Growers Association. And I understand Mr. Butterfield just wants to make an oral statement. And Mr. Reeser, if you will kind of honor us with realizing what our time problem is here, and that is that we are going to go into session in about 10 minutes, we will appreciate very much hearing from you, please.

STATEMENT OF LLOYD REESER, UNITED GRAIN FARMERS, WELDON, ILL.; ACCOMPANIED BY CLEO A. DUGAN, CHAIRMAN, UGFA, GERALD CAIN, AND JAMES M. HALL

Mr. REESER. Thank you, Mr. Chairman, members of this committee. We are, too, going to make just an off-the-cuff statement realizing the delicate situation you have here from the standpoint of time. I would like to introduce the gentlemen with me. This is Jim Hall, our legislative representative, and to my right is Cleo Dugan, chairman of our organization and Gerald Can, a member of our organization.

Now, we are here in behalf of presenting our views in support of the coalition bill. Very briefly, we would like to point out that we feel that it is necessary in order to improve and to get from here to there that we have to start from here, and here is the 1965 Act. And the coalition bill incorporates this with some improvements. We realize that this bill is not the ultimate but it is definitely a step in the right direction, and we support it fully.

We are aware of the fact that there is much that can be considered in the economic aspects as I have listened to these other presentations here this morning, and I regret that I have not drawn this up ahead of time to present to you, but if Mr. Hall would hold this up so you could see it I would like to define our concepts of what is involved in the economics here.

If it is of interest to you, we will have those prepared and sent to you, but what we have designed here, we also are listening to a supply and demand situation as far as economic situations are concerned referring to our agricultural production.

In this graph we also represent another economic law, the law of diminishing returns which indicates that as a supply of a product increases in relation to its demand that the profit increases up to an optimum point at a decreasing rate. And after it reaches this optimum point, the profit decreases at an increasing rate until we are in the loss area again. So you can see from that little graph to the complete left that when you don't have production that will meet the demand situation you are at a loss operation. When those curves intersect is the only time that we can have profit.

Now, if we raise the costs or lower the prices, you will see that those curves tend to separate so that there is no profit level involved. And this is the area in which we find many farmers today. And as we go to the right in excess production we are again into the loss area. And we definitely feel that we must tie ourselves to a parity concept to justify the price of our products or we will be in this loss area. And the only way you can have a parity concept, whether you call it parity or whether you use other nomenclature, is a fact that we must introduce the costs of production as all other segments of the economy do. Thank you, sir.

Mr. PURCELL. Thank you very much. If there are no questions, then we really do appreciate all of you gentlemen being here. I am sorry, as so often happens, we get into this situation late in the morning. Our lack of asking questions is not an indication of lack of interest in what you say. Most of us I think will find what you have said more alined to our thinking than some of the other witnesses' testimony has been but due to the pressing time we will excuse you at this time. Thank you, sir.

Mr. REESER. Thank you very much, sir.

Mr. PURCELL. Now, is Mr. Butterfield in the room at this time?

STATEMENT OF JOHN H. BUTTERFIELD, VICE PRESIDENT, NATIONAL CORN GROWERS ASSOCIATION

Mr. BUTTERFIELD. Thank you, Mr. Purcell. I was going to be visiting with you people individually while I was in town, but I thought I might like to put two or three things in the record.

Mr. PURCELL. All right, sir.

Mr. BUTTERFIELD. I just came from the IA convention. I have been active in farm organization work clear back to Marvin Jones being chairman. I have been visiting with you since. I would like to share with you some of the things that were discussed in the meetings which I came from last night. There are some real questions being asked today from the press and the kinds of things that are talking about the future of agriculture. I am not going to get into limitation of payment because you don't have time and I could spend a good long time telling you that you can't do anything about cutting production if you don't have it taken out by the people producing it. You can't get anything done on this.

But the things that are coming to the head very much are two matters. One is the stability of agriculture, whether you call it parity or not, of tying to some kind of price that we can try to talk about starting with. And then we get into talking about not using a loan, a nonrecourse loan, but proceeding to have this left entirely at a level that nothing would go into commodity credit stocks.

Well, this can have nothing to do with stability and we find in the halls in which we talked this week that the thing people are talking about is how can we keep from having to go way up and down. We think if it hadn't been for the loan level in the last 3 weeks when all of a sudden 92 million bushels of corn was found in the November crop reports that we would have had the Board of Trade using this method to say we run the price down, that we would have lost 10 to 15 cents a bushel. Nothing else would have prevented this from happening. And we also find as we listened to a speaker from the Fats and Oils Division speak before about a thousand people the night before last, it was interesting in the hall to hear the people talking economics, and that, if you will pardon my language and you put in the first word but the second was "fool"—tried to tell us it was good to increase exports 5 million bushel and we did it by cutting the price 30 cents. Now, 5 million of these bushel to these people who are not bought with professional degrees but with only having to pay their bills pointed out that a 5 million increase in exports of soybeans that he was talking about was one-half of 1 percent of the crop, and that a cut to do this and he took only credit that he was able to do this because he had the price cut 30 cents.

Well, now, the University of Illinois has just put out some report on this that a 30-cent cut in soybean prices is a 27 percent in net farm income, the thing we were just relating to. So it was just common in the halls to hear people say how can somebody brag about, by having a price war, reducing farm income 27 percent, you got rid of one-half of 1 percent more stuff. Well, gee, I don't have any answers to those guys when they come up and talk to me, do you?

Well, the other stability of course is the fact how do you help the stopside, and this is the thing that our people are getting awfully tried of as we talk to them in Illinois. I happen to be from a county that is the most intensive soybean producing county in the United States, that has the highest corn yield in the last 3 years of any non-irrigated county in the State, and that is a sizable wheat operation. I individually am wheat, corn, and soybeans so that I am in the middle of all three planes. I have served many years on the American Soybean Association Board before they became enamored with lower prices. And the interchange of these commodities that we have on the farm, it is an acre planted a year or an acre to soybeans is our problem. And when we find that people are talking about the level of loan prices hurting the sales of soybeans overseas and do not tell you the fact that in 1966 or 1967 and this is what I want to get in the record, Mr. Chairman, that people out in the country remember the price of soybeans 2 years ago being up to $3.60 and that this was the effect on the people buying overseas, not a 250 loan but it was the fact that we did not have adequate stocks in commodity credit hands in the fall of 1966, when we not only had a shortage in this country, but we had considerable droughts in other areas and we had the hysteria

that took place on the Board of Trade and they run the price of soybeans to almost $4 on the Board of Trade. And you can put the same thing I am saying into my corn or wheat. It was not the number of credit stocks on hand that caused a lot of aberrations in the soybean sales and helped them to buy from other sources like Iran with sunflower oil coming from Russia. It was not the level of price support. And it would seem to me very important to get in the record, Mr. Chairman, the prices we had projected to our potential customers overseas in 1966, 1967 instead of crying about the price support level having the total effect.

Thank you.

Mr. PURCELL. Thank you very much, Mr. Butterfield.

The subcommittee will stand adjourned until 10 o'clock in the morning when we will have further testimony on this same subject.

(Whereupon, at 12 noon the subcommittee recessed, to reconvene at 10 a.m., Friday, November 21, 1969.)

FEED GRAINS

FRIDAY, NOVEMBER 21, 1969

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON LIVESTOCK AND GRAINS
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10:05 a.m., in room 1301, Longworth House Office Building, the Honorable Graham Purcell (chairman of the subcommittee) presiding.

Present: Representatives Purcell, Foley, Melcher, Kleppe, and Sebelius.

Also present: Christine S. Gallagher, chief clerk; Lacey C. Sharp, general counsel; Hyde H. Murray, associate counsel, and John A. Knebel, assistant counsel.

Mr. PURCELL. The subcommittee will please come to order.

Today, we are continuing hearings on feed-grain matters. Any witness that needs to may certainly deal with wheat also.

We have as our first witness Mr. Fred Heinkel, president, Midcontinent Farmers Association.

Mr. Heinkel has been here many times.

And we welcome you back, Mr. Heinkel, and we will be glad to hear from you at this time.

STATEMENT OF FRED HEINKEL, PRESIDENT, MIDCONTINENT FARMERS ASSOCIATION, COLUMBIA, MO.; ACCOMPANIED BY L. C. CARPENTER, VICE PRESIDENT, MIDCONTINENT FARMERS ASSOCIATION

Mr. HEINKEL. Thank you, Mr. Chairman. My name is Fred Heinkel, Columbia, Mo., president of Midcontinent Farmers Association, and I have with me Mr. L. C. Carpenter, vice president of the Midcontinent Farmers Association.

Unfortunately, I was not in a position to prepare any statement, and I will just make a few extemporaneous comments.

We appeared here on July 29 on H.R. 12430, introduced by Chairman Poage. We appeared before the chairman and the full committee and supported that piece of legislation.

Of course, we suggested a number of improvements. We, at that time, were working with the coalition group made up of 17 organizations' commodity groups. It did develop that some recommendations culminated into a piece of legislation or were incorporated in a bill introduced by you, Mr. Chairman, on, I believe it was, September 25, known as H.R. 14014, and that was developed—and the coalition at the time you introduced the bill had grown to 22 in number.

It met yesterday and now has 24 organizations' commodity groups in the coalition.

We, in MFA, support H.R. 14014. We think it is a good bill, because it is based upon experience and upon what we have now.

The bill, as I see it, has as its objective the continuation of what is working satisfactorily, with changes for what we think improvements being made where we believe they are needed.

It is designed, as we see it and as our people see it, to maintain and improve farm income.

It is a package approach. It recognizes that while the fundamental problem of agriculture is price and income, the agriculture problem is made up of many problems, because there are many crops and commodities involved, and each one has its own peculiar set of characteristics and circumstances, production and marketingwise; and this bill recognizes those differences and treats them differently where they need to be treated differently, but in one package, in one piece of legislation.

It also recognizes the need of continuity by not providing for termination dates. Of course, the farmers plant and grow a crop of wheat or corn or cotton or whatever it may be each year, but there is also the matter of some long-range planning, and the farmer's banker is a lot easier to deal with if he knows that there is a continuing program and that the farmer can have his plans made not just for 1 year but for a number of years in advance.

So, we think that this is also good, that this bill recognizes all of these important factors.

I do not think I need to quote a lot of figures. You are familiar with them.

I would just say that farmers have provided and are providing an abundance of food for the people of this country and a lot for export, but during the past 20 years, while our gross income has gone up some $17.5 billion to $18 billion, it has all been soaked up by increased production costs. So, we wind up with no more, probably just a little less net income than we had 20 years ago.

That, in brief, is our reason for supporting this piece of legislation. I mentioned that, on yesterday, this coalition group met—and I am not proposing to speak for the group, each organization speaks for itself, but we did agree upon, unanimously agreed upon, a news release and it is being given to the press this morning.

We have a copy of it here, and we have permission of the group to read it to you, if you are interested in hearing it. It is rather short, but it does state a position on some other matters not contained in your bill.

Mr. PURCELL. Well, we have the statement before us, Mr. Heinkel. I have not read it. Does this contain any statement with regard to the set-aside proposition the administration has been talking about?

Mr. HEINKEL. It does not deal with the set-aside as such but it does deal with the matter of price supports and parity bases, and parity and some of those things that I think are in that package.

Mr. PURCELL. Well, I think that, inasmuch as we have this matter before us, we will have a chance to read it and there is no use to just read it and put it in the record and make us pay for it two or three times that way.

Mr. HEINKEL. It is all right.

Mr. PURCELL. Does that conclude your statement?

Mr. HEINKEL. Yes, sir.

Mr. PURCELL. Well, thank you very much, Mr. Heinkel, for your statement.

Would you please, sir, comment or make any comparision that you might have thought out about the set-aside operation, relating it to the present program or to anything else that you want to?

Mr. HEINKEL. Well, I have not really had a chance to study it thoroughly, but I have seen some tables with examples of the application of it, and to the best of my knowledge it does not use the commodity-by-commodity approach that has been working quite successfully, and we fail to see where we can get the kind of adjustment in production with any degree of accuracy as we now do under this type of approach.

The name does not bother me; I am not prejudiced as to what we call this adjustment in production, so that does not enter into it with me, but as to the mechanics of it, we just cannot see how it will produce the desired results: to maintain and improve farm income.

We dislike the idea of discarding the parity formula or parity as a base for arriving at supports and loans. It has been in use for many years; it has been modernized a time or two, but it is an acceptable and recognized principal base, and I think, and we think, and our people think, the members of our organization, would not like to see it discarded.

Then, our people are not favorable—in fact, they are opposed—to using a 3-year moving-market-price base to arrive at supports. They think this is one by which we have every chance to lose and none to gain.

Mr. PURCELL. Well, again, I thank you very much, Mr. Heinkel.

Mr. Foley, do you have questions?

Mr. FOLEY. I appreciate Mr. Heinkel's statement. May I just ask, Mr. Heinkel: Are you a member of any farm organizations besides the one you represent?

Mr. HEINKEL. No.

Mr. FOLEY. Thank you.

Mr. PURCELL. Do you have any question?

Mr. KLEPPE. Yes, sir.

Mr. PURCELL. Mr. Kleppe.

Mr. KLEPPE. It is nice to see you, Mr. Heinkel and Mr. Carpenter.

Mr. HEINKEL. Thank you.

Mr. KLEPPE. I can well understand, I think, the statement you have orally made to us and the release that you have here—I am very much of the opinion, as you are, that there are many good provisions in this coalition farm bill. There are two areas I would like to ask you about.

I notice in this statement that was released yesterday that you have agreed now that a limitation on payments in the Government part of the program would be disruptive and not in the national interest. That is a coordinated effort, I suspect, on the part of the group that belongs to the coalition.

Do you believe, Mr. Heinkel, that we can pass a farm bill here in the House that does not have some limitation-of-payments provision in it?

Mr. HEINKEL. I certainly would not be in nearly as good a position to make a statement on that as you, Mr. Congressman.

Mr. KLEPPE. Well, I am sure you are aware of some of the votes we have had on this question.

Mr. HEINKEL. Yes, I am.

Mr. KLEPPE. And this is a very emotional thing here in the House, and my own opinion is that we cannot come close to passing the bill without limitations of payment of some kind in it, and this is why I was wondering why this was developed yesterday. It may make it more difficult for us, I do not know. But I really wanted to get your opinion on it, as to what you thought about it.

Mr. HEINKEL. Well, we felt—and this is my own personal feeling—that if the Congress puts it in there, we would not be any worse off than we came up here and advocated it. We have not had any position in our organization on this matter. We have never gone on record on it one way or the other.

Mr. KLEPPE. It is true that the coalition farm bill does not have a section on limitation of payments in it?

Mr. HEINKEL. Yes.

Mr. KLEPPE. And, as far as you are concerned, the group is still staying with the same position, that it would be disruptive and we should not have it?

Mr. HEINKEL. That is right. However, if we get to counting noses in the Congress and we just have to have one to get a farm bill, I would say we must have a farm bill.

Mr. KLEPPE. Well, those noses have been counted twice and it is pretty overwhelming in favor of a limitation of payments, and this is why I bring it up.

The last two times that question came up was, of course, for different reasons, and being very practical is the reason why I am asking this, because I want a farm bill, and I want one very badly. I think we need one very badly, and it bothers me to think that we have one item here that can be objected to which has already been reflected by the vote of Congress, and this is why I wonder if it would be wise for us to proceed without recognizing it. I think you have commented on it, so far as you are concerned.

So, let me get to the second question.

Our export sales on—well, wheat specifically is what I was going to mention now, was down something over 200 million bushels this year.

Why did we lose some of this export business?

Well, I guess the No. 1 reason is because price, that we were undercut; we were undercut by some of the other nations. Do you think that we can hold our own in the export market and yet hold our price-support loan levels approximately where they are today?

Mr. HEINKEL. Well, that depends on whether we can—partially, I think, depends on whether we can maintain some kind of a semblance of order in a world-grain arrangement. Now, we made one just a year or two ago, and it seems to have broken down to some extent. It has not worked as we had hoped it would, but I am fearful of our getting into an international price war.

Mr. KLEPPE. Are we not in an international price war of sorts right now?

Mr. HEINKEL. Well, I think we are, and I am wondering whether we ought to intensify it. Some people seem to think that we can pro-

duce more efficiently than anybody else in the world. I think we are the most efficient producers in the world, based upon our standards, but these people in some of these other countries have different wage scales, different implement costs, different cost factors all across the board, and they can get to foreign markets at a lesser price per bushel than we can. So, I do not know whether we are going to win or not in an international price war over the long range.

I would like to think that maybe this is a skirmish, that by some astuteness and statesmanship we can get around.

Mr. KLEPPE. But while this has been taking place, it is true that our exports of wheat, for example, are something over 200 million bushels down this year?

Mr. HEINKEL. We recognize that.

Mr. KLEPPE. And I suspect that we might look for some of the same thing next year, unless we are able to meet the competitive price situation throughout the world.

Now, this leads me to subparagraph (a) of my question which has to do with the coalition farm bill, and that is the export certificate arrangement.

There is a provision in there for an export certificate to take up the slack so that we can be competitive, and this situation has, I think, a great deal of merit. There is one problem behind it, as I see it, from the practical standpoint of getting it passed. That provision of your coalition farm bill, basically, would require an extra appropriation of something in excess of $1 billion above and beyond what we are spending today. Being very practical, I do not know where we are going to get the votes to do that. Would you comment on this?

Mr. HEINKEL. I am sure your figures are better than mine. The figures I had were that it would increase it about $600 million and it is hoped to save about a comparable amount on the cutback in the wheat acreage and in the lowering of the soybean price support which should not, on the basis of the figures I have, really, increase the need for money.

Mr. KLEPPE. Oh, is that right?

That seems to be somewhat different than the figures we have had presented to us previously, both formally and informally, that the additional costs would be something in the area of $1 billion.

Mr. HEINKEL. Well, assuming there was no reduction in the cost of the wheat program or the soybean program, that might come near being true, but, I am just giving you the figures I had. Maybe they are not correct, but they are the best I have been able to get hold of.

Mr. KLEPPE. Well, let me just get back, if I might, to your own personal view on this price-support loan rate. It seems to me that we would encounter a great deal of difficulty in agricultural America if we were to lower those price supports.

Mr. HEINKEL. I think we would.

Mr. KLEPPE. I think, historically, we can all look back and see and know that the market has generally tended to follow the loan rate, so if we are going to lower it, then we are going to give ourselves some additional difficulty here, and, yet, we must be competitive in a world market, because we sell almost two-thirds of our production, in the case of wheat, in the export market. So, I was wondering if you had a specific thought along the lines of being able to hold our price-support

loan rates and yet give us an answer so we can compete in the world market without going the route of the export certificate which would cost an extra $1 billion under the provisions of that bill.

This is my dilemma, and this is the reason I am asking you for your views, if you will give them to us.

Mr. HEINKEL. Well, this is the best solution that we have been able to come up with. Rather than to engage and to intensify an international price war on these grains, I think we have everything to lose and not too much to gain. We might get rid of some more wheat, but I am not so sure how the farmer is going to fare in the end. I think a lot of them will not be here after a year or two. I think that is about all it would take at a lower loan rate and a lower support rate before a lot of them would fold up. I think we need to work on trying to stabilize our foreign price situation. It is my information that some of these other countries are about as sick of this rat race in grain prices, particularly wheat, as we are, and are ready to try to do something about it. It is also my information that our wheat exports have started to pick up in the last 60 days, which is some indication that there is some stability starting to come back in the international price situation.

Mr. KLEPPE. Mr. Heinkel, I appreciate your comments and appreciate your statement, and I thank you.

Thank you, Mr. Chairman.

Mr. HEINKEL. I appreciate what you said about the budget matter. I served on some committees that helped to develop some of these programs, and I have always heard that, or we have always heard it everytime we had a meeting and figured out a program.

Mr. KLEPPE. One thing that I would like to have the record show is that I am in favor of this. I just wonder and hope and plan and think: Where can we get 218 votes to put it on the books, on this side? This is my concern, and the reason for my questions.

Mr. HEINKEL. Well, I think we are going to have to scrounge around.

Mr. KLEPPE. Yes, we are. Thank you.

Mr. PURCELL. Dr. Melcher?

Mr. MELCHER. Thank you, Mr. Chairman.

Mr. Heinkel, we talk about cost-price squeeze, and in Montana, I am aware, painfully aware, of the fact that the grain prices are slipping, and I am also aware that in our State that the costs are increasing, the basic costs, such as property taxes and machinery costs. Can you tell me, in the membership of your organization, just briefly, what is happening on the cost side for your operators?

Mr. HEINKEL. Well, they keep going up. I think probably you have seen this information, that farmers who have gross sales of $40,000 and above, it takes about 80 cents out of every gross sales dollar to pay their operating costs. The ones in a lower bracket of gross sales, it takes about 65 percent. But that is an indication that the cost of production is terrific: implements, repairs, fertilizer, and all of the other items—interest, taxes—that enter into the farmer's operating costs, and that is why, during the past 20 years, even though we have gained $17.5 to $18 billion in gross income, these increased costs have sapped it all up.

Mr. MELCHER. Well, then, at this particular time, with prices not improving substantially—I think livestock has shown some improvement, and we are happy for that, but grains and other commodities

have not shown any price improvement—and some of them are weakening while the costs keep climbing, do you think it is essential for us to retain the parity idea in farm legislation?

Mr. HEINKEL. Our people think it will be.

Mr. MELCHER. Thank you, Mr. Heinkel; and thank you, Mr. Chairman.

Mr. PURCELL. Mr. Sebelius?

Mr. SEBELIUS. Mr. Chairman, thank you.

Mr. Heinkel, I know that your organization deals more now in the feed grains than you do wheat, but I notice here in this release it says: "Authority for a wheat export certificate must be retained."

Now, we do not have any wheat export certificate in the act at the present time. There is no provision for an export certificate, is there?

Mr. HEINKEL. Well, I did not write this, and I assume that the fellows who wrote it were familiar.

Mr. SEBELIUS. Well, I did not think we had it on the statute books, and this says: "It must be retained." But be that as it may, when we had Secretary Hardin talk to us in one of our meetings, I asked him about export certificates and the idea of it, and his first remark was spontaneous and he says: "That is dumping in the world trade." So, I asked him to produce me some statements about it, because they keep coming back about export certificates dangled out in front of the boys, and, of course, you are grasping for straws as far as income is concerned.

But in the GATT, General Agreement on Traffic and Trade, they cite me various specific provisions of the supposedly utter chaos, because we were doing exactly what France is doing today, and they started with their article 16, paragraph 3, of GATT, their agreement, and it says:

> Export member countries seek to avoid the use of subsidies on the export of primary products. It further provides that if a member country should grant export subsidies, it shall not apply export subsidies in a manner which will capture for it more than an equitable share of the world export trade.

Under article 6, the same agreement, at the end, it goes on to say:

> Further, the importing country may impose countervailing duties whenever the subsidization causes or threatens serious injury to an industry of another country supplying the products in its market.

Of course, there goes your soybeans. What would happen if we got into that field?

It says: "Thus, the intended effect of the subsidy payment can be completely negated by a countervailing duty," which the Common Market has in mind for us right now on the soybean meal and soybean oil.

So, I wonder whether or not the coalition group is wishfully thinking? Or is there something here that I am missing on the subject of the export certificate?

Mr. HEINKEL. Well, I do not believe we are wishfully thinking. I served on a little trade advisory committee, or it was a national committee set up by Governor Herter when he was head of our trade negotiations under President Kennedy and President Johnson, and we had people from foreign countries in our meetings with our committee, and at this particular time, and this has been 4 or 5 years ago, Canada was fussing with us about having—we had at that time, some subsidy on

wheat exports. Well, they did not have any on the wheat, but they subsidized wheat from the interior of Canada to the Great Lakes. So, I do not know. It is six and one-half-of-a-dozen in the other, and the Common Market is threatening us or did with some duty on soybeans, and we have not had any export subsidy on soybeans. Apparently, that was conjured up possibly as a retaliation for our American selling price duties that we levied on chemicals that otherwise would come in here from Europe. They have been very upset about this. So, I think, when we get into foreign trade, we get into a lot of ramifications, and I cannot quite see just picking out a little wheat export subsidy and letting that determine a lot of decisions for us.

That deals with—allegedly from an official position which says it is just completely out of the question, and this comes from both sides of the aisle as far as the answer-back is concerned, and it keeps cropping up, and I am still trying to have somebody see whether or not there is any way it can be done that does not get into this rat race where we are probably going to face this in soybean oil, and so forth.

Mr. HEINKEL. We have had wheat subsidies in the past, and the world did not come to an end.

Mr. SEBELIUS. But we never officially paid a certificate to the producer for what was going in the foreign trade; we have never done that.

Mr. HEINKEL. We did have an export subsidy on wheat, though.

Mr. SEBELIUS. But it never went directly to the producer.

Mr. HEINKEL. Well, I do not really see that that changes it.

Mr. SEBELIUS. Well, I think that is probably where the peanut lies in it, but I will not pursue the point any further. But it disturbs me, and I have had individuals—and I will not mention names—who are involved in the coalition group, come in and talk to me the other way about it: "Well, we know that is out of the question, but it is good bargaining and that sort of thing." Well, that puts all of us on the spot when you are not sincere about legislation.

Mr. HEINKEL. Well, we are sincere about it in our organization, and this has received a lot of discussion, and as far as I am concerned, it is not in there for bargaining purposes. We think it is a sound recommendation.

Mr. SEBELIUS. Well, in the meeting yesterday, was there any discussion of the set-aside, as far as the philosophy of the idea of trying to give the farmer more freedom in his selection of what he thinks would make him the most money on his land?

Mr. HEINKEL. We did not have a lot of discussion on it. There was some—and I recall one comment to this effect: This individual said that he would rather have freedom from his banker than he would this freedom to shift around in what he planted. He would rather retain the crop-by-crop adjustment program. They had not been able to sit down with a piece of paper and a pencil and figure out whether they would have greater income.

Mr. SEBELIUS. Well, can you find any moral justification for growing an acre of wheat when an acre of corn would make you more money?

Mr. HEINKEL. Well, there is flexibility in the program now on those two crops.

Mr. SEBELIUS. Yes, as long as the Secretary keeps letting those crops go together, that is true.

Mr. HEINKEL. Well, we assume that the Secretary would do that.

Mr. SEBELIUS. When I ran for this office, I kept saying that I would not advocate any change until I could find something better, and everybody was complaining about the present program.

Now, everybody seems to want the present program, except with a lot of sweeteners, which we would all love to put in there. However, I am sort of like Mr. Kleppe, and I know the other members of this committee, in that we have to face the facts of life, in how many dollars we can pry loose and get aimed toward the farmer. When we were discussing and passing the House appropriations bill, the conference report, the other day, we had allegedly intelligent people say: "Well, you have nothing but farm subsidies anyway. You should cut them all off and get rid of them." I think our chairman and the rest of us would like to find something that we can sell and can deliver to the farmers of America. I am a little disappointed that you are not trying to look further down the road with a little more imagination. To me, the set of things we have, has gripped us and carried us over the falls, and it is only a slow death unless we come up with some imagination.

Mr. HEINKEL. Well, we have given a lot of serious thought to that, but it is not easy to come up with something new that will maintain and improve farm income and not cost anything.

Now, we have not happened onto that magic wand yet, so we are doing the best we can with what we have, and these are our considered judgments for whatever they are worth, and I can assure you that we put a lot of sincere and conscientious thought and study into it.

Mr. SEBELIUS. Well, maybe the thing we have seen is the fear that it is going to produce less dollars for the farmers, so they are not willing to try.

Mr. HEINKEL. Well, because they cannot afford to. The bankers are breathing down their necks right now.

Mr. SEBELIUS. I am aware of that. I have been making over 200 farmers' income tax returns a year for the last 20 years, and I have seen the whole picture just as close as you can go to it without it being in your own pocket. I have seen many returns where they had not made any money and they still had to part with some money for me, and it hurt me to think that they had to pay me to tell Uncle Sam that they had not made any money.

I thank you, Mr. Heinkel, for your comments.

Mr. PURCELL. Well, thank you, Mr. Heinkel. We appreciate your comments and your thoughts.

Mr. HEINKEL. Thank you, Mr. Chairman.

Mr. PURCELL. Our next witness is Mr. Pat Northcutt, secretary-treasurer of the Grain Sorghum Producers Association. He is accompanied by Mr. Elbert Harp.

STATEMENT OF PAT NORTHCUTT, SECRETARY-TREASURER, GRAIN SORGHUM PRODUCERS ASSOCIATION, SILVERTON, TEX.; ACCOMPANIED BY ELBERT HARP, EXECUTIVE DIRECTOR, GRAIN SORGHUM PRODUCERS ASSOCIATION

Mr. NORTHCUTT. Good morning, Mr. Chairman, and members of the committee.

I am Pat Northcutt, secretary-treasurer of the Grain Sorghum Producers Association. My home is in Silverton, Tex. With me today is our association's executive director, Elbert Harp. We are both farmers, and in behalf of the Grain Sorghum Producers Association, we want to express our appreciation for the opportunity of appearing before you today.

The Grain Sorghum Producers Association, with headquarters in Lubbock, Tex., represents the views of the majority of the grain sorghum farmers across the Nation. We have leaders of all major farm organizations on our board. This solid representation is evident when we have a unanimous vote of our board members on almost all association policies regarding Government farm programs affecting grain sorghum. We also seek the views of grain farmers who are nonmembers of GSPA as well as our members.

The Grain Sorghum Producers Association has several points which we feel should be considered in any farm program written for the seventies. Our basic policy is to encourage an extension of the present feed grain program, with some changes which would improve net income. With these objectives in mind, we have been and still are a part of the farm coalition, of 22 farm organizations, supporting a bill we feel would help the grain farmers income and be in the national interests.

Some of the points of the present program, which we feel are important to continue in future farm legislation are:

I. Production restraint: We must continue programs to keep our production in line with consumption. GSPA was formed in 1956, when there were no production controls for grain sorghum. We were producing much more than was needed for the markets and our prices were below an extremely low loan rate. We cannot return to that kind of situation. A control program must be continued to keep production down and market prices at a level that farmers can prosper. The present system is working very good for grain sorghum. We encourage you to continue it and to adjust farm income upward to cover increased cost of production.

II. Price support and loan program: If parity is the gage for a fair return to farmers for their expenses, time, and investment, we feel that our Government programs should be designed to bring full parity to the efficient farmers. We do not feel the city people, the Government or anyone else should expect farmers to produce for less than the full parity level, anymore than they are willing to work for less themselves. We feel a price support and loan program must be continued. This is why we support the coalition's bill where it states "price support shall be made available to producers for each crop of corn at a national average rate of not less than 90 percent of the parity price." Grain sorghum should also share this level of price support.

The loan program is an essential tool for farmers. It is necessary in marketing the farm products in an orderly and systematic way and in taking advantage of market price increases. The loan rate should be high enough to add strength and stability to the market price.

III. Reseal program: The reseal program in commercial storage has been helpful to farmers, during the last 2 years. It allows farmers to maintain control beyond the normal marketing season when prices are low. We encourage you to extend the reseal program in commercial

storage for grain sorghum to allow farmers this additional tool for orderly marketing.

IV. A reserve program: We believe that a reserve program designed to maintain grain for emergency situations would be in the best interests of farm programs and the Nation. As we have testified before, this grain should be isolated from the market and not be released except in cases of critical shortages. An adequate reserve would allow the Secretary of Agriculture to administer the feed grain program tight, without the fear of not having enough in case of a severe drought or other natural disasters. This would help to maintain prices and also guarantee our feed grain customers of a continued supply.

V. Limitation of payments: The Grain Sorghum Producers Association is opposed to limitation of Government payments at any level. We believe that it would seriously hurt or even kill the farm programs. The farmers who divert the most land and make the program work effectively are the farmers drawing the large payments. Why should they be penalized for being efficient?

SET-ASIDE FEED GRAIN PROGRAM

We have been reviewing the set-aside feed grain program as outlined to you by Secretary Hardin on October 18. If this approach is used in the new program, we feel your committee should give careful consideration to the following questions:

(1) After the required set-aside or diversion, what would keep a farmer, an area, or the farmers of the Nation from doubling the amount of grain produced, creating a serious surplus and breaking market prices?

(2) What would keep the loan rate, based upon previous market prices, from being an escalator going down, especially without very rigid production controls to keep prices up?

(3) Will the target price be set high enough to guarantee farmers of a fair return for investment, labor, and management?

(4) Why should a farmer's base be cut so drastically in one year if he fails to plant feed grain equal to the acreage for which payments are available, especially if reasons are due to weather, poor market prospects, et cetera?

We feel that these questions have to be answered and spelled out in the law before we can support this approach for the future feed grain program. We do not feel that adequate safeguards are in the set-aside program as it now stands, to give farmers adequate protection.

If we had to make a choice between the three limitation-of-payments alternatives, we would favor alternative B that Secretary Hardin described in his proposal. It is the only proposal that shows any valid consideration of the high cost of production, and the only one that larger farmers could continue to operate under. As we pointed out earlier, we are opposed to limitations at any level.

EXPORT SALES

We hear so much about the answer to our farm problem being in selling more into the export market. Our organization started and is still very active in the area of foreign market development for U.S.

feed grains. We are proud of the success that we have had in this work, however, our farmers are not interested in selling more grain into the export market or even at the present level, if we cannot sell it for a profit. To the extent that foreign production may be encouraged by our farm program, an export subsidy should be considered. We cannot produce for this market when our production costs are higher than the world market price.

Our farmers are receiving the best market for their grain this fall that they have enjoyed in many years. An average price of $2 per 100 pounds is typical even during the harvest period. We should hasten to point out, that this price plus the 53 cents per hundred price support is only 90 percent of parity, and we only receive it one-half of our feed grain base.

The point that we are trying to make is that we feel the present program is working for feed grain. Its income provisions should be strengthened to help farmers survive the ever-increasing cost of production. This is why we support the farm coalition's bill which you, Mr. Chairman, and others are sponsoring.

The Grain Sorghum Producers Association is not sitting around waiting on the Government to solve all our problems. Developing markets and initiating research, for our commodity constitutes the major portions of our total program. We have been successful in this work. We are now selling over three times the amount of grain sorghum that we were 13 years ago, but we need a sound Government program to help us keep the supply of grain in balance, and at prices the farmers can afford to grow it.

We want to thank you for this opportunity to appear before you and say that we look forward to working with you in the development of a sound agricultural policy.

We will be glad to try to answer any questions which you may have of us.

Mr. PURCELL. Well, thank you, Mr. Northcott. Let me say right off that I am somewhat aware of the efforts and the progress made by the Grain Sorghum Producers Association in regard to the foreign markets, and I believe it is safe to say that probably no other commodity group has been any more effective or, as far as I know, as effective as your group in developing foreign markets, and for this we cannot compliment you too highly.

I have no specific question.

Do you have any questions, Mr. Foley?

Mr. FOLEY. Thank you, Mr. Chairman.

Mr. Northcott, I would like to join the chairman in complimenting you on your development of markets and the other activities of your organization. Like many commodity organizations, I think you have a very successful record of accomplishment.

I also agree with the broad outlines of your statement.

I would like to focus on a couple of things.

You say in your statement, on page 1, that your views represent the majority of grain sorghum farmers across the Nation. I take it you have no doubt about that. Are you certain that you represent the majority opinion?

Mr. NORTHCOTT. Yes, sir.

Mr. FOLEY. The next line says:

"We have leaders of all major farm organizations on our board."

Does that include members of the American Farm Bureau?

Mr. NORTHCOTT. Yes, sir.

Mr. FOLEY. What is your position on the statements and positions taken by the American Farm Bureau?

Mr. NORTHCOTT. I would say that we do not agree with them, sir.

Mr. FOLEY. Are you a member of the Farm Bureau, yourself?

Mr. NORTHCOTT. Yes, sir.

Mr. FOLEY. Have you communicated your disagreement to the Farm Bureau?

Mr. NORTHCOTT. Yes, sir. I might point out, if I may, sir, up until this past year I was secretary-treasruer of the local Farm Bureau, county Farm Bureau, and we ran a poll concerning our policy development this last time which I helped conduct and also helped tabulate the results. We received approximately 40 to 45 of the questionnaires back, and of this total, the people that voted concerning future farm legislation, they had four choices: No. 1 was the support in entirety the position of the American Farm Bureau; the second was the continuation of the present program with land retirement, and the third choice was the continuation of the present program as it now stands, and the fourth choice was no program at all. It was interesting to note that of those we reecived back only two that voted for the stand of the American Farm Bureau which they proposed. The rest were divided between—Incidentally, there were two that did not want any program at all, and the others that sent questionnaires back and voted on this particular point voted between, directly equally between, continuation of the present program as it is and continuation of the present program with land retirement.

Mr. FOLEY. Well, that is very interesting. It accords with my experience in my own area, and I have constantly had members of the Farm Bureau tell me that they favor wheat certificates and continuation of the feed grain program. You know, we are very conscious of the problems we have in the cities and with urban Members of Congress, but I do not know how aware people are of the influence of the American Farm Bureau as a major obstacle in the passage of any kind of farm bill. They are a very serious obstacle, and what confuses me—and I am still not able to understand how it happens and maybe you can enlighten me—is when the evidence seems to show that the producers who belong to the Farm Bureau favor continuation of the program, time after time, the representatives of the national organization come up here and attack every single basis of this farm program.

Well, somebody is not getting the message. Either the Farm Bureau is not representative of its members or the members are not communicating their views to the organization.

The people who have the automatic typewriters that send out the letters to the Members of Congress are not the Farm Bureau members. They are from the National Farm Bureau headquarters in Washington, D.C., which claims to represent fully half of all of the producing farmers in the United States.

Mr. KLEPPE. Will the gentleman yield for the insertion of a comment right here?

Mr. FOLEY. Yes.

Mr. KLEPPE. You will recall, Mr. Foley, that yesterday I indicated that our North Dakota Farm Bureau was meeting and they were probably going to take up the question on a resolution regarding wheat certificates. I received word after our meeting yesterday, and I would like to have the record show that the North Dakota State Farm Bureau did pass the resolution yesterday contrary to the National Farm Bureau's position in the general support of the wheat certificate concept.

Mr. FOLEY. Well, I think, Mr. Chairman, that maybe the Farm Bureau in my State and the Farm Bureau in the gentleman's State that share this view ought to start taking the time and trouble to write a letter to every Member of Congress and specifically disown the position of the national organization, because many Members of Congress, who do not have a personal acquaintance with farm problems and do not have a large farm constituency, are taking the word of this organization as speaking for 1,800,000 farm families. I think, myself, that many of those families are there for purposes of insurance, but they are going to find out that they have purchased very expensive insurance, if we have what I fear may be a very difficult time next year and perhaps the failure to re-enact this program.

Mr. PURCELL. Mr. Kleppe, do you have questions?

Mr. KLEPPE. No, Mr. Chairman.

Mr. PURCELL. Dr. Melcher?

Mr. MELCHER. Mr. Northcott, I appreciate your direct and concise statement, and I am very much interested in the question you just answered for Congressman Foley.

As I understand your statement, you are coming out flatfooted for retaining the concept of parity in farm legislation?

Mr. NORTHCOTT. Yes, sir.

Mr. MELCHER. Now, you made reference to an export subsidy, and in line with the questioning of the previous witness, Mr. Heinkel, the subsidy that you are thinking about, would it go back to the producer or would it be to the trader, the sorghum trader, who was arranging for the export sale? Who would get the subsidy?

Mr. NORTHCOTT. With your permission, sir, I would like to direct this to Mr. Harp.

Mr. MELCHER. Fine.

Mr. HARP. Congressman, our position on this would be that it would be dealt with the export traders to help them to bring the price of the grain up if they are selling back to world market price without breaking the price to our farmers.

Mr. MELCHER. I might add a point for the record for our people with wheat in Montana: The producer is actually in many cases subsidizing the sale of the wheat from Portland. We have a forced arrangement there in Montana that I think is unfortunately built into the freight rates where, through an inverse freight rate, wheat, when it goes to Portland, pays a freight rate of $1 a hundred from many points in eastern Montana; whereas, producers from the district of the good gentleman from Kansas and from the district of the good gentleman from North Dakota can have their grain shipped to Portland, even though it is a greater distance, for as little as 70 cents. Out of the Red River Valley and points in North Dakota, and then from Kansas, freight is 82 to 85 cents as compared to our producers' rate of $1, even though we are hundreds of miles closer.

I merely wanted to get that into the record, in line with what has been previously said about export subsidies.

Mr. HARP. Congressman, this is the situation that most of the grain sorghum farmers of the high plains, the panhandle area, of Texas, New Mexico, Oklahoma, Nebraska, and Kansas experience also. We pay the freight getting our grain to the export market in the Gulf, and I do not know of any other way to handle it unless there is a freight subsidy or something else of that nature. However, the farmers themselves actually pay the freight getting it to the market.

Mr. MELCHER. You are not paying an inverse rate, though, are you—your producers? That is a higher rate than those paid by shippers who are a greater distance from the Gulf. Your producer is not paying a higher rate than producers further away from the Gulf?

Mr. HARP. Yes, the further it is from the Gulf——

Mr. MELCHER. Then, I will reverse the question.

The producer close to the Gulf is not paying a higher rate than the ones that are farther from the Gulf?

Mr. HARP. That is right.

Mr. MELCHER. We have the reverse. Even though we are closer to Portland, we are paying a higher rate. I should add that at the time it was started, the Department of Agriculture did oppose it, and, of course, many of us opposed it, but we were not successful.

Thank you, Mr. Chairman. Thank you.

Mr. SEBELIUS. I have just a couple of questions.

I want to thank Mr. Northcott for his testimony here today. I think it is very concise and to the point. I am just a little interested. My district is the western 60 percent of Kansas. Do you have any members up in the irrigation sections and the areas of western Kansas and southwestern Kansas in your organization?

Mr. NORTHCOTT. Congressman, we have a few members in the southwestern corner of Kansas, but we have very few members in that area. However, we do correspond with producers and also other people representing grain producers in that area, and we find their feelings very similar to ours.

Mr. SEBELIUS. Thank you. At the present time, with the irrigation development that is taking place and the irrigation of sorghum, feed yards and packing plants are jumping up all over the place in my district, and it is the sorghum grain that is doing it. And I would commend you for your work that is now getting a lot more exporting of grain sorghum. I would say that I do not have any objecion, in any way that we can do it, to try to get more money for the farmer, and I am not picking on the export certificate. I am only trying to find out whether or not you people understand what is being proposed and what the answer, the correct answer, has to be.

I appreciate your testimony this morning.

Thank you, Mr. Chairman.

Mr. PURCELL. Mr. Kleppe, do you have a question?

Mr. KLEPPE. Yes. Thank you, Mr. Chairman.

Mr. Northcott, I know your statement makes a rigid point of being in nonsupport of a payment limitation program, yet I am sure you are aware of a dilemma that we have here in the House on that question.

Could I ask you something along this line that in no way, shape or form is intended to get you to deviate from the position you have taken in your statement but rather to get a personal expression from you on this question, and that is:

Do you think it would be more advisable to have a flat limitation of a dollar figure or a graduated-sort-of-limitation if we have to go this route, which I am afraid we have to do?

Mr. NORTHCOTT. Well, as we have stated in our statement, sir, we would favor the graduated scale if it comes to that.

Mr. KLEPPE. I did not notice that in your statement.

Where did I miss it? Where did I overlook that?

Mr. NORTHCOTT. It is on page 4, about the center or a little past the center of the page.

Mr. KLEPPE. Oh, yes. Yes, I am sorry. I will withdraw my question. It is obvious from this that you do favor the graduated plan.

Mr. NORTHCOTT. Yes, sir. If it comes to that—and, of course, we are going to stay with our position. We are opposed.

Mr. KLEPPE. I am sorry. I must have been thinking of something else when we got to that part of your statement.

Thank you very much.

Mr. PURCELL. I have no questions.

Thank you, gentlemen, very much again.

I want to just reemphasize that in some way your commodity groups have done a tremendous job.

In fact, I think your organization did the groundwork with the Department, and I am not going to shortcut anybody, but if we have that kind of a market built up for other commodities we possibly would not be in quite as dire circumstances as we are. So, again, I want to compliment you and your organization for the good work you have done.

Mr. FOLEY. As long as we are handing out compliments, I want to say a word for the western wheat organizations, because I think they have been outstanding, too.

Mr. PURCELL. I guess my knowledge is so limited that I fail to comment on that.

Well, thank you, gentlemen, very much.

Mr. NORTHCOTT. Thank you.

Mr. PURCELL. Well, Mr. Stelzer, I think we are back to you, please, sir.

So, if you and your colleagues will take a seat at the table, we will see what we can develop here.

STATEMENT OF ROLAND STELZER, ASSISTANT TO THE ADMINISTRATOR, ASCS, U.S. DEPARTMENT OF AGRICULTURE—Resumed

Mr. PURCELL. Now, do you have any statement or comment that you want to make at this time in regard to the set-aside concept before we go into questions?

I think my questions will be rather general, because I am just not able to pinpoint some of the problems that I would like to.

Mr. STELZER. Mr. Chairman, I have no prepared statement. It was my understanding that I would not hand one in.

Mr. PURCELL. All right, sir.

For the sake of clarity—but also as a starting point—would you then give us any example that you want to start off with in regard to a farmer who would be in the program under the concept that is included in the set-aside program, and let us see if we all understand just exactly what will happen under the provisions?

Mr. STELZER. Let me ask, Mr. Chairman, as to whether you have before you, or the others, the example that was used in the Secretary's statement of September 24?

Mr. PURCELL. Well, we have before us some memorandums which were passed out. I am not sure.

Mr. MELCHER. It is the feed grain section, is it not?

Mr. STELZER. Yes, sir. I presume that is the one. Or if you have any other farm example you want considered, we can discuss those particular ones, Mr. Chairman.

Mr. PURCELL. While she is getting those others, go ahead.

I have one, and I do not mean to start—but she just gave me one here. But let us use an example: The total acreage is 300 acres; feed-grain base, 200 acres; conservative base, 50 acres.

Is that the one you have?

Mr. STELZER. It would be very close to it, yes.

Mr. PURCELL. All right, sir.

Mr. STELZER. Well, a producer, a feed grain producer, who has a total cropland acreage of 300 acres on which his current feed-grain base is 200 acres and 50 acres conserving base, and the remaining 50 acres in some other type of crops to add up to the 300. Under the set-aside program, the indications are that in order to assist in balancing supply to requirements, approximately 30 percent—to give you an example—30 percent—of his feed grain base would be set aside to nonuses; 200 acres feed-grain base times 30 percent would give you 60 acres he would put into nonuses. These 60 acres he sets aside plus the 50 acres he has as conserving base, a total of 110 acres.

The remaining 190 acres (300 minus the 110) could be used as he sees fit. He could plant them all to feed grains if he desires; he could plant them all to wheat if he desired; or into any other crop which he feels is the best under his circumstances. This is his choice from the standpoint of land use. He sets aside 60 acres plus the acres in the soil conserving base, and on the remaining acres he can plant as he sees fit.

Now, in return, under the set-aside program, he would then be eligible for two things: (1) he would be eligible for price support loans on his production; and (2) he would be eligible to receive payments. These payments would, again, be computed in much the same manner as they are computed under the current feed-grain program. The difference would be, as far as the current program is concerned, that he would be eligible to receive these payments irrespective of whether he planted his 190 acres or portion of it to feed grains. He would be eligible to receive these payments without complying with any acreage planted provision. Thus, under assumed terms and conditions he would earn a payment on 100 acres, 50 percent of that base, at 30 cents a bushel times his yield, irrespective of whether he used part of his land to plant feed grains or not. He would have complete freedom to put it into other commodities and still earn this payment.

Now, this is the difference between the set-aside and the current program. He is free to plant whatever he chooses on his remaining acreage after he sets aside this land, and he would earn these payments irrespective of whether he plants it to feed grains or not.

Now, there is a provision that is currently written in this bill that if he fails to plant feed grains and earn his payments that the following year there would be some possibility that his base would be reduced. As the current proposal is written he would lose about 20 percent of his base.

Now, the exact percentage set-aside and the exact payment rates are open. They are in a broad, general category.

Mr. PURCELL. You say if he did not plant it in feed grain, but say that he planted all his remaining land in wheat but did not plant any feed grain, then would he lose his feed grain, 20 percent of the payments next year?

Mr. STELZER. If his base dropped, yes.

Mr. PURCELL. Well, how would his base fail to drop if he used this choice of not planting any sorghum or corn but planted all wheat?

Mr. STELZER. If this particular provision would stay, he would.

Mr. PURCELL. If he planted 1 acre of feed grain he could stay in?

Mr. STELZER. No, that is not quite right.

Let me illustrate it this way: This particular farm you illustrated has a 200-acre base. If his payment is put on one-half of that base, 100 acres—if he failed to plant 90 acres, 90 percent of the acreage on which the payment is made, then, he would start losing base the following year up to 20 percent.

Mr. PURCELL. If he planted 90 acres of wheat, what happens to his feed grain base?

Mr. STELZER. If he failed to plant any feed grain, if he planted less than 90 acres of feed grain, he would start losing feed grain base.

Mr. PURCELL. Well, then, if he does that, he really does not have a choice of planting the rest of his land in whatever he wants to, then, without being affected; is that right?

Mr. STELZER. This is correct.

Mr. PURCELL. Now, I take it the converse would be true if he had a wheat allotment—but he did not plant wheat, he planted sorghum—then, he would lose out on the wheat allotment?

Mr. STELZER. This is correct. This is the limitation on his choice.

Mr. PURCELL. Well, it is quite a limit on his choice, too, is it not?

Mr. STELZER. Yes, it is. I would agree.

Mr. PURCELL. Well, then, under the proposal, explain, if you will, please, the way that the loan rate as compared with the 3-year average, and all of that, that takes the place of parity, or takes the place of something?

Mr. STELZER. Well, yes. Under the current program, the legislation and the Food and Agriculture Act of 1965, in the case of corn, total support, loan, plus the payments, must be between 65 and 90 percent of parity. The 1969 corn loan rate plus the payment comes to somewhere around 72 or 73 percent of the October 1969 parity price. It is between the 65 and the 90 percent. Now, under the proposal outlined by the Secretary, there would be several criteria used in determining that loan rate. They are used under the present law, too, because you have this range between 65 and 90 percent of parity. They relate to the need

to keep the prices in line with world prices, and include the various factors now spelled out in section 401(b) of the Agriculture Act of 1949. These are all in the proposed legislation, and then it ends up and says that in spite of all of these the loan rate must be between these two ranges of the preceding 3-year average price, between 80 and 95 percent. The Secretary will decide whether the loan will be closer to the 95 percent, 90 percent, or the 85 percent of the 3-year moving average.

I am not sure that this completely answered your question. If we were to tie to the current 3-year moving average the prices of corn that we have had in the last 3 years and were to do it for the 1970 crop, the 3-year (1966–68) average price is $1.12. Those are 3 years that would have been used for 1970. You see, we have a 1-year lag, because we do not know what the price for 1969 is, and 95 percent of that would be $1.06, and 80 percent of that $1.12 would be about 90 cents per bushel. So, if the set-aside program had been in effect, the Secretary would have a range of supporting the price of corn through loans of between $0.90 and $1.06 per bushel. The current support price, loan price, is $1.05. Does that answer your question, Mr. Chairman?

Mr. PURCELL. Well, I guess it does. But then the year after 1970, what would the loan price be then?

Mr. STELZER. Well, that depends, of course, again, on what the season average price is. The season average price in 1967 was $1.03 for corn. In 1968, $1.09; and for 1969, I do not know what it is going to be. You can make your own guess on this. The best information from people in the Department indicates it will be something more than $1.10, or $1.13, or $1.15.

Mr. PURCELL. Well, if you pick out $1.13 as a kind of an average of what you are guessing at, can you quickly calculate about what it would be then, taking into account the other 2 known years?

Mr. STELZER. It would be somewhere between 86 cents and $1.03 per bushel. The 3-year average would be around $1.08 and 80 percent of that would be about 86 cents a bushel, and the 95 percent would be $1.03. This is very close—within fractions of a cent.

Mr. PURCELL. So, if the Secretary used the highest figure that the law gave him the authority to use, the loan rate would still be 3 cents lower than it is this year, or 2 cents lower?

Mr. STELZER. Under the prices we assume, this is correct.

Mr. KLEPPE. Mr. Chairman?

Mr. PURCELL. Next year, it would be lower again, unless the price was significantly higher?

Mr. STELZER. It would be dropping the 1967 season average of $1.03, and would depend on what you picked up.

Mr. PURCELL. Mr. Kleppe.

Mr. KLEPPE. Mr. Chairman, this, of course, is one area where we have had, seemingly, a great deal of unanimity of opinion on disagreements on this 3-year moving average versus the parity approach, and I think, of course, there is a logical reason for this, from the standpoint of the producer and the producer organizations, and that is that there is no provision in here whatsoever from the standpoint of cost. This is only from the standpoint of market, and this, of course, can sink and sink every year, and, consequently, it gets down way below

what is the fair and equitable position, and this is why I think we are having this objection generally from the organizations, because it does not consider costs.

Mr. STELZER. May I say one more thing on this?

Mr. KLEPPE. Yes.

Mr. STELZER. Now, I am not sure that this is very appropriate for me to say, but I have tried to point out that under the current law the legislation requires support between 65 percent and 90 percent of parity. In 1969, the 1970 program has not been announced, support has been around 72, 73 percent of partity, thus, even under the present legislation, the Secretary could, if he so desired, reduce these loan rates and the price support payments.

Mr. KLEPPE. But it is quite apparent that the producers and the producer groups are more interested in having the relationship to partity than they are to the 3-year market average.

Mr. STELZER. I understand that.

Mr. MELCHER. Mr. Chairman?

Mr. PURCELL. Yes, sir.

Mr. MELCHER. Mr. Stelzer, you made reference to a bill that we have before us, but really what you are making reference to is the proposed summary and draft of the legislation?

Mr. STELZER. This is correct. I am sorry. I should not have said "bill." I should have said "summary" and "draft" of a legislation proposal. This is correct. I apologize.

Mr. MELCHER. Which really is not in the form that you or we can evaluate correctly and say: "Now, this is the position of the Department?"

We are not in a position of doing that, are we?

The membership here on this committee is not in that position?

Mr. STELZER. It puts the perimeters around it.

Mr. PURCELL. Mr. Melcher, might I just say that the problem with Mr. Stelzer is that he is not being put in the position of making any statement with regard to policy.

I think, for the sake of our meeting, that we can assume, to the extent that that typing goes, it is the policy of the Department, and so, if we might, assume that and go ahead from that point.

Mr. MELCHER. Well, then——

Mr. STELZER. It is the working draft of a proposed piece of legislation that was worked out by people in the Department and I think, with the cooperation of some of the people here.

Mr. MELCHER. Then, on the basis of the 3-year average, I find myself a little bit confused now, because you are not going to use the 3 preceding years; you are going to use the 3 preceding years less 1 year; is that right?

Mr. STELZER. This is correct.

Mr. MELCHER. Now, would this be—just to clear my mind and my thinking on it—would this be the same in wheat?

Mr. STELZER. Yes, it would. For example, we are now in the process of developing the 1970 feed grain program. If this set-aside were in effect, we could not use the 1969 prices because we do not know what they are.

Mr. MELCHER. Yes, you would not know.

Mr. STELZER. We have a 1-year lag.

Mr. MELCHER. Yes. All right. Then, there are two points that the Secretary could use. If he chose to disregard the parity concept, which seems to be the thrust of this proposal, if he chose to disregard the increasing costs, there are two points that he could use then: one would be the loan rate that he sets based on from 80 to 95 percent of the 3-year market price; he could set it at the low end. Then, if he so desired, he could use some rather low factors or general criteria in setting the payment rates?

Mr. STELZER. This proposed draft has some criteria in it on the payment rates.

Mr. MELCHER. What are those criteria?

Mr. STELZER. I am not sure I can put my finger right on them.

Mr. MELCHER. Well, it is on the bottom of page 1. It is not marked, but it would be that page that starts with "Preliminary—for work purposes only"?

Mr. STELZER. This only applies to the yield part or the proportion he can make on it. Generally, criteria should be tied to one or more factors. One is if you are going to have a set-aside program operate successfully and you required a producer to set aside a certain amount of cropland, the payment rate should be enough to compensate him for the amount of land he needs to set aside. Second, the criteria would be to maintain farm income.

Mr. MELCHER. Well, is there any point here in the draft that says that farm income on the basis of general criteria will be maintained at the present level or better?

Mr. STELZER. No, there is not.

Mr. MELCHER. It would leave it up to the discretion of the Secretary on how he wanted to interpret the general criteria and use them?

Mr. STELZER. I am just thinking aloud here now. A third criteria to put in is to encourage participation in the program.

The fourth is—another one we have in the current program, and that is to be sure that the major benefits of these programs go to the participants. Those are some of the criteria that would be used to determine those payments. Some of them are in the current program now.

Mr. MELCHER. Thank you.

Thank you, Mr. Stelzer.

Mr. STELZER. Oh, here on the top of page 2 and the bottom of page 1, I see:

> In addition, the Secretary may make available payments to producers, corn and grain sorghum, at such rates as he determines fair and reasonable, taking into consideration: (1) farm income; (2) farm price-target level for the commodity which he determines to be desired; (3) the need to assure that the benefits of price support programs inure primarily to those producers who cooperate in the program provided in this section; (4) the need to maintain a desirable balance among the acreage devoted to the various commodities for which price support is made available under this act.

These are general criteria, and, of course, they are just an indication to give you committeemen some means of appraising them, and you are free to change them.

Mr. PURCELL. Do you have anything else, Mr. Melcher?

Mr. MELCHER. No, sir. Thank you.

Mr. PURCELL. Mr. Sebelius?

Mr. SEBELIUS. No, thank you.

Mr. PURCELL. Well, let me ask at least one more question.

Now, as I understand the discussions on some of the Monday night meetings, that one of the thoughts that the Department had was that under the set-aside type program the commodities would tend to be drawn back to what we now consider the more traditional commercial areas of production.

Now, then, considering the statement that you made earlier about the fact that you maintain your feed grain base of your wheat allotment by planting 90 percent of your assigned allotment, how would it ever develop that the wheat grown in Illinois and Ohio that they have started only within the last several years in these programs, what in this is it that would encourage those people to go back to corn to a bigger degree?

Mr. STELZER. I think that you are referring to the requirement that he will start losing allotment or base if he failed to plant this particular commodity. This would be a deterrent to him because they may want to hold their base or they may want to hold their allotment and would continue to plant. However, let me put it this way: a producer who has a wheat allotment, say, in Ohio at the present time of 100 acres, probably his domestic allotment under the set-aside would be much lower, probably only 30 acres. Today, he is planting 100 acres in wheat. Under the set-aside program he will only need to plant somewhere around 30 acres in wheat. The difference between the 100 and the 30 would still be free for planting to other crops. In addition to that, in some of these areas we have many, many farmers who have their allotments frozen over the past years, allotments between 1 to 10 acres, and many of those farmers have not planted any wheat, or if they have planted only once out of 3 years. The drop in allotments would be available for distribution and allocation to other areas where they could use it for wheat production.

Mr. PURCELL. Well, now, I presume we are talking about the same thing. I am talking about what started out to be these 15-acre exemptions. Now, are those people who are planting from one to 13 that you are talking about?

Mr. STELZER. Yes, they are in this group.

Mr. KLEPPE. Mr. Chairman, would you yield for a comment here?

Mr. PURCELL. Yes, sir.

Mr. KLEPPE. In this example that you just quoted, Mr. Stelzer, this 30 acres that we are talking about would have to be planted to either the feed grain or whichever the crop was that this allotment was alloted to, and in so planting those acres he would then qualify for the program.

Now, if he did not plant those acres over a period of 5 years, he would lose the entire allotment; is that not correct?

Mr. STELZER. This is in the present draft.

Mr. KLEPPE. That is what I mean, the present draft calls for this under the set-aside?

Mr. STELZER. This is correct.

Mr. KLEPPE. But if he planted the 30 acres in that example, he would then qualify and retain the full amount of his domestic allotment?

Mr. STELZER. Yes, he would.

Mr. PURCELL. Are there any other questions?

Mr. SEBELIUS. I just have one.

Just take a good acre of Illinois corn land that cost a pretty good amount of money, $400 or $500, which would produce more money per acre if planted to corn or soybeans than it would produce money if planted to wheat, even if they were getting a certificate payment.

Now, can you think of any reason why they would not want to go ahead under the set-aside program and plant to the crop that would make the more dollars per acre, including payments?

Mr. STELZER. Only if they wanted to retain their base or allotment for some particular reason.

Mr. SEBELIUS. That would be the only criteria that I can see, why they would want to continue to plant wheat and that would be if they wanted to just keep the base. If they just wanted to keep the base and if they figured that the program might change later and they had lost their base even though they could make more dollars, they would have lost it during that time.

Thank you.

Mr. MELCHER. I have one more question.

Mr. PURCELL. All right, Mr. Melcher.

Mr. MELCHER. The farmer would not know exactly what he was receiving in payment until the price had been computed for the preceding year—not the 3 years but the immediate preceding year; is that right, Mr. Stelzer?

Mr. STELZER. I am not sure I understand your question.

Mr. MELCHER. I am referring to page 2, in the middle where it says: "Notwithstanding the foregoing"—And that "foregoing" is the general criteria—

the payment rate announced for a crop of any commodity shall be adjusted downward at the end of the marketing year for such crop to the extent that the average price received by farmers for the commodity during the marketing year exceeds the farm price target level, taking into consideration an established payment rate for the commodity, that such adjustment shall not reduce the payment rate by more than 50 percent.

Mr. STELZER. This has no relationship to the preceding 3-year average.

Mr. MELCHER. Pardon me?

Mr. STELZER. This has no relationship to the preceding 3-year average.

Mr. MELCHER. Not to the preceding 3-year average but to the payment for the ——

Mr. STELZER. You could not make the final payment, complete payment, until after the end of the year; that is correct, under this particular provision.

Mr. MELCHER. My question was: The farmer would not know what his total payment was until after the end of the marketing year?

Mr. STELZER. This is correct.

Mr. MELCHER. It could be less?

Mr. STELZER. It could be less. It could not be more.

Mr. MELCHER. Thank you, Mr. Chairman.

Mr. PURCELL. All right.

Well, we thank you very much.

And the committee will adjourn.

Let me announce that we will next meet on Monday the 24th when we will have some witnesses coming at that time.

(Whereupon, at 11:35 a.m., a recess was taken until 10 a.m., Monday, November 24, 1969.)

FEED GRAINS

MONDAY, NOVEMBER 24, 1969

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON LIVESTOCK AND GRAINS OF THE
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10 a.m., in room 1301, Longworth House Office Building, the Honorable Graham Purcell (chairman of the subcommittee) presiding.

Present: Representatives Purcell, Foley, Montgomery, Sisk, Rarick, Melcher, May, Mayne, Kleppe, and Sebelius.

Also present: Christine S. Gallagher, chief clerk; Lacey C. Sharp, general counsel; Hyde H. Murray, associate counsel, and John A. Knebel, assistant counsel.

Mr. PURCELL. The subcommittee will come to order.

We are continuing this morning on hearings regarding feed grains and those who want to or feel that they need to may certainly comment about wheat.

Today we have first Mr. John W. Scott, master of the National Grange. He is accompanied by Mr. Robert M. Frederick, legislative representative.

We will be glad to hear from you gentlemen at this time.

STATEMENT OF JOHN W. SCOTT, MASTER, NATIONAL GRANGE, WASHINGTON, D.C., ACCOMPANIED BY ROBERT M. FREDERICK, LEGISLATIVE REPRESENTATIVE

Mr. SCOTT. Mr. Chairman and members of the committee, I am John Scott, master of the National Grange rural family organization with headquarters at 1616 H Street NW., Washington, D.C.

At the outset, Mr. Chairman, I would like to say in order to start the week off right our girls got excited and put more pages in this testimony than really belongs there, so for the record we would not want to include beginning with "Cotton" on page 7 and down to the first paragraph that begins on page 9 in the record. The girls got that in this testimony, and it really does not belong there.

Mr. PURCELL. All right, sir.

Mr. SCOTT. The membership of the National Grange wants to commend you for the leadership you have exercised in introducing and influencing other Members of Congress to cosponsor the bill, H.R. 14014, which embodies the recommendations of the new 24-member general farm and commodity organization coalition.

We also wish to thank other members of the House Committee on Agriculture who have cosponsored or introduced identical or similar

legislation: Congressman Foley of Washington, Congressman Jones of North Carolina, Congressman Vigorito of Pennsylvania, Congressman Melcher of Montana, and Congressman Zwach of Minnesota. We appreciate the bipartisan support the coalition bill has received and realize that we must remain this way if we hope to have effective farm legislation during the 91st Congress.

Mr. Chairman, you and other members of the Committee on Agriculture may find personal satisfaction in your efforts to bring unity to agriculture because it was partially in response to the call for unity made by Members of Congress, Secretary of Agriculture Hardin and others that we have been able to develop such a high degree of unity in agriculture. We are happy to inform you that the spirit of farm unity is growing, among farmers as well as other organizations.

The Grange's desire for unity in agriculture is deeply embedded in Grange philosophy and Grange policy. As early as the Sacramento, Calif., convention in 1889, the first policy statement from the Grange on unity and united agriculture was presented and adopted and has remained firm Grange policy since that time. At the 102d Annual Session of the Grange, held in Peoria, in November 1968, this policy once more was reaffirmed by the committee on co-op activities and adopted by the delegate body. The resolution states in part:

> What farmers most need at the present time is a better understanding of such economic and political questions as relate to the material interests and a disposition to unite with others of the same class to put this knowledge into practical use. It is apparently an easy matter for farmers to theorize upon those questions and even to arrive at a definite conclusion, but in times past it has been about as difficult to unite their forces and apply the knowledge gained, as it used to be for a camel to pass through the eye of a needle.

This charge from the Grange delegate body and the call from this committee, Congress and the administration for unity and a consensus farm program for agriculture, prompted us to call the early meeting of the farm organizations in February. From this first meeting has grown the strong, united front of agricultural organizations called the Farm Coalition.

The National Grange, at its 103d Annual Session, just concluded in Daytona Beach, Fla., reaffirmed its strong support for the continued effort to bring agricultural organizations closer together in seeking essential farm legislation.

The delegate body of the 103d Annual Session of the National Grange adopted the following agriculture policy on farm programs statement.

Farm policy: The productivity of American agriculture is the envy of people around the world. The rapid adoption of technology and an efficient, well-organized and managed system of production provide consumers with a variety of products that requires the smallest proportion of disposable income of any nation. We believe that American farmers have the capability of meeting the needs of the growing population in this country and helping to feed the growing world population. This can become a reality only if the farmer receives the cost of production plus a reasonable return on his labor, management, and investment.

All efforts should be continued to seek new cost-reducing methods. It must be recognized, however, that cost reduction alone does not guarantee an adequate level of income. Most gains from this source

have, in fact, accrued to American consumers. Greater efficiencies that lead to lower costs of production cannot be expected to solve the income problems of agriculture.

There must be a continuation of farm programs to ease adjustments in this sector and to stabilize and improve farm prices and income.

The year 1969 marks the close of the decade of the 1960's and the beginning of the 1970's. This year of transition also marks the end of the Food and Agriculture Act, due to expire after being extended for 1 year.

This act provides price supports at near world market levels, greatly improving our competitive position in export markets. It provides payments to finance acreage and production adjustments as necessary. The absence of similar farm legislation in the 1970's could result in an unstable farm economy that would create chaos for farm families, rural communities, and the consuming public. It is therefore imperative that agricultural legislation be enacted which will provide parity prices, opportunity and public service to rural people, while, at the same time, providing an adequate and stable supply of food and agricultural products necessary for the growth and prosperity of the Nation's economy.

Over the years, parity prices have served as guidelines for measuring fair and equitable prices for agricultural commodities relative to the price of things farmers buy. The ability of farmers to secure credit would be adversely affected if the parity price index were to be discarded. We cannot scrap the anchor of parity and retain fairness in prices to farmers.

We recognize the importance of preserving and protecting the integrity of the owner-operator-manager farm as exemplified in the commercial family farm system, not only as very efficient in the production of food and fiber, but as the backbone of rural America.

The commercial family farm of America has been the foundation of the most progressive and efficient agriculture the world has ever known. It has contributed to the economic growth of the Nation, provided an abundant supply of food for domestic consumption and relief of hunger over the world. We reaffirm our traditional support of the commercial farm unit and urge that all programs and policies be constituted and implemented to protect and promote the well-being and continuance of the commercial family farm.

Farm programs: The Agriculture Act of 1965, while not achieving the total objectives of the act, has aided materially in increasing gross farm income from $44.9 billion in 1965 to $51.1 billion in 1968. During the same period, however, farm production expenses rose from $30.9 billion in 1965 to $36.3 billion in 1968, resulting in a decrease in net farm income for the period of $0.3 billion thus making it appear that the act of 1965 has been ineffective in increasing farm income.

The most recent increase in the cost of production that can be really seen and easily applied is the recent 6-percent increase in freight rate the ICC allowed the railroads. This will result in approximately a 3-cent decrease in the return to a Montana wheatgrower and 2¼-cent reduction in the return to a wheatgrower in the Dakotas, et cetera. Is this the result of the present commodity-by-commodity approach to solving farm problems? We think not.

It was the provisions of the 1965 act that rescued American agriculture from a sea of surpluses that threatened the livelihood of every American. It not only reduced the high tide of mounting stocks in Government hands of food and fiber, it reduced the cost of the abundant supply of high quality food to the American housewife, to the lowest percentage of expendable income in the history of the world (estimated to be 16.4 percent in the last quarter of 1969), while at the same time increasing net farm income to $15 billion, an increase of 28 percent since 1960.

The record of accomplishments of the act of 1965 is encouraging; however, the American farmer has not shared in the rapid advance of economic growth of his counterpart in other segments of the society. Nor has he been adequately compensated for his contribution to efficient production, whereby he produces for himself and 45 others, while at the same time produces 1 out of every 4 acres for export, which produces 17 percent of the world trade in agricultural products, thus making the greatest single contribution to the U.S. favorable balance of trade.

Meanwhile, during the past two decades the hourly earnings of manufacturing workers have increased by 127 percent and corporate dividends are up 251 percent. During this same period of time farm prices have dropped 9 percent. The estimated net income of agriculture for 1968 is $14.9 billion, compared to $15.9 billion in 1948. National income reached $713 billion in 1968, compared to $224 billion in 1948. Thus, while the national income shows an increase of 218 percent, farm income is down approximately 6 percent.

One other factor has had an important influence upon the public dissatisfaction with domestic farm programs. This can be best described as a blessing of the good things from Mother Nature, plus the American farmer's unselfish sharing of his techniques of modern agricultural production that has made exporters of many of the lesser developed countries, as well as an overproduction of farm products in our friendly neighbors of Canada and Australia.

These factors have led to an overabundance of some agricultural commodities that are causing concern in world trade; however, the experience of our domestic farm programs in curtailing our own production is leading to the adoption in our rival countries of production controls. It is highly unlikely that such international developments would have been initiated had it not been for the act of 1965.

We would emphasize that the decrease in net farm income from 1965 to 1968 was due to factors unrelated to the Agriculture Act of 1965. Inflation has caused higher costs of agricultural inputs, which has resulted in a cost-price squeeze totally unrelated to farm programs.

The National Grange believes continuation of the basic provisions of the Food and Agriculture Act of 1965 is the first step in securing effective domestic farm programs for the seventies. We must not be forced to return again and again to pass legislation already approved by Congress. Our main purpose is to improve the basic act, improvements that cannot wait because improvement in farm income cannot wait, therefore, we are proposing them this year.

We specifically recommend for feed grains the following:

Feed grains: Increase price support loan from $1.05 to $1.15 per bushel; increase direct payment from $0.30 per bushel to $0.40 per bushel.

Limit amount "projected yield" can be adjusted as result of natural disaster.

Make 50-percent payment at time of signup mandatory.

In our efforts to improve farm income and therefore economic conditions in rural America, we dare not be misled by proposals and counter-proposals that promise increased farm income, while at the same time a reduction in total cost of farm programs to the Federal treasury. This would mean total reliance upon the market places for farm prices, therefore farm income, an economic situation that is unrealistic as long as the American farmer is called upon to supply an abundance of food and fiber, in excess of that needed to correctly match supply to demand.

The amount produced over and above that needed to match supply to demand is a sufficient amount to destroy the market places as the sole source of fair and reasonable prices for the producer; therefore it is the opinion of the Grange that present farm programs, that supply a proper mix of public and private funds, must be continued if we are to have a viable family farm structure in American agriculture.

It is for these reasons that we are unable at this time, knowing what little we know about the main "set-aside" proposals, to give National Grange support to such proposals or alternatives to farm programs.

The National Grange is opposed to establishing price support loans and payments at 80 to 95 percent of moving average of the last 3 year market price. In our judgment, market price in the absence of perfect supply-management, will inevitably move downward.

The "freedom to plant" feature of the proposal is a step away from effective production controls and will lead to decreased market price, due to overproduction in some, if not all basic crops, and compounds the problems of trying to improve farm income by the use of a moving average. Under these conditions it will be a downhill route for farm prices and farm income.

We do not mean to be critical, but it is rather difficult to pass judgment on farm program proposals that have not been made fully public and which we have not had the opportunity to discuss with our membership.

Therefore, until more "meat is put on the bones" and definite figures supplied to the equation, to show the program's effect on farm income, we feel we are not in a position to pass final judgment on the "set-aside" program for feed grains.

In addition we do not feel that the "freedom to plant" feature of the proposal of the Department, while it may be attractive to some areas, is incentive enough to induce program participation, if in the long run, the "set-aside" program will not increase farm income.

We have been told that this feature will allow farmers to grow the crop for which their farm is best suited and the crop they can grow with the cheapest inputs, thereby increasing their net income. We would like to point out that under the present programs, the farmer has the opportunity for free substitution between wheat and feed grains.

For their own reasons, most farmers have not used this privilege or alternative in the present program to any large extent; therefore, we see no reason to except any great change in their cropping history under the "freedom to plant" provisions of the "set-aside" proposal.

The "freedom to plant" is taking a step away from sound production controls. The market place—given sufficient time—can bring supply in line with demand, but at a considerable cost to the farmer from year to year as he adjusts, and many are forced out of business during this period of ups and downs of the market.

Independent decisions being made by so many individual producers cannot reflect market changes very rapidly. Farm problems cannot be solved simply by changing farm structure or production patterns—it is far more complicated than that. Present programs provide the tools for effective, immediate production control and will have our continued support.

In conclusion, we would like to quote from the remarks of the Secretary of Agriculture, Clifford Hardin, before the 103d annual session of the National Grange:

> Now we are also making quite a point of the fact that farm subsidies in the immediate future should not be lowered. Our studies of this indicate that any change downward in subsidies would immediately have a dollar-for-dollar effect on farm income. I think if you had studied it as we have, you would come to exactly the same conclusion.
>
> We recognize that this has been capitalized into all kinds of structures, into land prices, into the mortgage structure, into the local tax structures, into standards of living and expectations of people, and that we should not sharply depart from it, but if we can protect farm income through the continuation of direct payments and can keep our markets free for all, then—and this is the hope—perhaps we can do those things that will increase the proportion of income that will come from the market itself. This we feel also is a worthy objective, as long as the income level is protected while we have this opportunity to experiment with the freer market.

We wish to compliment the efforts of the Secretary and the Committee on Agriculture for their long hours of work on new farm legislation and as we told the Secretary, we hope the ultimate farm legislative package coming from this committee will be such that it can have the support of the National Grange.

We appreciate, Mr. Chairman, this second opportunity to present our views on feed grains, and again express our thanks to you for your continued leadership in this area.

Thank you.

Mr. PURCELL. Thank you, Mr. Scott.

Mr. Foley, do you have questions?

Mr. FOLEY. No.

Mr. PURCELL. Mrs. May?

Mrs. MAY. No questions.

Mr. PURCELL. Mr. Montgomery?

Mr. Mayne?

Mr. Sisk, do you have any questions of this witness?

Mr. SISK. No questions.

Mr. PURCELL. Mr. Kleppe?

Mr. KLEPPE. Mr. Chairman, I just have one question I would like to ask Mr. Scott.

It refers to page 3 where you say "This Act"—and this is talking about the present act—"provides price supports at near world market levels, greatly improving our competitive position in export markets."

Would experience tell us that this is exactly what our trouble is in meeting competition in world markets? Isn't this why we are having to come up with an export subsidy? Isn't this why our export of wheat,

for example, is down over 200 million bushels this year? Isn't it because of the level of price supports and the price we have in this country?

I am not saying this is all bad. I am just trying to arrive at some understanding of this statement that you make here. It seems to me that this is contrary to what is happening. Could you comment on that?

Mr. SCOTT. I think our reference, Mr. Congressman, is to the fact that the act of 1965 is such great improvement over what we had previously, even though it is not yet the best.

Mr. KLEPPE. Is that the reference that is made here? Is that the reference that you refer to here?

Mr. SCOTT. I think that is right.

Mr. KLEPPE. It does not read that way, but it would make a great deal of difference if that is what it is.

Mr. FREDERICK. I think what we are trying to point out too, is that our world export problems are not necessarily caused by provisions of the act of 1965. I think this is definitely true in wheat. Now, the subsidy on wheat is bringing our price up to the world level prices, which is an inverse subsidy.

Mr. KLEPPE. The point I am making here though is that you say that it is our price support program that makes us competitive in the world market and I wonder if that is true?

Mr. FREDERICK. We think it is, but of course we also have to realize that we have foreign competitors——

Mr. KLEPPPE. Surely.

Mr. FREDERICK (continuing). That are doing the exact opposite, that are underselling on world markets, due to the particular programs in the EEC which has lowered their prices under ours, but I think the point we are trying to make is that this is not necessarily the fault of the act of 1965.

Mr. KLEPPE. The reason I am asking the question is because this is one problem I have in my own mind. I do not like to see price supports lowered, and yet I am aware of the fact that they have raised some Cain with us in the competitive aspects of the world market and I was wondering if you have got a separate thought on this thing as to how we might stay competitive and still hold price supports up. I find this to be a very confusing statement.

Mr. FREDERICK. Perhaps we can clarify it some way. I attended the IFAP meeting in Japan, and there with the meeting of the agricultural experts from Australia, Canada, the EEC and other exporting nations, they have undersold us in markets, this is true, but now they realize that they can no longer do this and still maintain income in their own countries to their farmers, so now not only through that but from correspondence we have had with the head of the Agriculture Congress of France and also of Mr. Dulow who is the president of all the farm organizations in EEC they realize that they must do something to increase and maintain farm income in their own country, so they are going to approach this from the same standpoint that we have. They are going to increase their own production controls.

Mr. KLEPPE. In the meantime is it not true that we are losing export business though, unless we come up with a competitive price?

Mr. FREDERICK. But isn't this true? The fault of the act of 1965——

Mr. KLEPPE. This is not the point I am making.

Mr. FREDERICK. But I think this is the point we are attempting to make if we are losing export markets it is not the fault of the act of 1965.

Mr. KLEPPE. I will not disagree with that at all, and that is not the point of my question at all. I hope you understand the point of my question is to arrive at how we can maintain price support levels comparable to today and still remain competitive in the world markets, and this is in no way, shape, or form, blaming or criticizing the 1965 act. It is just a statement of fact. It is the circumstances under which we are living, and I am trying to gather something from you that might give us a chance to answer this particular problem as we are looking at new legislation.

That is all the comments I have, Mr. Chairman. Thank you.

Mr. PURCELL. Mr. Melcher, do you have questions?

Mr. MELCHER. Just one question, Mr. Scott or Mr. Frederick. I will follow up the line of thinking that Representative Kleppe has started and ask this one question. Is it your opinion that lowering price supports would help us regain sales, lost sales of our grains in foreign trade?

Mr. FREDERICK. Not necessarily so, because we have lost world markets, which is true. Again I refer to my conversations with world producers in the other world markets that are exporting wheat particularly, and they are going to protect just as jealously as we try and protect our export markets, and any movement on the part of the United States to lower the price to the point where we are undercutting world prices to gain or regain markets which are rightly ours, and to increase our exports, and as I look at the figures of the proposals from the Department from the set-aside, they have increased the utilization figures, and to the best of my knowledge from what limited information we have is that this utilization is going to come about from an increase in our exports and quite frankly I do not know where this increase in exports is going to come from because Australia and Canada are going to guard their markets as jealously as we are. France an exporter of wheat is going to guard their markets as jealously as we are.

There is only a certain amount of exports of wheat products that can be consumed and now from the unselfish programs and unselfish farmers to bring about the grain resolution we have less developed countries now getting into the export business. We want to export for dollars. So it is rather a complicated thing, and I do not think that this is simply a lowering of price that is going to gain back markets.

We are going to find that the other countries will come up with mechanisms and programs that they will be able to lower their export price to match us dollar for dollar. They are going to guard their markets just as jealously as we are trying to guard ours.

Mr. MELCHER. Then if we followed the policy of lowering support prices we could further damage our own producers, and still not accomplish anything in regaining world trade?

Mr. FREDERICK. I think that is exactly right. We would lower the income to our own producers and could start, could trigger off an international trade war in agricultural products that would only

benefit the importing nations, and the importing nations are sitting back and waiting.

It was apparent at the meetings in Tokyo that they were reluctant to take on in this international debate more or less or this international round table discussions which I realize has no policy and has no authority except as it influences world opinion, but they were reluctant to take on their responsibilities to help manage world supplies.

Mr. MELCHER. Thank you.

Thank you, Mr. Chairman.

Mr. PURCELL. Mr. Mayne?

Mr. MAYNE. Are you now stating that this definitely will happen, in response to Congressman Melcher's questions? It seems to me that you have firmed that up considerably. First your answer was that lowering the loan rate would not necessarily improve our export position. Do I now understand you in response to this last question to have said that lowering the loan rate would absolutely worsen our export position?

Mr. FREDERICK. I do not know if I used the word "absolutely" or not, but I think it would increase the tendency to lower our position as far as world exports are concerned and as far as income to our farmers and it would not necessarily increase exports.

Mr. MAYNE. Let us talk about exports. That is what this question is about. Is it your firm judgment that lowering the loan rate would damage our export position vis-a-vis other nations with regard to wheat?

Mr. FREDERICK. I think they would match us in anything we do to lower export price as has been the case in the last few months. The minute that the United States lowered its export price it was matched, and it was undercut by Canada and also by Australia.

Mr. MAYNE. Do I interpret that to mean then that if they would match it, that there would be no change in our export position?

Mr. FREDERICK. We hopefully have reached that now so far as international grains are concerned in the world wheat price.

Mr. MAYNE. Then you did not mean to say that lowering the loan rate would worsen our export position?

Mr. FREDERICK. No, it would not necessarily worsen it but it would not improve it and it would not improve farm income.

Mr. MAYNE. We are getting back to the "not necessarily" which I can accept a good deal more readily than your stronger answer to the previous question. Thank you.

Mr. PURCELL. Mrs. May?

Mrs. MAY. I would like to follow this up with you. I have just returned from the meeting of the agricultural attachés in Bonn, Germany, and we were also at the FAO meeting in Rome. In both meetings the matter of grain supply and export was widely discussed.

Turning to page 6 of your statement, I came back with a different interpretation. It seemed to me that Mr. Scott made an overoptimistic statement when he says in the third paragraph on that page, "However, the experience of our domestic farm programs in curtailing our own production is leading to the adoption in our rival countries of production controls."

I came home rather discouraged (after sitting in several days of meetings and hearing our agricultural attachés reports) that this was

actually happening. Mr. Clarence Palmby made a very strong statement to the FAO on this matter and said in effect to the EEC:

You cannot expect the United States to go on controlling its own production and making its sacrifices of income from both the farmer and the Federal Treasury, if the countries you represent continue without production control.

But reports I heard from around the EEC were that, although qualified agricultural experts recognized this situation, none of them reported optimistically that the various countries involved were making meaningful progress toward stricter production control programs.

Quite the contrary, with the tremendous overproduction of grain in Europe at this time, they are putting main emphasis on protecting their markets, but without reference to control.

You seem to express optimism that they are going to go into some form of production control in one statement. Then you say they are going to protect their markets, and they are. You are absolutely right on that. They are going to do it with tooth and nail.

But the attachés do report that price, as well as quality of grains, will be the final answer as to whether we have any chance of maintaining present markets or hopefully improving them and recapturing some of them.

But I do not think we can depend right now, at least in my evaluation, on these countries—formerly our market places—doing anything to match our type of production control out of the goodness of their heart. I do not see it at all.

Mr. Frederick. I do not want to disagree with the good Congresswoman from Washington.

Mrs. May. That is what I want you to do. You perhaps have better information and I could feel more hopeful.

Mr. Frederick. No, I did not have the opportunity of being at the meetings in Bonn. However, in discussions with the producer organizations, 22 nations that met at the International Federation of Agricultural Producers in Tokyo, it was very apparent that France, which was the most reluctant and the last to make any affirmative statements at all, of course these were statements by producers and by producer organizations and did not reflect necessarily the thought of their government.

France is trying to work into other programs to control production. It is very definite that Australia is, and Canada is, which are our two biggest competitors as far as wheat is concerned. But then I was even more highly encouraged upon returning. I received a letter from Georges Goulet who is the President I guess you would call him or at least the Secretary General or President of the Agricultural Congress Organization in France, and in this correspondence from Mr. Goulet he quotes resolutions that have been adopted by the various agricultural agencies in Europe, which definitely are indications to me—and I will be glad to supply that for the record—the indication that the European countries and the combination of COPA—which is the Congress Organization of Agricultural Professionals in the Common Market—have adopted a resolution pointing toward and starting toward the control of production of their agricultural products.

In February of this year, we are going to have the opportunity and the privilege to house 15 representatives of the EEC agricultural organizations in our Grange building, in conjunction with farm organizations of the United States, to sit down with these producers, representatives of the producer organizations in the EEC, the producer representatives of organizations in the United States to discuss further this very problem.

I think there is strong indication that they realize that we have come to realize that there has to be a market sharing, because as I go back to my previous statement, they want their world markets. They need them as well as we need them, and any reduction in price supports, in price loans, I think, will have damaging effect both on my farm income and I am not so sure it will have any strengthening effect on exports.

Mrs. MAY. I hope you are the one that is right. Perhaps I am a woman of little faith. I have heard these discussions of production control since the early 1960's and there have been lots of meetings and lots of resolutions, but we are still waiting for the countries to act. Also we've felt the impact of the disarray in the IGA treaty and on top of that, Europe is now burdened with its heavy grain surpluses. But let us hope that there will someday be action, not lipservice to balanced production control plans in grain producing nations.

As I say, I came away from Bonn and Rome with no hope that there was going to be really meaningful action within the next marketing year or two. I hope I am wrong and that you are right.

Mr. FREDERICK. And I also will supply for the record, if I may, the final statement of the Grain Commodity Group which met a week prior to the IFAP Congress, which was represented by Australia, Canada, France, most of the EEC countries, practically all of the world exporters except Argentina. They came up with a strong statement on the international grain agreements.

Mrs. MAY. I wish you would.

Mr. FREDERICK. And the two points that I tried to hammer out, one was that we had to have responsibility of control of domestic production if any international grain agreement or any international agreement on any crop was to be effected, they had to take with it the responsibility of domestic control, and further we point out very strongly that to go back to the mechanisms of the International Grain Agreement and use it as it should have been used in the first place we would not have been in the situation we are in today. But we and other countries bypassed the mechanism, and did not use it as it was properly set up to be used and therefore we got ourselves into a price-cutting war.

Mrs. MAY. I think we should show that we held out as long as we could. We were not the ones who started the trend.

Mr. FREDERICK. I will agree with that.

Mrs. MAY. I get the feeling, I do not know if you will agree with this or not, that Canada and Australia may put their money where their mouth is on production control. I did not get the same feeling that we could trust the EEC countries to make meaningful steps right away in this direction, or as soon as Canada and Australia might.

Mr. FREDERICK. I would agree with that, Congresswoman. The EEC will be perhaps the last one. They are going to make some demands from us as they did in the Kennedy round and I think one that I

noticed that was in the President's message on trade and in the Trade Act of 1969 which was the repeal of the ASP, the American selling price, I think this is going to have to be involved in this. We cannot consider agriculture alone as far as international trade is concerned. We hope that it is going to be considered as an equal partner with industry and commerce as we discuss international trade, and all these aspects that have an effect upon it.

I think if we can go our share of the way, we might be able to get some concessions from the EEC and some agreement on production controls from their producers as well as from their governments.

Mrs. MAY. I think that we are all agreed that when we come up with farm legislation in this committee, we will be flying blind as to what the world market is going to be at the time the legislation is passed.

Whatever we do will probably have to be an educated gamble and a prayerful hope that the policies that we finally adopt will make it possible for us to meet the prices of the world market. But we will not know what it is going to be, because it is still so dependent upon action yet to be taken by the countries to whom we export.

Mr. FREDERICK. I would agree to this and I do not want to be an old pillar that sometimes we have in our churches and squirt cold water on anything. This is not our feeling. We want to be optimistic as far as world trade is concerned and we hope that we can increase our world exports of agricultural commodities.

We know it has to be done. But I am one who would say that we do not feel that the answers to the American farm problems do not lie in the foreign ports. That we have things to do here at home that can shore up farm income.

Mrs. MAY. That is true except we would hate to lose that 17 percent export.

Mr. FREDERICK. That is right.

Mrs. MAY. One percent of it even.

Thank you. And we do appreciate your supplying for the record the things that you indicated you would.

That is all.

Mr. FREDERICK. We will be glad to do so.

Mr. PURCELL. Mr. Sebelius?

Mr. SEBELIUS. Thank you, Mr. Chairman.

I notice in here at page 4 and other places the term "commercial family farm." I have not seen that term just exactly that way. I wondered if you had some definition for a commercial family farm?

Mr. FREDERICK. Not any more than we have definition for a family farm.

Mr. SEBELIUS. Maybe a little more than the guy that has the 20 acres and farms the farm as he works in town?

Mr. FREDERICK. That is correct, sir.

Mr. SEBELIUS. I have been reading your statement, and the only thing that disturbs me is your lack of optimism and lack of imagination. Back 2 or 3 years Orville Freeman was a dirty world all over the countryside, and most of us were picking on his act supposedly, the 1965 act. Now all of a sudden we find that if you just put a little more meat on this act, why, it is the millennium, and I think it is slow death.

I am not for retiring acreage, don't get me wrong, or something like that, but this failure to want to understand, to work for something new, just sort of bugs me a little bit.

Mr. SCOTT. Mr. Congressman, I think that the reason that we have not given any more credence to the new set-aside program is the fact that the information we have is so sketchy, and that really in our opinion as we have looked at what we have seen, the only figures that would indicate any hope at all for the farmer himself would be what they have termed the most optimistic set of figures.

Mr. SEBELIUS. Looking at it from this angle, we have been told that there would be as many dollars as the other one and we have something here that appears to be more simple, more viable and flexible. The main thing I have gotten so far from my own district is that they are a little scared of using an average of the market as against parity as a standard. We both know that with the up and down limit of what is set by the Secretary, either one could produce more dollars or less dollars.

Would it be more helpful if it got down to dollars in trying to seek something down the road, 3 or 4 years, might that provide an advantage? If they got down to dollars do you think they would still have their minds up?

Mr. SCOTT. I do not think the Grange's mind will ever be closed to looking at new programs when they can be substantiated and when they are substantiated with sound factual information, but at this point that has not yet been developed. At least it has not been made public.

Mr. SEBELIUS. I like the idea of more freedom for the farmers, that they cannot plant so many total acres. I like the idea where it is set at a reasonable figure. The idea that our chairman, the chairman of the full committee and Secretary Hardin presented, that by announcing our support prices in advance, we just give a target for every nation in the world and none of them with limits on their production.

It gives them a target to shoot at. I would rather get more money into the diversion payment and into the other programs to go right to the farmer's pocketbook and then work in the foreign field with a price that would be more competitive and something they could not second guess us on.

I see in your statement that you have not taken it to your members yet. I would hope that you would work every type of figure on it, to give it some thought, and tell the Secretary at what level you feel it would be desirable.

Something like that would take a little time, but it would appear desirable.

Mr. SCOTT. I am sure this would be our intention. As I say, the Grange's mind is not closed on other approaches, but at the present time we feel we cannot support that approach because we do not have the information.

Mr. SEBELIUS. Of course, we are discussing feed grains basically now, but getting the latest figure from the Southwestern miller today on wheat, we domestically consumed about 530 million bushels, about 60 million for seed, are feeding about 160 or 170 million now and we hope that really goes up. Now that leaves us a large amount of wheat over and above that.

If the American farmer is going to rely upon exports to even stay in business, with the acres we have and production going up, then there is the area that all of our farmers' organizations should concentrate on. How can we solve that problem.

The second point is: we have decreased consumption although our population has gone up. I think it is incumbent upon our farm organizations to also give us help in commercializing and presenting our products, get people back to eating bread.

I think all of us have been falling far short in the selling of our products. We have let it go down and have been defeatist about it. I, for one, would like any word from you as to anything we can do to try to sell the products of the farmer.

I appreciate the presentation here today, and I have tried to give us both a pep talk on the idea of trying to sell this and get some new ideas.

Thank you, Mr. Chairman.

Mr. PURCELL. Mr. Foley?

Mr. FOLEY. Mr. Scott, I do not want to start a debate that cannot be resolved here this morning, but to put a couple of things in perspective, I think we should be mindful that farmers' organizations have constituencies with Members of Congress. You have to serve the interests of your organization and reflect their views to some extent though you cannot impose your views on them, is that correct?

Mr. SCOTT. That is right.

Mr. FOLEY. What do you think is the primary concern of your members in the examination of a new farm program?

Mr. SCOTT. I think, Mr. Congressman, the primary concern is the maintenance and even improving of farm income.

Mr. FOLEY. Would you say that is way ahead of any other consideration?

Mr. SCOTT. Yes, but with the reservation that the good of all must still be considered.

Mr. FOLEY. In terms of the individual producer's interest—that is a member of a Grange in the United States—does he on examination of the farm program, place income maintenance and improvement way ahead of freedom to plant, for example?

Mr. SCOTT. I think so.

Mr. FOLEY. I think so, too.

Mr. SCOTT. I think that that is right. I think that in fact it is a must. We must have this income if we are going to stay alive.

Mr. FOLEY. Does he place maintenance of income and improvement of farm income ahead of the abstraction of improving exports?

Mr. SCOTT. I think so.

Mr. FOLEY. I think so too. I think that is true. I would guess it is as true in Kansas as it is in Washington. I think what the administration is going to have to do, and what the committee is going to have to do, is to convince farmers that any farm program we bring out is going to maintain, at least maintain, farm income. I do not think farmers are going to be very susceptible to being waltzed into a program that has some abstractions about increasing exports and some abstracts about increasing flexibility and freedom on the farm at the expense of lowering farm income to them.

I think we have got to be realistic about that.

Mr. SEBELIUS. Would the gentleman yield?

Mr. FOLEY. Yes.

Mr. SEBELIUS. There is the assumption, you say lowering farm income may be caused by the lack of imagination. If you never tried anything you never found out anything. I do not want to lower the farmer's income. As I said I would increase the diversion payments and other things to get at it, but by the same token I did not come here to get reelected and I intend to try to work for something that I think will do him some good.

If it does not I will return to Kansas and make a good living.

Mr. FOLEY. I agree that we are here to do what is best, and I think when we give farmers a pep talk about taking a chance, that we are taking a chance with their income, and they are, I think, concerned that we know what we are doing.

I frankly do not see that many farmers are concerned about this flexibility of plan issues. We have before us discussion on wheat and feed grains. There is not that restriction in any way to begin with. Washington farmers do not have the slightest interest in that so far as I can determine.

Mr. FREDERICK. As I understand it, Mr. Congressman, this is done somewhat in Idaho where they susbtitute wheat for their barley base, but they have free discussion.

Mr. FOLEY. The present program permits it anyway.

Mr. FREDERICK. That is right.

Mr. FOLEY. We are not offering them anything.

Mr. FREDERICK. It is not being done. I heard the president of the National Wheat Growers Association saying, "My pappy had freedom to plant in 1930 and he went broke."

Mr. KLEPPE. Will the gentleman yield?

Mr. FOLEY. I yield to the gentleman.

Mr. KLEPPE. I do not disagree with one observation you made regarding the No. 1 objective of farmers is to maintain or improve their income, but it seems to me that in connection with this decision, you must coordinate the fact that the export policy is important because we do not consume everything we grow, so I think farmers are concerned about this, and I think we must be concerned about it, or the first thing you know, we are going to have a totally untenable situation that we cannot pass through Congress from the standpoint of maintaining this income.

I just think that that needs a little clarification from the standpoint of making the choice, one versus the other.

Mr. FOLEY. I think that is our problem. I am only suggesting that individual farmers are primarily concerned about the income feature, and that procedures that will perhaps increase exports and perhaps lower farm income at the same time are not very attractive to them. If we are asking for their support, we have got to persuade them I think that the export increases are not going to be borne by them in the way of lower income because that is just not going to be very persuasive.

Mr. FREDERICK. No, and may I point out this is one of the big objections of the Canadian farmers now. The only thing that the Canadian farmer gets back for his wheat is the world price and he complains he cannot grow wheat on the world price and our farmers cannot either, so we are not trying to point down and belittle the importance of

exports, but this is not, as Congressman Foley points out, readily understood by the American farmers.

A lot of them do, but we have to do it at a profit and not just to export for export's sake.

Mr. KLEPPE. I only threw it in, Mr. Chairman, because I think it is related to this line of questioning, and I do not disagree with the fact that income is the No. 1 thing.

Mr. FOLEY. Thank you.

Mr. PURCELL. Dr. Melcher?

Mr. MELCHER. Mr. Scott, you mentioned that in studying the set-aside proposal that you are not sure that you had all the possible information you could have. I wonder if you had provided for you the chart that showed projected figures fed into a computer, and on the optimistic side, not on the pessimistic or low side, but on the optimistic side the Department projected wheat income at $79 million lower during the first year of this plan, if it were put into effect. Did you see that chart?

Mr. SCOTT. Yes, we had access to that chart, Mr. Congressman, and discussed it in relation to wheat with the wheat organization leadership, and of course were very much disappointed in what it pointed to.

Mr. MELCHER. I think we have to accept that chart as the best information available at this time on the set-aside proposals. I have one question for Mr. Frederick.

In referring to the IGA, the International Grain Agreement, and the price war that was engaged in in recent months with wheat in world trade, you mentioned that while we did not start the war, we did not follow all of the procedures that are set up under the IGA agreements. I would like for you to identify for me and the committee and the record who "we" is. Who is "we"? Is it the grain trade and the Department of Agriculture, or is it the grain trade alone, or is it the Department of Agriculture that is involved in it at all in violating the agreement?

Mr. FREDERICK. I do not believe I would have that information to make such a judgment as that. I was using "we" as the United States. Now, whether it is the fault of the grain trade or the fault of the Department as I understand the grain agreement any transaction that is made that we question, that the United States questions, we have the right to bring this before the Price Review Subcommittee. Then 3 days are allowed and if they cannot reach a satisfactory agreement it goes to the full subcommittee and so forth up to the Council of the Wheat Convention.

I do not know that we ever objected to any transaction of any price. Our only retaliation was taken the quickest way we could, and that was to decrease our prices. I would think that it would be in the interests of the grain trade to ignore it and want the price cuts so they could export wheat. They could still take their percentage off the top and the farmer would not necessarily benefit from such transactions. But as we kept forcing down the export price of wheat, it became apparent to our producers anyway, and I think to the wheat producers in general, that if you keep forcing down the world export price, that eventually somebody is going to start knocking on the door of the support price and that is exactly what is being contemplated in the legislation before you now is a reduction in the support price of wheat.

I do not think this is necessarily the results of the IGA action, but if you keep forcing down wheat prices as took place this is our fear that eventually you are going to start knocking down the price to the consumer and the price to the producer but I would not have the facts, the figures and the knowledge and the inner workings of the IGA to lay the blame on the wheat trade, the grain trade, the Department or both. But the United States was I imagine a unified action by both.

Mr. MELCHER. Well, the producers are not going to be involved directly, so they are going to have to look to somene to protect and represent their interests, and I would assume that this is the Department of Agriculture. Have they at all times followed all of the proper procedures in the recent grain foreign trade?

Mr. FREDERICK. I do not think so.

Mr. MELCHER. Thank you.

Mr. PURCELL. Gentlemen, let me ask one question, not to belabor this matter.

I have been encouraged about what I thought was the flexibility of the current suggestions on a set-aside program. But I want to be sure that I understand what we heard last week up here.

As I understand it, in order to preserve the allotment, whatever the program, wheat, feed grain, or whatever, you have got to plant 90 percent of that allotment in order to preserve it and I have been concerned in the last 2 or 3 days that if you have to plant that much of an allotment, to preserve your allotment, then that gives the farmer much less flexibility than we now have.

Would either of you gentlemen comment on that? Am I incorrect on understanding that to have been the Department's testimony last week?

Mr. FREDERICK. This is a part of the new program, that if you do not plant 90 percent in each year, that it decreases down, where if you did not plant anything for 4 years you would no longer have an allotment. Is that the portion you are directing your question toward?

Mr. PURCELL. Yes.

Mr. FREDERICK. Of the new program, the new set-aside?

Mr. PURCELL. Yes, sir. Well, then, I would like to at some other time discuss it, you and I or with the Department, for I fail to see where this great flexibility enters.

Mr. FREDERICK. We do not believe it is there, sir. I hope our testimony reflected that.

Mr. PURCELL. All right, that is all that I have.

Mr. SCOTT. Thank you.

Mr. PURCELL. Let me just say this because I do want to have the record show every favorable thing that can be said about the suggestion. It may be that with the setting aside of the amount of land that you have been planting, and then going the reverse way, that I presume it would be claimed by the Department that being able to use all this other land anyway you wanted would still give flexibility, but if you are protecting your allotment you still have to be planting that amount. Well, I do not mean to belabor the point.

Mr. FREDERCK. I think your analysis is correct. Mr. Chairman.

Mr. PURCELL. Thank you gentlemen very much.

(Mr. Frederick subsequently submitted the following information:)

NATIONAL GRANGE,
Washington, D.C., November 25, 1969.

Hon. GRAHAM PURCELL,
Chairman, Livestock and Grains Subcommittee, Committee on Agriculture, House of Representatives, Washington, D.C.

DEAR CONGRESSMAN PURCELL: On November 24, 1969, Mr. John Scott and I appeared before your Subcommittee on Livestock and Grains to present the National Grange position on the "set aside" proposals of the U.S. Department of Agriculture.

During the questioning period we offered to supply for the record two documents which to us indicate that producers in foreign countries, that are competitors of U.S. farmers for world markets, are at long last seriously considering, if not putting into practice, production control devices in an attempt to bring their supply in line with domestic and world demand.

Please find enclosed the two documents which we referred to in our testimony and which we were asked by Congresswoman May to supply for the record.

The first one, Exhibit A, is the final draft statement of the "Commodity Group on Grains" of the International Federation of Agricultural Producers at their Seventeenth General Conference held in Tokyo, Japan, October 20 to November 1, 1969. There were 25 member nations in attendance at the Tokyo Conference. In addition to the U.S., other members included Australia, Canada, France, Germany, United Kingdom and Japan, among the major exporters and importers. The rest of those in attendance are smaller but equally important countries, such as Belgium, Denmark, Norway, Mexico, Finland, Luxembourg, Netherlands, etc. All agreed to the final statement of the Grains Committee. This is strong indication to us, as producers, that our counterparts in other exporting nations see the need for effective supply-management, nationally and internationally.

The second document, Exhibit B, is a report from Georges Bréart, Chairman of "The Permanent Assembly of Chambers of Agriculture" (APCA), a French agricultural organization, in which he sets forth some of the thinking and reasoning of agricultural producers in the E.E.C. on agricultural policy in the European Community. We believe this paper is self-explanatory and supports our view that the producers of agricultural products of the Community see the need for effective supply-management or production control and sets forth their willingness to accept their share of the responsibility to manage world supplies.

We ask that this letter, plus Exhibits A and B, be made a part of the record, as reqeusted by Congresswoman May.

Thank you.

Sincerely,

ROBERT M. FREDERICK,
Legislative Representative.

EXHIBIT A

REPORT OF THE COMMODITY GROUP ON GRAINS

1. The Grains Group considered the general grains situation in the light of a background document by the Secretariat supplemented by information given by delegates.

2. Largely in response to growing world demand, the production of wheat has risen over wide areas during the past few years. More recently import demand by hitherto large importers, notably in developing countries, has declined. As a result, a serious imbalance between supply and demand has developed and carry-over stocks have grown considerably.

3. During the past few years world production of coarse grains has also shown a steady increase in response to a growing demand for livestock feed. The volume of international trade in coarse grain is likely to continue to grow, but there are some retarding influences: there is a growing use of wheat as livestock feed in the traditional coarse grain importing areas and the growth in livestock production is now slower than in earlier years.

4. Recently there has been a serious deterioration in the world market situation for rice and in certain countries there has been a big increase in stocks.

5. The most serious development has been the competitive down-bidding of export prices to levels below the International Grains Arrangement (IGA) minimum. The Group felt that no useful purpose would be served by trying to ap-

portion blame for this situation but rather that renewed efforts should be made to restore the functioning of the Wheat Trade Convention to normal as soon as possible. If these efforts are to meet with any success, it is essential that they should have the full support not only of governments but also of the producer and trading organizations in the participating countries.

6. Governments should take immediate action to restore full compliance with the provisions in the Convention. This would limit the ill effects of export subsidization since the adherence to a minimum export price would in effect mean the placing of limits upon the amount of export subsidies.

7. The future effectiveness of a system of international agreement in grains clearly carries with it the need for supply control internationally and, consequently, nationally, including the management of stocks, reinforcing the measures that are already being taken on a unilateral basis by certain countries. The Group recommends that governments take early measures to establish principles for the determination of quantitative national goals for supply management. The implementation of such a proposal by governments is vital and should be urgently pursued with the help of their international organizations. It was noted that if importing as well as exporting countries are to be expected to share in the responsibility for a world reserve or for the disposal of existing surpluses, they will need to be assured that their efforts are directly linked to effective steps of supply control.

8. In order that the provisions of the Wheat Trade Convention be again fully observed, governments should immediately adjust differentials with respect to price, grade, freight, and terms of sale so that these be satisfactory to all participants. It was the understanding of the Group that it is in this area that major difficulties have been encountered in the administration of the Convention. Such technical adjustments should be carried out within the framework of the existing bodies and machinery provided for in the Convention. The Group also recognized that machinery exists within the Convention for the prompt reporting by exporting and importing countries of transactions under it. Governments should intensify their efforts to ensure that these provisions are fully met in terms of prices, as has been the case for quantities.

9. It is essential that the IGA be renewed in an improved and strengthened form. In preparation for the renewal of the Convention in 1971, the Group suggested that governments might think it desirable to set up a small group of independent experts to thoroughly analyze the problems and explore the policy and methods necessary to make the future Trade Convention an uninterrupted success. Such a group should be set up by the Wheat Council assisted by appropriate international bodies, and by representatives of IFAP and of producers within the member organizations.

10. As regards the expansion of the Trade Convention to include coarse grains, the Group reaffirmed IFAP's basic policy in favour of a convention covering all grains. However, in view of the present difficulties in the operation of the Wheat Convention, the Group felt that first priority must be given by governments to resolving the problems that have arisen in the case of wheat. On the other hand, as there is only limited time between now and 1971, studies should be put in hand forthwith by the expert group to establish the basis and details of an arrangement extended to cover feed grains. An agreement intended to include coarse grains introduces major additional aspects to the wide range of problems associated with a grains arrangement among which specific attention was drawn in the Group to: whether it would be sufficient to establish a uniform minimum export price for one basic feed grain, for example, maize, or whether it would be necessary to cover the whole range of types and qualities; and whether provision for supply management would have to extend also to feed grains. In any case, preparations for the renewal of the Wheat Trade Convention would need to take into account the relationship between wheat and feed grains, given the increasing usage of the former as an animal feed in some countries.

11. On the question of the Food Aid Convention of the IGA, the Group recalled the gratification expressed by the Sixteenth General Conference at this first assumption by countries of joint responsibility for food aid. The Group expressed the strong hope that such a Convention would be included in any renewal of the IGA and that the quantities of grain committed under it should be increased.

12. In view of the present rice situation the Group recommends the inclusion of rice in the Food Aid Convention.

13. In its concern to correct the present imbalance in world grain supply and demand, and in its desire for measures to correct this imbalance, the Group at the same time emphasized the importance of adequacy assessing longer-term trends of the world's real cereal needs. Despite recent progress in the agricultural production in some developing countries, world import requirements may well become substantial. World agricultural policy must be designed to meet these demands, and this aspect of the problem must be continuously examined.

14. To summarize, the main recommendations of the Group are:

1. Restoration to normal as soon as possible of the Wheat Convention of the IGA, will full compliance with its provisions.

2. Renewal of the IGA in 1971 in an improved and strengthened form Appointment of an independent group of experts on policy and methods.

3. Provision in future grains arrangements for supply control, including stocks management.

4. Inclusion of all grains in future grains arrangements.

5. Continuation and expansion of the Food Aid Convention of IGA and inclusion of rice in its provisions.

Exhibit B

Agriculture Production Policies and International Trade

1. The discussion of the "Memorandum" of the European Commission on agricultural policy and the structures of production (Mansholt Plan), studies on United States agricultural policy and, more recently, the report of the Committee, under the chairmanship of Professor Georges Vedel, on French Agriculture in 1985 have set off new currents of thought in agricultural circles within the European Community.

There has been a marked change in the attitude to price supports and production controls and the problem of structural surpluses in certain branches of production, with its inevitable repercussions on international trade, is under close scrutiny.

A further cause for concern in the increasing cost of export supports, which are tending to aggravate the depression in world markets rather than stimulate trade and are becoming increasingly burdensome whilst failing to remove the underlying difficulties.

2. The few international commodity agreements that exist are for the most part ineffective. Their provisions fail to stand up to a situation in which the imbalance between supply and demand on domestic markets as well as in the world market continues to grow. The result is that as fast as the importing countries escalate their tariff and non-tariff barriers, the exporting countries multiply the number of expedients designed to circumvent such customs barriers.

3. In the case of some commodities at least we are now faced with the need to adapt our production capabilities to existing markets—a complete reversal of the policies of stimulating production that were regarded as so essential in the past.

4. No country will, however, be prepared to adopt or to follow such a course if the abandonment of any part of its capacity engaged in the production of surplus commodities is not to be undertaken jointly and in concert with other producing countries in the same plight. Otherwise each country will regard its efforts or outlay as nugatory or merely serving to release others from their responsibility to themselves participate in measures designed to avoid repeated market upsets.

5. A concerted international effort to organize and dove-tail production should go hand-in-hand with negotiations on the organization of trade in the interest of joint economic development. Even if it were possible to tolerate the economic convulsions of harsh and relentless competition or the cost of import barriers following export supports in endless succession whenever surpluses exist, there would still be no assurance that productive capacity would be brought into line with actual need on terms and within time limits that were politically acceptable.

A continuing confrontation of conflicting demands has frequently been the outcome of accentuating the points of difference rather than achieving a reasonable consensus. A more methodical approach would hold out greater hope of success with less economic and social risk.

The renewed trading difficulties might well be reduced and perhaps removed by action at the production level, which might, for instance, take the form of

systematic and concerted efforts by States to reconcile their production policies or the aims of such policies.

6. This opinion, at least, is widespread amongst agricultural groups in the EEC. Some of the positions recently taken up have been:

(a) The Permanent Assembly of Chambers of Agriculture (APCA), a French agricultural organization, in the course of its meetings on 4 and 5 June, 1969, unanimously adopted the following recommendation:

"If customs and other trade barriers are to be progressively lowered, the confidence of producers in the countries concerned must be gained by opening up every prospect of *joint and cooperative action* on a footing of equality in areas of *national agricultural policy* and in the field of international trade."

"The Permanent Assembly of Chambers of Agriculture recommends a policy of broad international cooperation on a basis of equality and reciprocity and is prepared to consider *new approaches to the development of trade between EEC and third countries, after consultation with them on their respective domestic, agricultural and commercial policies with a view to the ultimate adoption of voluntary agreements on the limitation of production.*" "In the final analysis it will be the influence of agricultural policies on the volume of supply that will be decisive in maintaining a balance between domestic and international trade."

(b) In a resolution adopted at its General Assembly in July 1969 the European Confederation of Agriculture advocated:

"A market organization that can reinforce the bargaining power of farmers and contribute to a better balance of supply and demand." It stressed the need for "*a remodelling of domestic markets that would link these closely to the structure of world markets for farm and forestry products* and a multilateral program of food aid. The States should," it continued, "*direct their negotiations* to this end with greater determination and *on a basis of reciprocal concessions and advantages.*"

(c) Even more significant will be the decisions of the Economic and Social Committee of the Community, if this should act on the Opinion prepared by its rapporteur, Mr. Constant Boon, and adopted by its "Agriculture 80" Sub-committee, which reads:

"Being in favor of measures to eliminate structural surpluses and advocating a system under which producers are sensitive to the consequences of market imbalances and associated with their correction, the Sub-committee regards it as equitable to *establish a certain correlation between, on the one hand, programmed output and a reduction of surpluses within the Community and, on the other, imports of agricultural products* that might upset the equilibrium of the EEC market . . ."

"The Sub-committee believes that the Community should use its influence to organize producers and world trade to seek along these lines a progressive lowering of trade barriers. The Community should pursue this objective in close association with its trading partners, taking full account of the farming interests of importing and exporting countries."

(d) Lastly, on 29 September last, the Chairman of the Committee of Agricultural Organizations of the six EEC countries, Mr. Jean Deleau, wrote to the Presidents of the National Grange, the National Farmers' Union and the American Farm Bureau, as follows:

"At the General Assembly of the International Federation of Agricultural Producers (IFAP), to be held between 24 October and 6 November, it is my intention to discuss with you the projects which Mr. Georges Bréart mentioned to the Director of your organization in Washington when he visited him some months ago."

"It is the view of our Committee, composed of the national agricultural associations of the six member States of EEC, that it would be a particularly valuable undertaking to seek, in association with the major farmers' associations of the United States, solutions to certain farming problems, important both to your country and to EEC. They affect the status of agriculture in our respective countries and the international trading of a number of important commodities."

The American agricultural associations and those of the six member countries of EEC have recently agreed to hold their first meeting in Washington. The date envisaged is some time next February.

Mr. PURCELL. We will now call Mr. Harry Graham, legislative representative of the National Farmers Organization.

STATEMENT OF HARRY L. GRAHAM, LEGISLATIVE REPRESENTATIVE, NATIONAL FARMERS ORGANIZATION, OXON HILL, MD.

Mr. GRAHAM. Thank you, Mr. Chairman and members of the committee.

Mr. KLEPPE. Do we have a prepared statement?

Mr. GRAHAM. I am just getting ready to answer that, Mr. Kleppe. I had six xeroxed to bring with me, and the rest of them were to be done at 10 o'clock and my wife was to bring them over here, and I do not know whether I lost my testimony or my wife at the same time or just what has happened, but she is not here, and I called over at the duplicating service and they said she had already picked them up, but I am assuming that nothing has happened beyond poor traffic. I am sorry it is not here.

This preparing of testimony in this instance, Mr. Chairman, is extremely difficult. We have a very minimum of information from the Department, a relative reluctance to make what they have available to us, and it has given us no briefings to help us to understand what they are talking about in this new legislation, and the legislation that is presented as a preliminary report and a working draft is not very firm, and without knowing exactly what they are talking about, it is extremely difficult to do the research that is necessary to try to understand what this is all about.

I worked for 3 days and I finally quit writing last night at 3 o'clock in the morning, in trying to dig out the information that would be helpful so that our appearance would not simply be a statement of opinion, but to have some factual background.

These are some of the practical problems we are into. So we come before the committee with difficulty, and I do not know what we can do about it, because we are all in a hurry to get this done, and we are doing the best we can. I am sorry we are not doing a better job at this point.

I have a statement of general principles which I am not going to read because it does not add maybe as much as it should to the testimony concerning the pertinent problems facing us today, but I would point out that again we have only heard the rather generalized statement by the Secretary of Agriculture and published speeches by him and members of his staff.

I assume you heard more than that in some 15 private meetings with the Department, but we just do not have that information.

We were inclined first of all not to make any comments frequently on the proposals but at the request of the chairman we are going to make some. They are tentative, too, and kind of a working draft counterproposal, because we may want to change some of our testimony when we get more information about what we are trying to do here.

We would say first of all—she is here.

Gentlemen, I do not think most of you have ever met my wife. That is the lady that just brought in the testimony here and I am glad to see her for two reasons. I was beginning to worry that maybe she had hit somebody else which would be expensive to me in terms of my insurance, or that somebody else had hit her, and it would be more expensive in another way.

We want to emphasize that the NFO is solidly behind the farm coalition bill introduced by Mr. Purcell and Mr. Andrews of North Dakota and 38 other distinguished Congressmen.

The NFO was pleased that Congressmen Zwach introduced similar legislation which he considers to best serve his constituency. We appreciate Congressman Zwach's attempt to be constructive and to protect farm income.

The NFO is not satisfied with the income levels attained under the 1965 act. We will support constructive changes in the legislation if such changes will improve and secure farm income. We appreciate the hard work and the time the committee is devoting to attempts to find a satisfactory and constructive solution to our many problems.

We are completely and unequivocally opposed to the Farm Bureau bill. It is not designed to improve farm income at the present time and we do not believe that it would improve farm income in the future.

It is simply an attempt to force American agriculture into an antiquated and discredited economic-political theory which some of the Farm Bureau leadership considers more important than farm income.

We are continually amazed that anyone representing farmers should continually support programs which would admittedly lower farm income.

We are aware that some people within the USDA believe that the legislation drawn around the "working draft" before the committee would not lower farm income. We take the Secretary at his word that his objective is to maintain farm income. We applaud his determination not to reduce the so-called subsidies.

Nevertheless, we are convinced that the proposals would reduce farm income unless there was a combination of highly unlikely uneconomic and political circumstances. To improve the income from feed grains, there would have to be a substantially increased demand which we do not foresee, and which present trends do not indicate.

Let me quote from the August 1969 Feed Situation by the USDA, page 6:

> Exports of feed grains dropped sharply in 1968/69, influenced by reduced demand in Europe and the extended dock strike this past winter. Total exports for the marketing year are now estimated at about 17 million tons, a fourth less than in 1967/68. Exports in 1969/70 likely will show some improvement from this level. Less competition is expected this fall and winter from other feed grain exporting countries. And, of course, no repetition of the prolonged dock tie-up is foreseen.
>
> Corn exports—now expected to total about 500 million bushels in 1968/69—probably will be somewhat larger in 1969/70. While there may be some increase in grain sorghum exports, the movement of grain sorghums is expected to continue much below the high level of 1965–67. Not much improvement is in prospect for exports of oats and barley.
>
> Europe's feed grain production, at a high level during the past 2 or 3 years, probably will again be large. And, nevertheless, the large quantity of wheat available for feed at relatively low prices in Europe will continue to compete with corn and other feed grains.

I want you to remember that last sentence. We will come back to it.

We believe that his summary is accurate.

We would point out that a part of this situation is directly related to the price-cutting program of those in the USDA who determine our foreign trade policy. As a result of the scuttling of the Inter-

national Grains Agreement, we have now reduced the price of wheat until it is now competing with feed grains in our domestic and world export markets.

The careful structure of our grain policy to preserve a difference or about 25 cents between wheat and feed grains has been destroyed.

In order to work themselves out of the box they got into by breaking wheat prices, and in an attempt to underprice feed wheat in the world markets, the USDA trade "experts" ordered the calling of the 1967 and 1968 crops of grain sorghum under reseal in commercial storage.

It is of great interest to the NFO that Secretary Hardin called off this economic experiment just 2 days after it started. The price break of as much as 35 cents per bushel during that period and the economically knowledgeable Secretary corrected a blunder with commendable dispatch.

We would point out for the record that the NFO has never attacked Secretary Hardin even though we vigorously disagreed with some USDA decisions. We cannot be as generous with those representatives of the grain trade who hold influential positions in the USDA, and those who are not employees who exercise undue influence on the Department. Their decisions have been uniformly contrary to the interest of the producers and uniformly helpful to the grain trade and industry.

Secretary Hardin is not the first Secretary of Agriculture to have his image tarnished by the advice of his economic advisers. He is the first one in our memory to quickly reverse them when they were obviously wrong. As a result, our esteem for the Secretary is at a higher level than it was before, and we have always held him in high regard.

We, therefore, would not support the proposed legislation which leaves most of the important decisions to the Secretary. The next Secretary might not be as astute and courageous as this one, and the very nature of the job means that every administrative and policy decision must be made by the Secretary's advisers.

We would also note that the proposal of legislation which is so vague as this before you and which has been designed and supported by the same men whose decisions and advice have been so consistently not in the best interest of the producers does not give us confidence in the proposals.

If it is the will of the Congress to follow this plant, and we advise against it, then specific guidelines must be written into the legislation by the Congress.

I well remember, may I interject, when the opponents to the present Agricultural Act made a vigorous assault upon the fact that it gave the Secretary of Agriculture, Mr. Freeman, a great deal of permissive authority to do as he wished. We are in agreement that it does give the Secretary a great deal of authority, but I think the new legislation gives even more.

The NFO is solidly against the abandonment of the parity concept and replacing it with a sliding scale loan level. The urging by the Farm Bureau to adopt this price depressing technique is in our judgment a part of a plan to destroy any kind of farm program which could help farmers. After all, this is their oft stated objective.

The rest of the economy has built-in economic factors to help it adjust to increasing prices. Labor and Government employees have a living cost factor built into their wage formulas. These costs are passed on to the processors, manufacturers, and consumers of products and services. However, the opponents of farm programs want agriculture to base its prices only on the myth of a "free market," which never worked to the benefit of agricultural producers in this or any other society. This warmed over "Benson plan" is no more acceptable now than it was in the 1950's.

The economic reasoning behind the abandonment of the production control programs and the substituting of a "set aside" is neither practical nor acceptable. It would not greatly reduce the subsidies, but it would reduce the effectiveness of these programs, and thus accelerate their abandonment.

May I interject here that the Illinois ASCS committee took the proposals and apparently they had more information than we did, and ran them through their computers and gave it their very serious study and they concluded that the new program would increase the production of corn in Illinois by 1,800,000 bushels per year.

We believe that both the "set aside" and the limitation of payments would increase production of both grains and cotton, something we do not need at the present time.

It should be remembered that the mechanics of farm programs are as important as the objectives. The mechanics in the present programs need constantly to be reviewed and improved, but they were developed out of the judgment and experience of men who were as familiar with farmers and their attitudes as economists are with their tables, and whose judgment based on experience is more practical and workable.

We would note that if the Secretary had asked for the advice of the feed grain producers and their representatives, the embarrassing "blooper" on grain sorghum would not have happened.

We would also point out that we do not see an immediate improvement in the wheat situation. The decline in demand has adversely affected all exporting countries. It was not caused by farm programs or the failure of the International Grains Agreement. It was caused by the technological advancement in the development of higher yielding varieties of wheat which are being planted domestically and around the world.

This is not the time for abandonment of the wheat program in exchange for a program which can equal the income of the present program only under a combination of circumstances which is not about to happen. We suggest that you ask these "experts" what conditions are necessary to obtain the income promised by optimum conditions, and then ask yourselves what the chances are for them coming to pass.

We would add at this point that in the case of feeding this information into the computers and getting an answer from the computers, that a great deal depends upon what information you feed into the computers, what goes in as a basis for what comes out. Until we can see what has been fed into the computer, and the suppositions that went with them, we would have difficulty in knowing whether the computer answers were accurate or not, and anybody who deals with computers knows that this is true.

I am not an expert in computers. I do have one in the family, and this is obviously a fact. We do not have to belabor that one, I do not think.

There are only two events which could create these conditions. One would be a worldwide war, and the other would be a worldwide famine. There must be a better basis for agricultural prosperity.

The result of the lowering of the export subsidy in January 1969 was the beginning of the wheat problem in the United States. I would change that that the beginning of the wheat problem in the United States was the sale of 600,000 bushels of off-grade wheat to Japan in the last part of 1968, which caused a wheat embargo against American wheat for about 3 months, and which caused us to make a substantial restitution to them, and the trading partners of this country in the GATT pointed out quite correctly that we had found a perfect escape clause for the IGA minimums. Just sell something that was a little off quality and then renegotiate the price, and this was done fairly early.

The elimination of the certificate program which comes from the general funds would be a dollar-for-dollar reduction in farm income. There is no excuse for any lowering of the market certificates.

The bill before you from the administration calls for a lowering of up to 50 percent of the market certificate when certain circumstances came to pass.

Already the wheat farmers are placing 60 percent, plus, of their production on the market for about 50 percent of their costs of production. They survive on the fact that they theoretically receive parity prices on the rest. Now it is proposed that this be cut in half. This then leaves Government officials free to lower wheat prices with impunity to themselves and without cost to the Government.

There is some cost to the Government in the present program when they lower wheat prices, because the Government certificate is based on the difference between the market and the parity level, and so when the market goes down it increases the cost of the certificate.

What we really need for wheat feedgrains, and cotton is a means of adding to our returns for that part of our production which is exported. It cannot be an additional payment on the exported crop due to our treaty obligations. It must be added as some other form of payment.

American farmers cannot be expected to continue to produce an abundance of agricultural commodities to be exported to boost the gold earnings of the Nation without getting a share of the profits which accrue to the general welfare. I cannot emphasize that too much.

Much has been and is being made of the cost of the farm programs. No one ever speaks of their benefits. Leaving aside the conservation programs and practices, the decreasing percentage of the average income required for food. The highest level of nutrition ever available to any major nation. The national security purchased by an abundance of production plus maintaining a ready reserve of productive land to meet the emergency needs of this Nation and the nations of the world, the agricultural exports of this country have been the biggest source of gold earnings for this country in this decade.

Since the feed grains bill was passed in 1961, the United States has exported $5,473 million worth of feed grains. During July and August

of this year we exported $181 million worth. We averaged over $1 billion in exports in 1967–68.

Exports of wheat have been even more spectacular. Since the passage of the wheat-cotton bill in 1964, the United States has exported $7,484,400,000 worth of wheat.

Our total agricultural exports since 1964 have been $31,595 million of which $29,974 million has been for gold.

Agriculture has not been a vampire sucking the lifeblood out of our national economy, but a vital, contributing, and underpaid partner in our Nation's economic life.

Agriculture has earned all it has received from the Government and more. It deserves a good program, one to improve farm income, and one which will enable it to serve our Nation in its economic welfare and national security. That program should also be one developed by farmers from their experience, and not by the grain trade for their unearned profits.

This committee has shown its goodwill toward agriculture and its concern for the national welfare in the past. We believe that you will do so again this year.

Thank you, gentlemen. That completes my prepared statement.

Mr. PURCELL. Thank you, Mr. Graham.

Do you have questions, Mrs. May?

Mrs. MAY. No.

Mr. PURCELL. Mr. Foley?

Mr. FOLEY. No questions. Thank you for a very fine statement.

Mr. PURCELL. Mr. Mayne?

Mr. MAYNE. Mr. Graham, I do not believe that I got the full tenor of the answer that you interpolated there after reading the first sentence on page 9 as to when the beginning of the wheat problem was for the United States. I think you changed that to say it was the selling of 600 million bushels of wheat in the last 5 months of 1968. Did I understand you correctly?

Mr. GRAHAM. That may be what I said. Let me, if I may, get the exact figures of the wheat we sold in this one large sale to Japan. It was a substantial sale.

Mr. MAYNE. And this was approximately when?

Mr. GRAHAM. I think it was October, September–October. It is in that area.

Mr. MAYNE. Of 1968?

Mr. GRAHAM. Yes.

Mr. MAYNE. And it is that sale or that sale and other ones like it at about that time which you describe as the beginning of the wheat problem in the United States?

Mr. GRAHAM. The beginning of the wheat problem as it reflects the breaking of the minimum price of the IGA.

Mr. MAYNE. Thank you.

Mr. PURCELL. Mr. Rarick?

Mr. RARICK. Mr. Chairman, I appreciated hearing Mr. Graham's philosophy on the farm bill. I only wish it was that easy for us to prepare a bill and get it passed. I have no questions.

Mr. GRAHAM. We know your problem, Mr. Congressman. We never assumed it would be easy.

Mr. RARICK. Thank you.

Mr. PURCELL. Do you have further questions?
Mr. RARICK. I have no other questions.
Mr. PURCELL. Mr. Kleppe?
Mr. KLEPPE. No questions.
Mr. PURCELL. Mr. Sisk?
Mr. SISK. No questions, Mr. Chairman.
Mr. PURCELL. Mr. Sebelius?
Mr. SEBELIUS. I just have one question, Mr. Graham.

Is there anything we can do legislatively to enhance the bargaining power of the farmer as far as the grain situation is concerned? Any recommendations that the NFO or others have on the subject of how to increase the bargaining power in the grain field. We have been told that because of the international markets there is very little that can be done about it. Is there any mechanical changes in the act that we can make?

Mr. GRAHAM. I think there are some mechanical changes that might possibly be put in the act, and they are being considered at the present time. I was at a dinner that the Secretary gave to Mr. Mansholt, the Vice President of the ECCC on Friday night.

Their combined comments were to the effect that the meetings they have been having together in Europe and now in Washington on Friday and Saturday has resulted in some stabilizing of the prices, at least for the last 6 weeks. This is the negotiation that should have been held a year ago really, and prices stabilized at that point.

As far as increasing the bargaining power of farmers, and this is something we are interested in as an organization, we are handling a great deal of grain at the present time. The one thing I think, two or three things that have to be done that are in the hands of the Government.

No. 1 is that in the case of diminishing demands on the world market, we should not be following programs that could increase our production. You cannot bargain in strength with an oversupply at your back.

The second one would be that the purposes of the reseal and loan programs should be observed in their administration. I do not think they were in the case of the recall of the grain sorghums. It was 2 years' supply recall at harvest time, the very time that the whole purpose of the act was trying to avoid, and it is true, the whole CCC Act was to avoid disastrous prices at harvest time, and here they recall 2 years' supply in commercial storehouse right in the middle of the delivery of the grain.

This is no way to play the game and to strengthen our bargaining position.

I think it is fair to say the NFO, in the basic grain sorghum area, had improved this price of grain sorghum by about 25 to 30 cents, and we are suspicious that this was directed directly at us in an attempt to get loose some grain for the trade.

Now, they said they wanted this extra grain so they could cover our market in Japan, but the grain trade had that much in their own hands, if they had wanted to cover that market. They did not have to have this out of the commercial storage.

The other where I think it gets into the same thing is that in a number of decisions that have been made concerning the administration of the ASCS by the ASCS of the CCC programs this year, and

we have gone up to the Department a number of times, in every instance what I said here in the paper, and in every instance the decision has been against us. In every instance the decision would improve the position of the grain trade, to get an extra supply of the grains to throw on the market over against our attempts to bargain a price upward.

These are pretty dreary ones. I do not think I should include it at this time, but I will be glad to include it at some time if you want to take a look at what is happening administratively within the Department at this point. We will give you a documented story piece by piece of these.

We have the correspondence and everything that goes with it, and we can show you what the effect has been.

I think overall though the abandonment of a philosophy that we can improve our overseas markets by cutting prices. This question of what kind of a market arrangement we would have came up the other night with Dr. Mansholt, and the Farm Bureau raised the question, and he told them very frankly what any of us who know anything about the Common Market knows, that as an importing country we can take care of their problems of imports any way they want to.

In the first place, they have their target price. They have a variable levy for the difference between the market price and the target price, the reduction of the market price only increases the levy, and getting the extra money into the EEC gives them money to use in their restitution programs and the subsidizing of their exports.

We are doing exactly what we should not do, because we are financing, we are enabling them to finance their competition against us more successfully than they could do if we had not cut those prices.

It is a vicious circle that just gets away from us at that point.

In the case of the EEC, we simply cannot cut prices enough to get into that market. There is no way in God's world of doing it with a variable levy, no more than they can get into our chemical market with our American selling price, and they are very well aware of that. We face that every time we face them.

There is no question but what the importing countries have been quite delighted with what has happened in this. Japan has. She has been reluctant to do some buying, and she has been reluctant in feed grains, because she can get wheat cheap enough, she can substitute it for feed grains. This is one of the worst things that has happened to us, and I think it is going to pull down our sale of feed grains abroad.

All these things just compound the problem we have of trying to get in a position where we can really bargain for farmers and the farmers can bargain for themselves. It gets pretty discouraging from this side of the table when we go through that, as I have all this year, of trying to find answers. We have never made a public issue of this in our quarrel with the administration down in the Department, because it is counterproductive. We still have to work with them, but we cannot stay still forever, either.

Mr. SEBELIUS. Going to the localized situation, I think you may recall that I asked your president when he testified, would not the new feed yards and the new packing plants that were coming in some of the areas enhance their position to bargain, and I find now that NFO and the Farm Bureau are both running a buying and sell-

ing arrangement in feed grains at the present time on that basis, and they are both participating in upping its value.

Is there anything mechanical we can do on the local level?

Since the Government would not release the grain, we found out that that did not help the bargaining power on that level.

Mr. GRAHAM. No. Both of us are into it, and we are selling, the contracts that got us into trouble with the USDA until their general counsel straightened out their ASCS officers, was the sale of tremendous amounts of feed grain in that new feed yard area in Texas, and we were selling it, and are selling it. Incidentially, we have about 80 percent of the feed grain in that area under NFO contract, so I think I know who is doing most of the bargaining.

Mr. SEBELIUS. Up in Kansas we have both Farm Bureau and NFO in feed grains in that area and they are doing a job. My basic thought is if you have something on it, what if anything can we do legislatively to enhance that bargaining position?

Mr. GRAHAM. There is a couple of places where the present legislation and regulations on the handling of CCC stocks could well be tightened up. One of them, for instance, is the failure of the Department to ever use one of the alternatives it has in determining how farmers would be paid for their grain which goes into commercial reseal in the terminal warehouses.

They can do one of two things. They can let the farmer have payment in kind from that. In other words, he could sell the amount that is in there for improved price, or the other is that he has the three alternatives of redeeming the grain before it goes into the terminal warehouse, the second alternative is to let the Government take the grain, and the third is to have the Government sell it, but the Government sells it then at the price of the local elevator in the area where the man lives.

So any bargaining you have done to strengthen the price outside of that area is completely done away with, by making your sale on the basis of what the local elevator will offer.

In the case of feed grains it was 35 cents less than it was the day before. Now, we think it can be arranged. We know there are some problems, when you come to getting this out of reseal, and we did not suggest that it be small quantities that we would be taking out. We suggested to them that we would not take out ever less than a carload.

This is what they deliver to everybody else. A carload is a minimum, and yet they came back with their answer that it would lead to small and inefficient withdrawals, and every withdrawal is small and inefficient.

We challenged them about their regulations that provided that they could do the things which would give farmers some equity and some beneficial interests in the grain that went into reseal.

One of the officials said "Yes, but we never did do it that way," and laughed about it.

Now they on the other hand tried to stop the loan program in Texas on the basis that once we had negotiated a contract that the farmer no longer had any beneficial interest in that grain even though it had not been sold, no money had been had, so in Texas it was against policy to continue the loan program, because he did not have any beneficial interest, and in the cases in the spring it was against policy

to release that program, that grain from the reseal, because he did not have any beneficial interest in that.

I do not see how you can go both ways at one time.

We had trouble in getting grain released to be shipped directly to the processor, a tremendous amount of Durum wheat in North Dakota. They ruled that we would have to bond this with the full value of the grain, not a calculated risk, but the full value of the sale.

Now try bonding on that basis.

On the other hand, when it came to the cotton, they permitted cotton to be shipped, and the only security the CCC needed was a bill of lading. These are problems we are getting into that really hamstring our efforts to do a good job of bargaining.

When the people down in the Department, and again we are absolving the Secretary and the Under Secretary, but down in the Department when they have repeatedly made the decisions, and they have the power to make these decisions. These are within the regulatory rules they have set up for themselves—when they repeatedly made the decisions that just went counter to the interests of the farmers.

I did not intend to get all the way into that one at this time, but you can see that we have had some problems too in trying to do the very thing which should be in the interests of the Congress to have done, so that the need for support programs would be reduced, and the need for additional money would be reduced. These are our objectives, and farm income would be improved.

We have one stumbling block after another thrown in our way.

Mr. SEBELIUS. I appreciate your remarks. I want to commend your organization on their innovation and fresh ideas in the bargaining field.

Thank you, Mr. Chairman.

Mr. GRAHAM. I should tell the committee, I am sorry Mr. Price is not here, because he was a major factor in the brief skirmish we had with the Department on this Texas situation, and he was a tower of strength and the organization is very much indebted to him for what he did.

Mr. PURCELL. Dr. Melcher?

Dr. MELCHER. No questions.

Mr. PURCELL. Thank you very much, Mr. Graham.

This concludes the list of witnesses we had for today. This subcommittee meets again on December 1, and we meet for 3 days that week, so although there are other meetings for the committee itself, this committee will recess now and will reconvene on December 1 for further consideration of wheat and feed grain legislation.

(Whereupon, at 11:35 a.m. the committee adjourned, to reconvene at 10 a.m. December 1, 1969.)

WHEAT

MONDAY, DECEMBER 1, 1969

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON LIVESTOCK AND GRAINS
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m. in room 1301, Longworth House Office Building, Hon. Graham Purcell (chairman of the subcommittee) presiding.

Present: Representatives Purcell, Foley, Montgomery, Jones of North Carolina, Burlison, Melcher, May, Mayne, Zwach, and Kleppe.

Also present: Christine S. Gallagher, chief clerk; Lacy C. Sharp, general counsel; and John A. Knebel, assistant counsel.

Mr. PURCELL. The subcommittee will come to order.

This morning we are continuing our hearings. We have testimony today related more directly to the wheat program.

Our first witness is Mr. Glen Hofer, executive vice president of the National Association of Wheat Growers.

We will be glad to hear from you at this time.

STATEMENT OF GLEN HOFER, EXECUTIVE VICE PRESIDENT, NATIONAL ASSOCIATION OF WHEAT GROWERS

Mr. HOFER. Mr. Chairman and members of the subcommittee, my name is Glen Hofer and I am the executive vice president for the National Association of Wheat Growers.

We appreciate this opportunity to present our views on the so-called set-aside program for wheat, as it was outlined in a recent U.S. Department of Agriculture draft proposal.

Mr. Chairman, on September 9, the NAWG testified before the House Committee on Agriculture on general farm programs. At that time, our association confirmed its support for the legislative approach suggested by the Coalition of 24 Farm Organizations. We hope our comments today on the administration's tentative set-aside proposal are not construed as representing any deviation from NAWG support of the coalition.

On the other hand, our people recognize the need for flexibility on the part of all concerned if farm legislation is to move forward. In that spirit, we are pleased to offer our comments on the individual points in the summary of draft legislation submitted by the USDA on October 25, 1969.

1. No one is committed to anything at this point.

Good.

2. This draft relates to wheat only and to the set-aside option only.

Most of our producers have feed grain bases and a few have cotton allotments. Our appraisals are necessarily colored by the interrelationship between the commodity programs.

3. Language is general. Much has been left to administrative discretion.

We recognize the need for occasional adjustments in production control programs. However, our past experience with administrative decisions has caused us to be less than enthusiastic about waiting and waiting for official announcements. We strongly recommend that in those instances where annual determinations are left to the Secretary's discretion the legislation require announcement deadlines in keeping with competent farming practices.

4. No termination date is specified.

We would not oppose the absence of a termination date.

5A. Loans would be at 80 to 95 percent of a moving average of market prices.

All discussion of program benefits in terms of loan value, certificate value, and diversion payments must be viewed by our producers in the light of overall net income. In our September testimony, we stressed the serious, even desperate, financial condition of many dryland wheat farmers. They cannot stand any further deterioration in the domestic price structure of wheat, and no one can doubt that lowering the loan price from the present $1.25 national average, thus removing the price support floor, would lower the price in local markets. We have listened to the case made for increased disappearance of wheat into feed channels through a lower price. We concede that an increase in total usage is desirable, but we do not feel that we can pay the price.

5B. Certificate payments would be established on the basis of general criteria.

This means the abandonment of parity as the criteria for establishing domestic certificate value. The cost side of the vicious cost-price squeeze which is ruining our farmers is firmly connected to the inflationary national economy. The only tenuous attachment the preprice side has is through the parity concept.

Our farmers feel that if they lose that principle, they may well have lost their main incentive for support of production control.

5C. If the market price rises above the target level, the rate of payment is scaled back.

We have been told unofficially that the inclusion of this arbitrary ceiling on the returns to producers is no longer being seriously considered.

5D. Size of the set-aside is to be determined on the basis of general criteria.

The criteria for determining size of set-aside is very similar to present methods of setting allotments, with which we have no particular argument.

5E. Provision is made for additional acreage diversion, if needed, for additional payment.

We have supported the extra diversion program now in effect.

5F. A man would receive his payment whether he planted or not, but if he plants little or no wheat, his allotment is cut back, 20 percent per year. If he grew no wheat for 4 years, his allotment would be lost.

It is our understanding that it is through this provision that the

USDA theorizes that production of the program commodities would gradually move back into those areas best suited to their production. This assumption is certainly attractive to us. However, as mentioned earlier, many of our wheat farmers have feed grain bases. With the uncertainties of the past decade of farm programs in mind, I believe it would be safe to say that a large number of them would be inclined to protect that feed grain base from being phased out.

This tendency, if shared by a large percentage of farmers, could thwart the anticipated production shift. Perhaps if they were assured that in the event of termination of the set-aside program, history would revert to the 1970 individual bases, they would be less hesitant about relinquishing their feed grain acres.

5G. Yields per farm are established as of 1967, 1968, and 1969. Provision is made for adjusting yields for abnormal factors during these particular years, but the yields used as the basis for payments are frozen at the levels determined for the indicated years.

Our meetings to date have produced no strong general position concerning this issue. Each individual farmer reacts according to how those 3 years treated him. Any period picked will favor some—penalize others. It might be more practical to freeze yields where they are for 1970. A great deal of time and effort went into establishing them and to change the formula would undoubtedly reopen a number of old arguments. Some of our farmers in the areas potentially suitable to the production of the impending hybrid wheat varieties are dismayed at the prospect of frozen yield levels.

5H. The domestic wheat allotment on which payments will be made will be established for farms in the same manner as farm acreage allotments are presently established, except that they will be based only on the amount of wheat used for domestic food. Adjustment is provided for hardship cases. A conserving base is continued.

We agree that the present system of establishing acreage allotments would serve well for setting the domestic wheat allotment for payment. The continuation of the normal conserving base in its present form raises a central issue which directly affects the potential support within our organization for the set-aside concept. The following table gives a comparative evaluation of "set-aside" verses 1970 programs when applied to three widely separated wheat farms. These figures are from actual operations and were selected from letters received in response to an inquiry in our newsletter several weeks ago.

Mr. Chairman, would you like me to go through this chart at this point?

Mr. PURCELL. I think maybe for the sake of clarity you might explain it to us. I am sure we could understand it, but I think we have the time for you to just go ahead and go through it.

Mr. HOFER. Very good.

On the three examples that we chose for the illustration as indicated, from Nebraska, Colorado, and Oregon, and what I was attempting to show is that the normal conserving base is a controlling factor on whether the set-aside program would be appealing to a man on the terms of more freedom to plant, and on the Nebraska farm chosen which had a total cropland of 1,250 acres and a 1970 allotment of 377.1 acres, 48 percent of that 1970 allotment, which would be the domestic set-aside if the set-aside were in effect, would be 181 acres.

The normal conserving base on that farm was 472 acres, which represents 38 percent of its total cropland. His total set-aside, if that program were in effect for 1970, would then be 653 acres. If the set-aside program were in effect, he would be able to raise 597 acres of wheat.

Under the present program, he has a feed grain base of 157.7 acres, and his total allotment of 377.1, under the present program he can raise 503 acres, so that this year, 1970, the crop that is planted now, if the set-aside were in effect he could raise 94 acres more of wheat, so certainly it would be attractive to him. But keep in mind that he only has a 38 percent normal conserving base.

Now, on the Colorado farm of 578 total cropland acres, with a 160.2, 1970 allotment, his domestic set-aside would be 76.9 acres, his normal conserving base is 282 acres, so he would have a total set-aside, if that program were in effect, of 358.9 acres. He then could raise 219.1 acres of wheat.

Under the present program with his total allotment of 160.2 and substituting his feed grain base of 72 acres, he can raise 217.8 acres, so you can see there is no particular advantage, but it would not hurt him much either. His percentage of normal conserving base is around 49 percent.

Now, on the Oregon ranch, which is a large one, but that is really dryland area out there, has 4,348 acres of total cropland, and a 1970 allotment of 996.2 acres. His domestic set-aside would be 478.2 acres. His normal conserving base as you can see is quite large, 2,521, which represents 58 percent of that total cropland. His total set-aside with the normal conserving in the set-aside would be 2,999.2 acres, so under the set-aside program, if it were in effect this year, he could raise 1,348.8 acres of wheat.

In the program the way it is, and he is participating, he can use his 1970 allotment, and 80 percent of his feed grain base and this year he can raise 1,525.8 acres of wheat so you see if the set-aside were in effect he would lose actually 200 acres of permitted wheat acreage this year so it would not be attractive to him, but again it goes back to the fact that he has got a 58 percent normal conserving base, so that is a very important factor, but you cannot overlook the feed grain base size either, because that is what permits him to substitute and if he has a good feed grain base he might be better off without the set-aside program. Anyway, I will continue.

The three explanatory notes under the chart, 1970 allotment figures after diversion has been made, so that is actual 1970 permitted acres.

No. 2, percentages in conserving base column are percentage of conserving base to total cropland, which I explained.

No. 3, substitution in the last column assumes a 20 percent required diversion from the feed grain base, so in other words the feed grain base as shown in the column to substitute on that you would have to multiply it by a factor of 80 percent.

(The table appearing on page 5 of Mr. Hofer's prepared statement for inclusion in the record at this point follows:)

	Total cropland	1970 allotment [1]	48 percent of 1970 allotment (Dom.)	Normal conserving base [2]	Total set-aside	Feed grain base	Set-aside program permitted wheat acres	Present program with substitution permitted wheat acres [3]
Nebraska	1,250	377.1	181.0	472 (38)	653.0	157.7	597.0	503.3
Colorado	578	160.2	76.9	282 (49)	358.9	72.0	219.1	217.8
Oregon	4,348	966.2	478.2	2,521 (58)	2,999.2	662.0	1,348.8	1,525.8

[1] 1970 allotment figures are after diversion has been made.
[2] Percentages in conserving base column are percentage of conserving base to total cropland.
[3] Substitution in last column assumes 20 percent required diversion from feed grain base.

Mr. KLEPPE. Mr. Chairman, will the gentleman yield for a question here?

Mr. PURCELL. Yes.

Mr. KLEPPE. Where does the summer fallow land fit into this chart?

Mr. HOFER. These are all summer fallow ranches.

Mr. KLEPPE. These are all summer fallow?

Mr. HOFER. Yes.

Mr. PURCELL. If you do not mind while we have broken into your testimony let me ask one more question.

What effect does the substitution of wheat on feed grain acres have on the feed grain allotment or base under the set-aside program?

Mr. HOFER. Under the set-aside program?

Mr. PURCELL. The figures you have given us are showing he planted wheat on feed grain acres?

Mr. HOFER. Yes.

Mr. PURCELL. Then my question relates to the fact that if you do not plant feed grain you are going to lose your acres?

Mr. HOFER. That is right, you would lose 20 percent a year I understand in terms of the new proposal. We have a suggestion.

Mr. PURCELL. Go ahead.

Mr. HOFER. Yes. In fact, I already covered that, Mr. Chairman, when I said I think our people with the uncertainties of programs the way they have been would be reluctant to lose that base and it might prevent the shift of commodities that we would hope for, that is I would think they would plant those feed grain acres to hold them in case the program would ever revert back, they have proven so important to us in the past few years.

I will go ahead with the testimony.

Mr. PURCELL. All right.

Mr. HOFER. It is soon evident that the controlling factors as to whether or not more planting freedom is offered depends on the size of the individual normal conserving and feed grain bases. In fact, another good example for the table would have been a farm with a very small or zero feed grain base. A number of our producers were caught, during the arbitrarily selected base years for normal conserving and feed grain—1959–60—deviating from their normal planting practices. There were many efforts to find alternative crops during that period.

Those farmers trying out safflower or bird seed or raising some hay or grass while their neighbor stuck with the area's usual barely production, have been paying for their experiment ever since. The set-aside would finally offer some relief to that inequitable situation. Many of our people feel that if the set-aside is implemented, it should include a reevaluation and redistribution of the normal conserving base.

5I. Provision is made for use of set-aside acres by the public for extra payment.

We agree that that is a good idea.

5J. Processor certificates would be continued in effect at a cost of not to exceed 75 cents per bushel.

5K. Export certificate program would be discontinued.

Discontinuance of the export certificate program would have several far reaching effects which are of some concern to our association. We have supported and continue to support U.S. participation in the international grains arrangement. The export certificate is the mechanism designed to bring U.S. export wheat prices into line with the world export wheat price in the event that the latter price is higher than the U.S. domestic price. In spite of the fact that the pricing agreements within the IGA are in considerable disarray at present, we do not think it proper to legislate away the export certificate device until such time as the United States officially changes its policy regarding the IGA.

5L. Provision is made for excluding from the program land newly brought into production through reclamation.

The National Association of Wheat Growers has consistently opposed bringing virgin land into production through reclamation while present commodity supply conditions exist.

6. Four options are provided for payment limitation. In all cases, if payment limitations affect a particular farm, the number of acres to be set aside would be correspondingly reduced.

On this issue, the NAWG official position remains in opposition to payment limitations. We still feel that payments are properly calculated in proportion to the individual farmer's contribution to the success of a production control program. However, recognizing a certain inevitability inherent in the present congressional temper, we would offer the following preferences if limitations are forthcoming:

1. Program compliance requirements should be reduced in accordance with amount individual payments are reduced by limitations.

2. The processor's share of the total domestic certification should be accorded separate treatment and should not be liable to limitation formulas. Cost-sharing program payments should also be exempt from limitation calculations.

3. The limitation schedule should be scaled gradually.

That is the extent of our comments at this time, Mr. Chairman. Our organization is at approximately the halfway point in its annual series of State and National policy meetings. We will have completed the State conventions within the next 2 weeks, and we will have a much firmer consensus at that time.

Thank you, Mr. Chairman. That completes my prepared statement.

Mr. PURCELL. Thank you very much.

Mr. Foley, do you have questions at this time?

Mr. FOLEY. Mr. Chairman, I would like to comment just briefly.

Mr. Hofer, I think you have made an excellent statement, and particularly considering the fact that in noting your last remark that your organization is in the process of its State and National meetings I think you have given us some of the most explicit and detailed comment that we have had in these hearings on the proposals advanced by the administration.

Just to emphasize one point you made, isn't it true that some of these conserving bases have been adjusted from time to time over the years in the case of individual farmers?

Mr. HOFER. That is true, and it has been I think probably a problem for the administration of the program that the different county committees and even the different State committees have had a little different view of the problem posed by normal conserving and that has caused a situation in the field where maybe one county has been willing to make adjustments while the neighboring county is not. As I say, the States may have handled it a little differently, and there is sort of a jagged pattern of adjustment that has gone through the country, and causing I feel some inequities.

That is why I am sure our people would entertain very appreciatively any program to take a strong look at this normal conserving situation and perhaps make the adjustment that we feel are long overdue.

Mr. FOLEY. Would you say that this is the principal barrier in your judgment to accepting the set-aside proposals as applied to wheat?

Mr. HOFER. Yes, I would say to the set-aside as the process of determining how many wheat acres you would have.

Mr. FOLEY. I am not speaking of the whole proposal.

Mr. HOFER. That is right.

Mr. FOLEY. Just as to the set-aside principle.

Mr. HOFER. I think that is our main stumbling block, yes.

Mr. FOLEY. In effect I understand from your testimony that the implementation of the present proposals of the administration would constitute a kind of Russian roulette as far as what might happen to individual producers under this program.

Mr. HOFER. Well, there are too many areas there that look like it would lead to a lower income, that is right, and that worries us very much, with the absence of figures being actually plugged in. We do not like to harp on that but until we knew what the returns would be, our people would be unable to be very enthusiastic I am afraid.

Mr. FOLEY. The thrust of my question was this: The proposals are going to affect producers in markedly different ways, depending on their conserving base and their particular circumstances under the present program, is it not?

Mr. HOFER. That is right.

Mr. FOLEY. And this is going to be a cause of controversy and unhappiness, I assume?

Mr. HOFER. I would think so.

Mr. FOLEY. And division among the producers?

Mr. HOFER. Yes.

Mr. FOLEY. Thank you.

Mr. PURCELL. Mrs. May?

Mrs. MAY. Mr. Chairman, I think this committee would assume that anything I would say about Mr. Hofer would be prejudiced in his favor, but I say this very sincerely and in an objective way: Glen, I believe your statement has been so far the most constructive criticism we have had.

Mr. HOFER. Thank you.

Mrs. MAY. This is not only the kind of testimony this committee needs, but I think the executive branch of the USDA, the administration needs it, too. I would like to ask here have you had an opportunity to sit down with any representatives of the Department and discuss in detail some of your concerns?

Mr. HOFER. Yes, we have. They have been very cooperative, and we have had opportunities several times to go into these things in depth, and I think I see a real willingness on their part to try to make this thing work, and we are continuing our discussion with them.

Mrs. MAY. Did you get the feeling that they were accepting the validity of the fears or reservations let us say that you raise?

Mr. HOFER. Yes, Mrs. May.

Mrs. MAY. And recognize them?

Mr. HOFER. They do.

Mrs. MAY. I want to thank you very much. If we could have this kind of analysis from all our agricultural groups we would be able to move further ahead. It seems to me you are obviously speaking for the best interests of your association but also saying you are flexible. You have not abandoned the coalition approach but you recognize some practical obstacles that face all of us in trying to get Congress to vote for that program.

I appreciate your stand on this very much. This is the kind of criticism and analysis we all need in helping to develop this program.

Mr. HOFER. Thank you.

Mrs. MAY. Thank you very much, Mr. Hofer.

That is all, Mr. Chairman.

Mr. PURCELL. Mr. Montgomery?

Mr. MONTGOMERY. No questions.

Mr. PURCELL. Mr. Mayne?

Mr. MAYNE. No questions.

Mr. PURCELL. Dr. Melcher, do you have questions?

Mr. MELCHER. I have one, Mr. Hofer, one question and one comment.

In 5C on page 3, dealing with a market price level rise, you say that we have been told unofficially that the inclusion of this arbitrary ceiling on the returns to producers is no longer being seriously considered. Have you an opinion on it if it were to be considered?

Mr. HOFER. Certainly we would oppose that. One thing that our people try to bring up every chance we get, that certainly farming is a risky business to begin with, and many of our people expect and usually their expectations are borne out, some kind of a crop failure every 3 or 4 years, not a complete one, but if they do not have the ability somewhere during those 4 or 5 years to have a good year to offset it, why they are certainly in a worse shape, and if a ceiling is put on obviously that takes away their chance to make up for a bad year with a good one somewhere along the line.

Mr. MELCHER. I think the committee should be indebted to you for bringing to our attention the variance in the conserving base as it

affects different States, and what affect that would have on the set-aside program if it were adopted as outlined.

I only make that comment in praising good testimony. Thank you very much.

Mr. HOFER. Thank you.

Mr. MELCHER. Thank you, Mr. Chairman.

Mr. PURCELL. Mr. Zwach?

Mr. ZWACH. Thank you, Mr. Chairman.

Mr. Hofer, on the bottom of page 1, "language in general," you make the statement: "Much has been left to administrative discretion."

In this proposed set-aside there is more left to administration discretion than under the present law, isn't that correct?

Mr. HOFER. That is correct.

Mr. ZWACH. And it is your general feeling that as much as possible ought to be written into the law?

Mr. HOFER. Well, again I would have to say that we recognize the fact that the Secretary has to have all the production figures in on the supply side pretty well in mind before he can say how much you can plant next year and we are certainly willing to concede that he has to make an annual decision there.

I think the two points that we are making are that we hate to see the income side left so much to his discretion, and also that on these other decisions, we certainly would like to see it nailed down on the time a little bit, because we had some bad experiences this past year with decisions being delayed for very valid reasons, but certainly that does not help the farmer who has to do his planning.

Mr. ZWACH. But producers generally would like to see in the law what can reasonably be put in there by the Congress?

Mr. HOFER. That is right.

Mr. ZWACH. Would that be your feeling?

Mr. HOFER. I think that is very true.

Mr. ZWACH. That is certainly my feeling as a producer.

Mr. HOFER. That is right.

Mr. ZWACH. I think experience all the way back with regard to too much administrative discretion where it is not necessary is not the best.

Mr. HOFER. That is true. That is what our people feel.

Mr. ZWACH. I want to compliment you on your statement on parity. I think it basic that we preserve the parity principle.

Then just above that on page 2 you make a statement:

> We have listened to the case made for increased disappearance of wheat into feed channels.

I just want to say to you that I think basically the cattle industry and the whole feed industry certainly is hoping that wheat does not become a major feed grain, because if it does, perhaps it is going to have to be treated as a feed grain, and in a program it is pretty hard to make payments at 100 percent of parity to wheatgrowers to go into the cattle business and that for other fellows to take their barley, oats, and corn and compete in the feeding industry, so I certainly hope that we are not going into a program where wheat becomes a major feed grain, because if it does, we are really getting into serious problems. Isn't that your thinking?

Mr. HOFER. That is our thinking. We are hearing a little bit more about it all the time, and it is a tremendous concern to us. We are going to resist it as much as we can.

On the other side of the coin, and I know you cannot have your cake and eat it too, but it is a good thing for us right now that wheat is moving into the feed grain channels, because just obviously it helps the supply side a little bit, but the pricing of it is very distressing.

Mr. ZWACH. There is no question that for the wheatgrower and producer, it is a good thing, but we as feed grain producers want wheat producers to get a fair price, a reasonable loan and so on.

Mr. HOFER. Right.

Mr. ZWACH. So that they are not forced into the feed business to any large degree.

Mr. HOFER. I think it would be very disruptive.

Mr. ZWACH. That is all, Mr. Chairman.

Mr. PURCELL. Mr. Kleppe?

Mr. KLEPPE. Thank you, Mr. Chairman.

I know this comment is going to be repetitive but I do not see any reason why I could not also compliment you on your statement, Mr. Hofer. I appreciate the fact that you and your association addressed yourself to this set-aside question. This is a tentative proposal that we have had informally presented to all of us, and I think I understand your testimony, your position on this thing very clearly, and I also want to compliment you and your association for the position that you have taken.

Thank you, Mr. Chairman.

Mr. HOFER. Thank you, Mr. Kleppe.

Mr. PURCELL. Mr. Burlison, we welcome you to the committee meeting this morning.

Do you have any questions that you would like to ask at this time?

Mr. BURLISON. Thank you, Mr. Chairman. I have no questions.

Mr. PURCELL. Mr. Hofer, I think you and I know each other well enough that my lack of questioning this morning does not indicate any lack of my appreciation of your organization. We do appreciate it very much. Your testimony has gone more to the point of where we are needing advice and help than I think anyone's has and I do appreciate it. We want to continue to have your advice, and so do not get too far out of town in the next few weeks.

Mr. HOFER. Thank you, Mr. Chairman.

Mr. PURCELL. Thank you very much.

Our next witness is Mr. Donald M. Mennel who is president of the Mennel Milling Co., a man who has been here many times and he is always welcome.

STATEMENT OF DONALD M. MENNEL, PRESIDENT, THE MENNEL MILLING CO., FOSTORIA, OHIO, ACCOMPANIED BY RONDAL M. HUFFMAN, SECRETARY AND COUNSEL OF THE NATIONAL SOFT WHEAT MILLERS' ASSOCIATION

Mr. MENNEL. Thank you, Mr. Chairman.

My name is Donald M. Mennel. I am president of the Mennel Milling Co., Fostoria, Ohio, and a third generation soft wheat flour miller.

I am accompanied by Mr. Rondal M. Huffman, secretary and counsel of the National Soft Wheat Millers' Association.

Additionally, I am a member and director of the Toledo Board of Trade, a member of the Chicago Board of Trade, a director and member of the executive committee of the Millers' National Federation and a member of the milling advisory committee of Kansas State University.

Prior to my present position I spent 11 years heading the wheat procurement department for our company. Our mill grinds only Soft Red Winter and Soft White wheats and, incidentally, in the course of a year it requires the wheat from approximately 10,000 soft wheat farms for its grind. This is not intended to be impressive because we are only 1 percent of the industry, but it does indicate somewhat the size of the farms that we are talking about.

The National Soft Wheat Millers' Association has a membership representing approximately 80 percent of the total commercial soft wheat milling producing in the United States. Our association has appeared often in the past. We want to thank you very much for the opportunity to be here today and hope we will be asked back again whenever we can be of use.

We have stressed repeatedly that wheat is not just wheat. We have presented at length the very great differences in end use, in geographic origins, and in farm types raising the different kinds of wheat. We will not take your time to reiterate these statements.

Statistics prove that soft wheat is raised for a purpose. It is consumed primarily in the domestic market. In the last 5 years domestic usage of Soft Red Winter wheat is 70 percent of its production compared with only 43 percent for Hard Winter wheat.

Soft Red Winter wheat and Eastern White wheat are not in surplus; they are not a problem. They are raised on a majority of the farms by a majority of the farmers in the United States. I am sure you are aware that the domestic consumption of wheat has undergone a reduction on a per capita basis for many years. While difficult to prove, it is at least possible that the current evidence of malnutrition in this country has a direct relationship with the reduction in the use of wheat foods. We believe the consumption of soft wheats is rising in this country as evidenced by the growth of our company and other soft wheat mills.

We are here to testify concerning the several alternatives proposed recently by Secretary Hardin in the form of draft legislation. Generally we support strongly the proposal of reducing the cost of the wheat program. I should say parenthetically we do not support the idea of reducing the price of wheat. Generally we support the principle of reduced wheat acreage provided this reduced acreage reflects the amounts of the several kinds of wheat required by the real market.

We oppose to continuation of the regressive wheat certificate tax but recognize that it is politically difficult to eliminate at this time. We believe it is vital for Congress to limit it specifically not to exceed the present 75 cents per bushel and, hopefully, to legislate a gradual reduction in it as wheat production more nearly balances domestic consumption.

I would like to break from my statement for a minute to suggest that if we had a reduction in the certificate, and a higher support price,

the problem that Mr. Zwach is mentioning could be solved, in that there would be a greater differential than between wheat and feed grains. It is the support price in part at least, coupled with the domestic certificate and the Treasury payments, that make wheat a feed grain today, and in Ohio it is a feed grain that is being fed very substantially, and this has a great deal of concern for all of us in Ohio.

At a past appearance before your committee you may remember we presented many, many soft wheat products showing substitution of other grain products such as corn flour, rye flour and sorghum flour for soft wheat flour. We believe this is a direct result of the burdensome wheat certificate tax not borne by other sources of starch. The certificate tax thus is self-defeating.

The so-called domestic certificate is, in fact, a myth. It is paid to each participating farmer uniformly regardless of whether or not his wheat is used domestically. For example, in the last 5 years over 60 percent of CCC inventories are Hard Winter wheat, while less than 1 percent are soft wheats.

During the same period nearly 60 percent of all the hard wheat produced was exported and over 60 percent of White wheat (primarily Western White) was exported, yet each participating wheat farmer receives his equal share per bushel of the domestic certificate just as if his wheat had been used domestically.

We recognize it is very difficult to distribute the certificate to individual farmers based upon the final destination of his wheat. We do believe, however, at the very least no certificate should be paid to any farmer who ultimately turns his wheat over to the CCC.

The reason for this is that he is not producing his wheat for a real market. He is producing it for the Government support price.

The draft legislation proposes a support price below the market price. We believe this is a good proposal. The support price should reflect a minimal insurance value, not create a profitable market. We attended a meeting recently here in Washington to discuss the methods of establishing support prices. We applaud the Secretary for recognizing a very difficult problem and his conscientious effort to resolve it.

We believe a support price should be established on a county-by-county basis reflecting real domestic markets. We believe most export programs are costly to the taxpayer and support prices established on export assumptions cannot reduce the cost of the program to the taxpayer.

We believe the consumer is willing to pay a fair price to the farmer and so is willing to support a higher income for those farmers who raise products in demand in this country. We also believe, however, the consumer is tired of paying taxes for storage of surpluses and for subsidizing exports to get rid of those surpluses.

One proposal in the draft legislation we do not understand fully is the one pertaining to sealing back rates of payment if the market price rises above a target level. This seems to us to be self-defeating since it appears to force the market price to remain at the target level rather than free to rise. In this sense we suspect that this might create a ceiling that would be most unhappy to many producers, particularly in our area.

In connection with the set-aside proposal, we believe strongly that any acreage reduction either in the form of set-aside or diversion must reflect domestic disappearance. The acreage allotment reductions of the last 2 years were politically expedient in that each State was reduced the same amount percentagewise, but if such a policy continues eventually only one type of wheat would be raised in this country—namely, that which has been the greatest problem, Hard Red Winter—and the American consumer would be forced to reduce his level of accustomed palatability and product quality.

We urge that future acreage diversion be used to reduce surpluses, not to create scarcity of some particular kind of wheat, otherwise we will create the anomaly of scarcity of desirable wheats in the midst of surpluses of unwanted wheats.

A set-aside enacted covering wheat and feed grains in a single pool in such a way that each individual farmer who complied would be free to plant any of the grains covered seems to us to have real possibilities. We would support such a program on a philosophic basis, since it would do what we have strived to do for many years by giving the farmer more freedom. I have talked with a number of people about this concept and have received a diverse opinion from each. This has been very difficult for me to try to make up my mind.

One problem we can see from such a set-aside would be the need for great wisdom in establishing county support levels for each of the grains included in it to prevent serious dislocation of the food and feed grains within the demand structure for them in this country.

One other portion of the draft legislation with which we disagree is the proposal to eliminate wheat allotment if no wheat is grown. The set-aside program might place a whole farm on a crop rotation basis instead of individual fields so that wheat might only be raised every third or fourth year. It seems to us the proposal to eliminate allotments if wheat is not raised is not compatible with the set-aside concept.

We have presented to the Department in recent months charts and statistics which we believe prove that soft wheats are not in oversupply, are raised for a domestic market, and fulfill a consumer demand, and further that hard wheat is the primary problem type, the production of which sooner or later must be reduced to workable levels. A program recognizing these market realities will meet with our approval.

Thank you.

Mr. PURCELL. Thank you, sir.

Mr. Foley, do you have questions?

Mr. FOLEY. Mr. Mennel, I am a little confused by a portion of your statement. You say you support the set-aside principle on the basis that it gives more wheat to the farmers, yet at the same time you urge county-by-county support levels reflecting the real domestic use of the wheat and acreage reductions selectively for the same purpose. Isn't that going to be a control mechanism?

Mr. MENNEL. No question it will be a control mechanism, but the sophistication of the farmer has risen very materially, and I can see a farmer who with access to a computer taking all of the support prices and feeding them in and all of his costs and feeding them in and raising only the grain that brings him the highest return.

Mr. FOLEY. Well, my point is that you are really not interested in giving more freedom to the farmer by having him plant what he

chooses. You are interested in directing that he plant what you regard as desirable crops?

Mr. MENNEL. I am primarily interested in maintaining a supply of soft wheat in this country for soft wheat products, and if you give him complete freedom, sure then we would have these supplies, but we are not going to give him complete freedom. We are going to give him another set of options.

Mr. FOLEY. Under which program do you think the farmer would have more freedom to make his own decision, under your suggestions or under the present program?

Mr. MENNEL. I would say under the set-aside program he will have more freedom.

Mr. FOLEY. With your suggestions?

Mr. MENNEL. I would hope that our suggestions would be included, because I think——

Mr. FOLEY. That is my question. If your suggestions were included and the set-aside program was established with county-by-county price supports, with reduced acreage allotments according to domestic utilization of the crops, would you say that the farmer would have more choice, more real choice under that system?

Mr. MENNEL. Our farmers would have more choice. I am not sure that yours, sir, and Mrs. May's would, because there are more exports from your areas, and that kind of thing. I believe our farmers would have.

Mr. FOLEY. With the substitution principle where are the restraints of the present program applied? What restrictions on planting in the present program are subject to——

Mr. MENNEL. I do not think I am qualified to answer that. I am not really fully aware of the substitutions on corn and soybeans and such. I know this. That State percentage reductions, uniform reductions State by State, will end up because there is more than twice as much Hard Winter wheat raised in this country as is used in this country. If we continue percentage reductions on a State-by-State basis we will end up with almost no soft wheat in this country.

Mr. FOLEY. Your testimony reflects this but I would just like to emphasize that your suggestions about county-by-county price-support levels would be administratively very difficult to support.

Mr. MENNEL. I am fully aware of this.

Mr. FOLEY. The decision to selectively reduce acreages geographically would be a difficult policy to implement, would it not?

Mr. MENNEL. This was done prior to the last two reductions.

Mr. FOLEY. As a pattern for annual acreage settings by the Secretary, it does have some problems, does it not?

Mr. MENNEL. It certainly does.

Mr. PURCELL. Mrs. May?

Mrs. MAY. I just wish to express my understanding, Mr. Mennel, of your viewpoint on a national basis where it concerns production of the type of wheat that your association uses. Naturally coming from the part of the country I do, I might speculate on what would happen to our export market out there on White wheat if some of your suggestions were adopted. It certainly raises some questions in my mind, when I am thinking of the type of wheat and wheat economy that we have in the Northwest.

We are so heavily dependent on our export market. Do you have any idea what might happen to that?

I realize you are talking on a national basis, and I certainly recognize that your recommendations are not only germane, they have great validity on that basis, but you would dislocate a certain other part of the White wheat economy in this country.

Mr. MENNEL. To a major degree the Western Whites as I understand it are exported for real dollars.

Mrs. MAY. Yes.

Mr. MENNEL. And as such are not costing the taxpayer like some other exports are, and I would feel sure that with your ability to protect the western interests that my suggestions would not in full be enacted at any given time.

Mrs. MAY. I thank the gentleman. I think he is perhaps too kind. I keep trying. I have a certain amount of confidence and faith in myself, but not to that degree. That assumes a little too much influence in certain situations perhaps among all other interests that must be listened to in the country. No farm program should be tailored, I think you have indicated that in a way in your statement, to any one part of the country, but naturally representing that part of the country along with Mr. Foley, there may be a middle course here for a program that would accomplish some of your objectives but at this time I am not prepared to accept all your proposals.

I accept the reason for your suggestions, but I do not think I can accept some of the suggestions for the program.

Mr. MENNEL. I suggest that it is a good idea to have both sides.

Mrs. MAY. Yes.

Mr. MENNEL. So the compromise can be worked on.

Mrs. MAY. That is right. This is what we need on this committee and this is the thing that the administration has to look to, all facets.

I thank you, Mr. Chairman.

Mr. PURCELL. Mr. Montgomery?

Mr. MONTGOMERY. No questions.

Mr. PURCELL. Mr. Mayne?

Mr. MAYNE. No questions.

Mr. PURCELL. Mr. Jones?

Mr. JONES. No questions, Mr. Chairman.

Mr. PURCELL. Mr. Zwach?

Mr. ZWACH. Thank you, Mr. Chairman.

Has there ever in recent years been a shortage, an actual shortage of the kind of wheat that you mill?

Mr. MENNEL. A few years ago the price went up 45 cents a bushel in our area on the cash basis in April, May, and June.

Mr. ZWACH. Is your wheat mainly Midwest wheat?

Mr. MENNEL. Basically.

Mr. ZWACH. Ohio, Indiana?

Mr. MENNEL. Indiana, Ohio, east of the Mississippi River, basically.

Mr. ZWACH. Yes.

Mr. MENNEL. Based upon the years when we had as small as a 3 million bushel carryover, yes.

Mr. ZWACH. Most of the growers that raise your type of wheat have a very small allotment?

Mr. MENNEL. This is correct.

Mr. ZWACH. And this acreage you are talking now about is being shrunk some more?

Mr. MENNEL. This is correct. We have the least number of acres allowed in the State of Ohio for this coming year that we have had since many, many, many, many years.

Mr. ZWACH. Is your major product flour?

Mr. MENNEL. Yes, sir.

Mr. ZWACH. Or is it other types of wheat?

Mr. MENNEL. We are highly independent. We believe in staying in the flour business when all of the big people are getting out of it.

Mr. ZWACH. And it is mainly flour?

Mr. MENNEL. That is all.

Mr. ZWACH. Would the other type of wheat fit your needs just as well?

Mr. MENNEL. No, sir.

Mr. ZWACH. They do not?

Mr. MENNEL. They do not.

Mr. ZWACH. Would you enlarge a little on that?

Mr. MENNEL. Well, soft wheat is used very specifically for products such as cakes, cookies, crackers, pies, pretzels, and doughnuts; all the kind of things other than bread and these goods. The use of other kinds of wheat to make these kinds of products tend to reduce the quality of the product. The soda crackers get harsh and flinty, the crackers get different. This is not to say that they cannot be used to a degree, but they will change the flavor, they will change the customary appearance and taste practices.

Mr. ZWACH. Thank you, Mr. Chairman.

Mr. PURCELL. Mr. Melcher?

Mr. MELCHER. Mr. Mennel, how many bushels of wheat does your company purchase from these 10,000 soft wheat farms?

Mr. MENNEL. A little over 5 million bushels.

Mr. MELCHER. Just how much of their income on those 10,000 farms is derived from wheat?

Mr. MENNEL. This is an imponderable for me, because in Ohio, Indiana, and Michigan, of course, it is diversified farming. There is crop rotation continued in that area, and a tremendous number of different kinds of crops are raised. It is one of the major cash crops. It is a crop that does supply a great deal of cash to the farmer at harvesttime.

Mr. MELCHER. Would it be roughly 500 bushels average per farm?

Mr. MENNEL. Yes.

Mr. MELCHER. And it would constitute somewhere in the neighborhood of say 600 then to $750 cash income per farm?

Mr. MENNEL. Yes.

Mr. MELCHER. That is their major, one of their major cash incomes?

Mr. MENNEL. It is a major cash income movement; yes.

Mr. MELCHER. You mentioned that soft wheat is raised on the majority of the farms in the United States. How much would that be?

Mr. MENNEL. This is statistically correct based on the numbers of farms according to the USDA and the wheat situation reports. We are taking the soft wheat farms, the farms east of the Mississippi that have been designated. I do not happen to have the wheat situation with me that carries this data, but this is available from the Department of Agriculture and we have it.

Mr. MELCHER. If we take their figure then of about 3.1 million farm operators in the United States, we come up with a little over a million and a half?

Mr. MENNEL. This is wheat farms that we are talking about.

Mr. MELCHER. You are not talking then about a majority of all farms?

Mr. MENNEL. No, we are talking about a majority of farms that raise wheat.

Mr. MELCHER. I see. Now, could we assume then that perhaps 500 bushels is the average for these farms?

Mr. MENNEL. I would prefer to dig out the statistics on this and send it to you. It is available from the Department Research Statistical Service.

Mr. MELCHER. I would appreciate having that sent to me, Mr. Mennel.

Mr. MENNEL. All right.

Mr. MELCHER. How about protein? Is there any need for planting any of your product with a high protein wheat?

Mr. MENNEL. We prefer lower proteins. Our problems occur when we have too high protein.

Mr. MELCHER. Then the amount of protein in the wheat is of no interest to you except that it must not be too high?

Mr. MENNEL. It is of specific interest but it is not too high; yes. Our premiums are for the softer varieties rather than for the higher protein variety.

Mr. MELCHER. Then since we are talking about a small amount of dollars for each farm that you buy the soft wheat from, and you testify that it is a major source of cash income for those particular farms, is it your opinion that their income level is sufficient or what is your opinion on that?

Mr. MENNEL. I would greatly prefer to see higher priced wheat. I would greatly prefer to see the wheat certificate thrown out completely, and the certificate value added to the support price. These are small farms, essentially, so that while the $500 sounds small, and it is small, it is cash that they do not get immediately from their cattle marketing and their other kinds of marketing.

Mr. MELCHER. Can we assume then from your testimony that in the solution for an overall wheat and feed program, we should assure the producers at least the same level of income that they now have, or if possible a better level of income?

Mr. MENNEL. I would certainly hope so.

Mr. MELCHER. I would point out to you that in order to do this for the great variety of farmers that do raise wheat, that some of your testimony would be conflicting, in order to assure that we increase the level of producers, or raise it for them.

Mr. MENNEL. In our area the support price has been over the loan consistently. For many many years very little wheat is turned over to the Commodity Credit Corporation from the soft wheat area. If they are restricted from raising wheat I think this will probably raise the price of wheat still further from the support level.

Mr. MELCHER. I understand.

Mr. MENNEL. We are trying to correct to a degree the problems of the raising of surpluses, which is not a problem in our area.

Mr. MELCHER. I would have to add to your consideration of this problem the overall problem that in my constitutional district of eastern Montana, we have probably 12,000 to 13,000 farm operators whose crop is wheat, the principal crop, the vast majority of their crop is wheat. That to divide a program that would follow some of the recommendations in your testimony would assure they cut their income drastically and they would not be in a position of diversifying as perhaps some of the people you are talking about in Ohio and east of the Mississippi.

Mr. MENNEL. Doctor, isn't it true though that in your area of eastern Montana this is some of the highest quality wheat for bread production that is raised in the United States, and that your basic CCC turnover is quite low in your area?

Mr. MELCHER. It is quite high, too high to suit us.

Mr. MENNEL. Too high to suit you?

Mr. MELCHER. And it is assuredly high quality wheat, but it is hard grain winter wheat.

Mr. MENNEL. You are in the southern section of Montana, southeastern.

Mr. MELCHER. We are in the eastern and most of the wheat raised in Montana is raised in my district.

Mr. MENNEL. Hard Winter?

Mr. MELCHER. Yes, much of it is. Thank you.

Thank you, Mr. Chairman.

Mr. PURCELL. Mr. Zwach?

Mr. ZWACH. I am through.

Mr. PURCELL. Mr. Kleppe?

Mr. KLEPPE. Thank you, Mr. Chairman.

Mr. Mennel, during the course of your testimony and this questioning, we have talked about four classes of wheat but we have not had any mention of Hard Dark Northern Spring. This is raised in abundance in the area that I come from. You talked about this carryover in the CCC, of these various types of wheat. What do you know about the carryover on Hard Dark Northern Spring? Is it as high as the others or is it as low as the soft wheats?

Mr. MENNEL. The spring wheats are not differentiated in the statistics that I have available between the Dark Northern and the regular Northerns. Essentially spring wheat has been very much like soft wheat. It has not been quite the problems of the hard wheat. The carryover of spring wheat has moved from over a 40-year period, has moved up slowly, very slowly.

Mr. KLEPPE. I was aware of this and I am pleased to have you state this for the record. Isn't it also true that the spring wheat that is sold in export is basically sold for hard dollars?

Mr. MENNEL. I believe so. I am not an expert in this area.

Mr. KLEPPE. Did I misunderstand in answer to a question of Mr. Melcher that you think that if we would do away with the wheat certificate, that we could raise the income of the farmers?

Mr. MENNEL. If you raised the support price to compensate for this.

Mr. KLEPPE. You have to raise the support price accordingly?

Mr. MENNEL. Oh, yes.

Mr. KLEPPE. In other words, the 75 cents or whatever it might be?

Mr. MENNEL. Oh, yes.

Mr. KLEPPE. You believe that if that were done, that there would be a wave of raised income for farmers or are you just talking about replacing?

Mr. MENNEL. It depends upon where you set the support price.

Mr. KLEPPE. If you set it at exactly the same difference?

Mr. MENNEL. Then you would break even.

Mr. KLEPPE. Then you break even.

Mr. MENNEL. You eliminate some discrimination problems and some administrative problems that are quite difficult in our industry.

Mr. KLEPPE. I guess that is all the questions I have, Mr. Chairman. Thank you, Mr. Mennel.

Mr. PURCELL. We go over this every year I guess, but I would just like to point out again that it seems to me that when you say that the difficulty that you are having now with the certificate causes substitution of corn flour, rye flour and sorghum flour, and then in the next breath you say that you want the wheat to be higher, I do not know what would make any less substitution if the cost to the end user was more. Would there not still be a continuation or a unit increase in the use of substitution of corn flour, rye flour and sorghum flour?

Mr. MENNEL. The only answer to this that I can make, and I do not quarrel with your logic in the slightest, is that it did not used to happen. The substitution only started when the certificate came in to a major degree. I suspect the reason for this is that the trade prices of wheat and corn looked so similar that buyers were suddenly awakened to the substitution possibilities.

Now, whether this could be reversed by elimination of the certificate I do not know. I also suspect that the price of corn is being held down fairly substantially by the feed qualities of wheat at this price level.

Mr. PURCELL. And as you know, I do not hold sacred the white wheat theory that you espouse. It just seems to me that this white wheat that is so scarce and so unique in its qualities can be substituted by corn flour, rye flour, and sorghum flour, that surely the use of other kinds of wheat would even make a better substitute, and that maybe you could use other kinds of wheat to some degree to make these pretzels and doughnuts.

Mr. MENNEL. The substitute flours are lower in protein than soft wheat flour, and tend to in certain cases enhance the soft wheat qualities of it, and this is not to say that it is possible that say corn flour or sorghum flour could be blended with an ordinary hard wheat flour and turn out a soft light flour. I do not know. I am sure there is a lot of work being done on this.

Mr. PURCELL. Do you mill anything other than wheat?

Mr. MENNEL. No, sir.

Mr. PURCELL. As a matter of interest, and I will not prolong it, but first how old is your mill, the mill that you work for?

Mr. MENNEL. The company was founded in 1886.

Mr. PURCELL. They have been milling white wheat ever since?

Mr. MENNEL. Soft red, soft red and white.

Mr. PURCELL. All right.

Mr. MENNEL. Yes. Now, only in the last 5 years did we cease grinding hards and springs. We did prior to this time grind both hards and springs, in addition to softs. During the time when everybody else is

diversifying we are undiversifying. Maybe it is because I like to go against trends, I don't know.

Mr. PURCELL. I think you do like that because you are sure going against this very sacred wheat certificate.

Mr. MENNEL. Yes, sir.

Mr. PURCELL. And you have not changed nor have I. I think that is a good place to leave it.

Was there a great deal of the kind of wheat you are now milling grown in that area that you buy from before there was a wheat program?

Mr. MENNEL. Yes, sir. It has been grown in that area ever since our mill has been there and before.

Mr. PURCELL. But generally grown in these small acreages. I did not realize that these people were calling themselves wheat farmers and selling $600 or $700 worth of wheat a year. Has it always been buying a little bit of wheat from a whole bunch of folks?

Mr. MENNEL. Yes. They are basically small farms.

Mr. PURCELL. They are basically farmers with crops other than wheat?

Mr. MENNEL. We are talking about farms on the average of just 100 or 200 acres, and many, many of them.

Mr. PURCELL. Yes, but this of course is where the historic 10 acres or 15 acres I guess it was.

Mr. MENNEL. We were a very strong supporter of the 15-acre exemption because the great majority of our farmers were 15-acre farmers.

Mr. PURCELL. If they have 150 or so acres of that good Ohio or Indiana land, they sure are doing something besides growing 15 acres of wheat.

Mr. MENNEL. They are growing many other crops, so they have many options. What we want them to do is continue to grow wheat, or we are going to be in trouble. The entire soft wheat industry will be.

Mr. PURCELL. I think that is the main thing for us to understand and it is certainly a valid desire for you to have, and I hope we do not do anything that will lessen your supply of the kind of wheat that you want, but I would also hope that you do not get overly influential and do away with the ability for the other kinds of wheat to do what appears to be necessary for them.

Mr. ZWACH. Mr. Chairman——

Mr. PURCELL. Yes, Mr. Zwach?

Mr. ZWACH (continuing). I have one more question.

I was very concerned about your statement that the lower the protein the more palatable the product was. Is there no way of making it both nutritional and palatable?

I am very concerned about adequate diets and it seems like you stated that there was a correlation between low protein and palatability.

Can't we reverse that and also have high nutritional value and palatability?

Mr. MENNEL. I would not equate nutritional value and protein as directly as you have, sir. The soft wheat products are not only palatable but they are very nutritional.

Mr. ZWACH. But they are low in protein.

Mr. MENNEL. We are talking relative terms here. Bread flour is maybe 10 to 11 percent protein, and soft wheat flour is 7 to 8 percent protein. We are talking about a reduction of 3 percent by weight of protein.

A hamburger bun——

Mr. ZWACH. A reduction of protein from 10 to 7 percent is much more than 3 percent in nutritional value.

Mr. MENNEL. In the overall weight.

Mr. ZWACH. If you are reducing it 3–10 you are reducing the protein by 30 percent.

Mr. MENNEL. The overall weight of the flour is only that much protein. And the overall weight of the flour is only reduced by that.

Mr. ZWACH. Is your industry working in the area of upping the protein value?

Mr. MENNEL. I should say so.

Mr. ZWACH. The nutritional value of these products, and keeping them palatable?

Mr. MENNEL. We are not working on upgrading the protein levels. We are working constantly on upgrading the nutritional value through vitamins, through iron, through all manner of enrichment, just as your spring wheat area is, Mr. Congressman.

Mr. ZWACH. All the other areas except protein, is that correct?

Mr. MENNEL. Yes, because protein inhibits certain qualities that we need.

Mr. ZWACH. That is all, Mr. Chairman.

Mr. MENNEL. That the consumer needs.

Mr. ZWACH. Thank you, sir.

Mr. PURCELL. But you are putting your nutrition in the product you are talking about by either artificial additives or putting butter or shortening or something in besides wheat?

Mr. MENNEL. That is correct.

Mr. PURCELL. You dry the eggs with a little sugar, I guess. You use genuine sugar, I am sure.

Mr. MENNEL. We are in the heart of the second largest sugar beet district in the country. We use sugar, yes, Mr. Chairman.

Mr. PURCELL. Good.

All right, I think that is all. Thank you very much, Mr. Mennel.

Mr. MENNEL. Thank you, sir.

Mr. PURCELL. This concludes the witnesses we have scheduled for today. We will meet again at 10 o'clock in the morning.

The committee stands adjourned.

(Whereupon, at 11:10 a.m., the House of Representatives Subcommittee on Livestock and Grains of the Committee on Agriculture recessed, to reconvene at 10 a.m., Tuesday, December 2, 1969.)

WHEAT

TUESDAY, DECEMBER 2, 1969

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON LIVESTOCK AND GRAINS OF THE
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10:05 a.m., in room 1301, Longworth House Office Building, the Honorable Graham Purcell (chairman of the subcommittee) presiding.

Present: Representatives Purcell, Foley, Montgomery, Jones of North Carolina, Rarick, Melcher, May, Mayne, Zwach, Kleppe, Price of Texas, and Sebelius.

Also present: John A. Knebel, assistant counsel and Martha S. Hannah, subcommittee clerk.

Mr. PURCELL. The subcommittee will please come to order.

The witnesses understand this. I am going to call Mr. Clyde Jarvis, president, Montana Farmers Union, as our first witness, although he is not on the list as being the first one. We are honored to have Mr. Jarvis' Congressman, our colleague, Mr. Olsen, and at this time we will ask Mr. Olsen to present the witness, please.

STATEMENT OF HON. ARNOLD OLSEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MONTANA

Mr. OLSEN. Thank you very much, Mr. Chairman.

I appreciate this very much, Mr. Chairman. I am due at two other committee meetings, both the Post Office and Civil Service and Public Works, and I do have to run, but it is my honor and privilege, which I share with the distinguished other Member from Montana, Mr. Melcher, to introduce to this committee the new president of the Montana Farmers Union, a very distinguished Montana citizen, Clyde Jarvis. His organization represents more wheat acres in Montana than any other organization by a very wide margin. They have strongly supported in the past the wheat policies of this committee, and, therefore, I think you will be happy to hear suggestions of the Montana Farmers Union.

Mr. Clyde Jarvis is accompanied by a man with whom all of you are familiar, very familiar, Mr. Reuben Johnson of the National Farmers Union.

I thank you very much for this honor and privilege.

Mr. PURCELL. Well, thank you, Mr. Olsen. We understand your tight schedule, and we appreciate your coming with Mr. Jarvis.

We will be glad to hear from you at this time, Mr. Jarvis.

STATEMENT OF CLYDE JARVIS, PRESIDENT, MONTANA FARMERS UNION, AND MEMBER, BOARD OF DIRECTORS, NATIONAL FARMERS UNION; ACCOMPANIED BY REUBEN JOHNSON OF THE NATIONAL FARMERS UNION

Mr. JARVIS. Mr. Chairman and members of the committee, I appear here today in behalf of National Farmers Union to present the views of our organization in regard to the future of the wheat program.

The Farmers Union is a member of the coalition of 24 general farm and commodity organizations which has indicated its support for H.R. 14014 which you, Mr. Chairman, introduced on September 25. We are proud to be associated with the organizations which make up this coalition.

We in Farmers Union are indebted to you, Mr. Chairman, for the leadership which you have provided in placing before this subcommittee and the full Agriculture Committee a comprehensive piece of legislation which include programs for all the major commodities which are dealt with in the Food and Agricultural Act of 1965.

As you have pointed out when you introduced H.R. 14014, bringing unity to agriculture is not an easy task. You said at that time that agreement by the coalition on basic provisions of commodity legislation "reflects a highly significant coordinated effort." It is also noteworthy that the Secretary of Agriculture has urged farm organizations to unify. Our National President Tony Dechant, in a meeting with the Secretary, said:

> Mr. Secretary, we took you at your word when you said farm groups ought to get together and decide what kind of legislation is needed. We have gotten together and we have decided.

We, in the Farmers Union, are sure that the Secretary is impressed by the high degree of unity in agriculture and that he will not ignore the legislative goals that Farmers Union seeks along with the coalition.

Montana ranks fourth among the States in wheat acreage harvested. Only Kansas, North Dakota, and Oklahoma rank ahead of my State. Last year, Montana grew 4.6 million acres of wheat. The value of that wheat produced was $145.3 million. Thus wheat is a major source of farm income in my State.

The cost-price squeeze is worsening in wheat producing areas throughout the Nation. Despite desirable features of the wheat title of the 1965 Food and Agriculture Act, the commercial wheat farm economy is deteriorating rapidly. The domestic certificate assuring 100 percent of parity on domestically-consumed wheat has been an important bulwark against the cost-price squeeze the farmer is suffering. However, even the domestic certificate has been unable to hold wheat returns at a survival level.

In the 3 years since the certificate program went into effect, the blend price for compliers—national average market price per bushel plus returns for certificates—has been: 1966, $2.22; 1967, $1.87; 1968, $1.79.

In recognition of the need for additional income to offset increasing costs, we recommend improvements in the program as follows:

An export certificate. Wheat accompanied by export certificate to be supported at between 65 percent—$1.90—and 90 cents—$2.49—of parity, with a floor of 65 cents.

National average support price loan value of $1.25 per bushel at harvest time, rather than at loan maturity time.

No reduction of projected yield for any farm by over 5 percent of the preceding year by reason of natural disaster.

Payment of at least 50 percent of value of domestic and export marketing certificates at time of program signup.

There are no proposed changes in the domestic certificate or the substitution clause, of the 1965 Farm Act provisions pertaining to wheat.

If the wheat export certificate were set at the minimum authorized level of 65 cents, a wheat program participant would receive:

For domestically, consumed wheat, $2.77 per bushel for 40 percent of his normal yield;

For his export wheat, $1.90 per bushel for 40 percent of his normal yield;

For his noncertificated wheat, $1.25 per bushel for 17 percent of his normal yield.

This would raise the blend price to complying wheat producers from $1.79 per bushel to $2.12 per bushel for normal yield on allotted acres.

In regard to the second recommendation, it is now the practice to subtract 10 cents-per-bushel storage cost from the support loan price if the wheat is in commercial storage. The bill provides that the full loan rate be paid when the wheat is put into storage at harvest time and then make the farmer responsible for paying his own storage liability when his wheat is either sold or turned over to the Commodity Credit Corporation. This would have the effect of setting the market price floor, which is dependent on the loan level, 10 cents higher at harvest time.

In regard to the third recommendation, there is presently no protection from having a very low per-acre yield caused by fire, hail, flood or other natural disaster, used as part of formula setting a farm's projected yield. This, of course, can drastically reduce the number of domestic certificates a farm is eligible for. The bill sets a limit of 5 percent as the most a projected yield might be reduced as the result of any one bad year due to natural disaster.

In regard to the fourth recommendation, farmers need operating money at time of signup, and high interest commercial loans are the only alternative. Advance payment at times of signup in the program involves no additional cost.

Mr. Chairman, we hold to the view that these recommendations for improvement in the existing wheat program are justified in the face of increasing cost of production and the obvious need for maintaining equity for agriculture with other sectors of the economy.

Very frankly, our review of farm-program proposals of the administration headed, "No one is Committed to Anything at this Point," finds them coming up short in comparison to the present program. Considering the recommendations we have made for improving price and income levels, farmers would get an even "shorter end of the stick."

We have not been able to envision how a set-aside of acreage would in anyway enhance the opportunity of wheat producers to manage their tillable acres in such a way as to maximize income earning opportunities. If the set-aside anticipates a further idling of wheat allotted acres, then we would not be for it. If the set-aside would, in effect, increase fixed costs to wheat producers, then we would not be for it.

What wheat producers need is not some new terminology to explain why it is necessary to maintain a program of supply management, but more income. There is no magic way to accomplish this objective. We do not know of anyway to raise farm income and at the same time reduce the costs of commodity programs.

We do not know whether some of the "leaks" of an administration program are serious proposals. However, in response to a rather widespread press accounting of program details attributed to the administration, we would like to state our views of the proposals.

We are opposed to any budget cut in expenditures on commodity programs.

We are opposed to the abandonment of the concept of parity and the basis on which parity price levels for various commodities are calculated.

We are opposed to dropping the term "price support" from the existing farm legislation.

We are opposed to a sliding scale means of setting price support loans whether it be related to a moving average of market prices or any other criteria.

We are opposed to giving discretionary authority to the Secretary of Agriculture to set price support loans or payments and do not want any tampering with minimums of floors set in the 1965 Agriculture Act.

We are opposed to eliminating authority for the wheat export certificates.

Mr. Chairman, we in Farmers Union believe that the existing farm program is working well and with some increase in the amount of funds, as the coalition has recommended, it will work even better.

Thank you.

Mr. PURCELL. Well, thank you very much, Mr. Jarvis.

Your ability in delivering this statement just makes me realize that I do not want you getting into any politics in Texas because I might not be able to compete with you.

We appreciate your statement very much.

Mr. Montgomery, do you have questions of Mr. Jarvis?

Mr. MONTGOMERY. No, sir, no questions.

Mr. PURCELL. Mr. Zwach?

Mr. ZWACH. No questions.

Mr. PURCELL. Mr. Jones?

Mr. JONES of North Carolina. Thank you, Mr. Chairman.

Mr. Jarvis, in your second opposition here, opposed to the abandonment of the concept of parity and the basis on which parity price levels for various commodities are calculated, have you or your organization given any thought to a cost-plus factor?

Mr. JARVIS. Yes, sir; we have. In fact, they have been talking in Montana of the possibility of setting the wholesale agricultural prices to the cost of living and letting them fluctuate in the same manner as the cost of living does.

For instance, with the teachers or any other sector of the economy, their increase in prices is always set to the cost of living. In fact, one of the largest strikes and the longest strikes in the history of Montana was settled last year, and it was based on the cost of living, and, certainly, somewhere down along the line we think that this would be a

reasonable approach for agriculture to be set to the cost of living, and with the agriculture wholesale prices fluctuating up and down with the cost of living, once that they would be set to a livable level.

Mr. Jones of North Carolina. Well, I am sure you are aware of the difficulty at the present time of getting most any agricultural bill approved on the House floor. It certainly carries with it a great amount of risk. I am sure you also agree that parity has not provided the income under the present formula that you should expect or any other farmer. I believe it is—What? 76 percent? Somewhere, I think, down the line the possibility of selling an agricultural bill, we have got to get a new concept, and I keep coming back to the Defense contracts of cost-plus and a realistic figure that would insure a greater return on investment.

Thank you.

Mr. PURCELL. Is that all you have?

Mr. JONES of North Carolina. That is all, Mr. Chairman.

Mr. PURCELL. Mr. Kleppe?

Mr. KLEPPE. Thank you, Mr. Chairman.

Mr. Jarvis, I certainly agree with a great deal of what you have in your statement. I think you said much of what you think very succinctly and very much to the point. I had hoped, however, that you would have addressed yourself a little bit more to the set-aside proposal. Maybe it is because you have not really been advised as to what the set-aside proposal is. You did refer to the fact that there were some leaks, and you made some observations on basic things that you were opposed to, and I look at some of those, and I note that the set-aside program does not propose to do away with the wheat certificate, for example.

But, in any event, I kind of hoped that you would have addressed yourself a little more to it.

But, let me ask you a couple of questions, if I might. This is a very minor one, but on page 2, at the top of the page, you talk about the value of wheat produced in Montana at $145.3 million. Was that with or without certificates?

Mr. JARVIS. That includes certificates.

Mr. KLEPPE. That includes certificates?

Mr. JARVIS. Yes, sir.

Mr. KLEPPE. All right.

Then, on the top of page 3, when you were reading that, where in my copy it is printed as "85" cents. You read it as "65." Which is correct?

Mr. JOHNSON. Where is that now?

Mr. KLEPPE. The top paragraph on page 3, the top sentence.

Mr. JOHNSON. 65 cents is correct.

Mr. KLEPPE. It should be 65?

You read it as 65, and my copy is printed as 85.

I was wondering which is correct.

Mr. JOHNSON. 65 is correct.

Mr. KLEPPE. It should be 65.

Now, is it true—or do you agree—let me put it this way: Do you agree that the coalition farm bill as is proposed would cost roughly a billion dollars more if we were to enact it as it stands now?

Do you agree generally in that area?

Mr. JOHNSON. Congressman, in the comments that Chairman Purcell made in the record when he introduced this bill, he did indicate some costs of the amendments that the coalition is supporting, and, very briefly, I would like to discuss those. I might just take the whole bill here.

In the dairy section, we do not anticipate any increased costs from the amendments that the bill includes.

Now, in wool, we do not anticipate any additional costs.

In the feed-grain programs, since we have raised the loan a dime and the payment to the compliers a dime, the cost would be $350 million additionally over current levels of expenditures. The wheat program, if you set a certificate on export wheat at 65 cents, that would increase the cost by $325 million.

Mr. KLEPPE. $325 million?

Mr. JOHNSON. Yes, sir.

Now, in the soybean diversion program, which the Secretary was given the authority, "when needed," to put into effect, we anticipate diversion next year under the terms of this title of approximately 2 to 3 million acres at a cost of approximately $25 million to $35 million.

Now, I believe that the reserve would not add any additional costs, because we have on hand commodities in the amount now over and above the level that would be established by the reserve. This would merely keep these quantities that we have set forth here in the reserve from being taken down any further than the reserve would establish.

So, we do not anticipate any additional cost there.

Now, in the cropland adjustment title, the bill would take the limit off of the funds that could be appropriated by the Congress. That limit is now $245 million. The Congress has never appropriated that amount of funds for the cropland adjustment program, and we do not anticipate that they will likely do so. So, there is no additional cost in that section. There is no additional cost in the rice title.

I believe that adds up to—have you been adding, Congressman?

Mr. KLEPPE. Yes. I've got $670 million.

Mr. JOHNSON. Well, that is what the program would cost.

Now, it was also explained by the chairman when he introduced the bill that it was the anticipated savings this year over last year of approximately that amount of money.

Now, this savings comes about because of the reduction of 12 percent in the wheat allotment and also some anticipated savings as the result of lowering the soybean price support loan. In other words, what this bill does, then, Congressman, is maintain the level of expenditure at about the level of last year, when you consider the anticipated reduction in the cost of the program this year.

Mr. KLEPPE. Reuben, I very much appreciate this breakdown that you have just given us because I think this is something additional that we have been looking for. I know I have been looking for it, and I am awfully glad to have this for the record. I am sure you are aware of the fact that we have been given other figures regarding the costs of this bill as being considerably in excess of what we are spending now, and, even if this is your answer and your opinion, I am still going to give you the question I was thinking about, because it seems to me that it might be helpful to us in trying to arrive at a compromise piece of legislation here that we can pass over in this

House. This is the thing that is in the back of my mind always, and that is: If we are roughly spending $3.5 billion now on farm programs, where would they best be spent, based on the various paragraphs and titles that you propose in the coalition bill?

Would it be best to exclude the export wheat certificate program?

Would it be best to lower price support to accommodate that, if you have them?

Would it be best to lower the wheat certificate, or where or how can we allocate these funds?

I realize this is somewhat of an unfair question, because you think we are going to come out on about the same dollar basis with the coalition bill, as we are currently spending.

Mr. JOHNSON. If the savings materialize that I refer to.

Mr. KLEPPE. There seems to be some discrepancy on that, I gather.

Mr. JOHNSON. Well, I think that that is not definitely known yet.

I would like to say this, Congressman: The prices of things that farmers buy have increased in one year 4.3 percent. This includes both family-living and production items, 4.3 percent, from October 16, 1968 to October 15, 1969. Now, I do not anticipate that the Members of Congress from urban and city areas, whose support we need to pass farm legislation, will be able to ignore these facts, and I feel that if it is properly explained to them—and I hope they will read the record such as is being made here today—they will understand that there is a hardship in agriculture that must be taken care of.

Now, it was interesting that the coalition of 24 organizations would recognize the need for added income in the grains, among the grain producers or producers of grain. We felt the cotton program—or the coalition felt that the cotton program was working fine at the present level of expenditure. It is a popular program, the present program for cotton.

So, it is the kind of combined judgment here of the representatives of a lot of commodities in this country that they allocated the additional program amendments in this way, and this is mainly taking care of grains and soybeans.

Mr. KLEPPE. You have alluded again to the impact of inflation on the farming community. Again, of course, this is something I have believed for a long time, that one of the segments of our economy that suffers the most from inflation is the farmer. The comments that you have made about the increase in the costs again verify this.

As we look at the three basic categories of the wheat program, your wheat certificate program, your price support and your export certificate program, do you, in any way, shape, or form, believe it fair to evaluate those on a 1, 2, 3 basis from the standpoint of importance and where the dollar should go from the Federal Treasury?

Mr. JOHNSON. Well, I consider all of them important.

Mr. KLEPPE. They all tie together so closely, and they are all important, I agree with you; but, if we have got x number of dollars to allocate, which one of those would be the easiest for us to have some easing in to take care of what we can get over here from the Congress?

Mr. JOHNSON. Well, Mr. Congressman, I just would not want to single out any area to ease off in spending money for farm programs, because I feel that——

Mr. KLEPPE. I can appreciate your not answering this.

Mr. JOHNSON (continuing).—Any easing off would lower farm income.

Mr. KLEPPE. I can appreciate your not giving me a specific answer on this, Reuben, very much; but maybe some day you will give me a call to help me in my direction, because I am trying to look for ways that we can put this thing together so we can pass it, and I realize and recognize the importance of all of them, too.

Mr. JOHNSON. Well, Congressman, I will tell you one thing here: We are very happy having you overlook the budget people downtown, and we trust your judgment on levels of expenditures over there. I will say that.

Mr. KLEPPE. Thank you very much. I appreciate the information you have given for the record this morning, and the answer to my questions.

Thank you, Mr. Jarvis.

Mr. PURCELL. Dr. Melcher, you have questions?

Mr. MELCHER. Thank you, Mr. Chairman.

I want to extend my personal welcome to President Clyde Jarvis of the Montana Farmers Union. He is a constituent of mine. He lives in Great Falls, and that is in the eastern congressional district. We are very pleased to have him here speaking now for the people in Montana and particularly for his organization.

The colloquy between Congressman Kleppe and Mr. Johnson, I think, has been worthwhile. It has pinpointed the possible costs of the coalition bill and has identified it as not exceeding the current level of expenditures from the Treasury. I find this most helpful and very fine to have it on the record.

I would like to ask one question of President Jarvis that follows the same line of questions and answers that has been taking place, and that is this:

In Montana, itself, in our State, the cost-price squeeze is particularly cruel and is still advancing, is it not?

Mr. JARVIS. Yes, it is.

Mr. MELCHER. With the recent raise in freight rates, with the recent increase in local taxes in Montana, that has a very serious effect on our producers there; is that not correct?

Mr. JARVIS. That is correct.

Mr. MELCHER. All in all, the inflation that we hear so much about is particularly harsh for an agricultural producer, is it not?

Mr. JARVIS. Very much so, Congressman.

Mr. MELCHER. I think this is the point that we cannot ignore, that of all of the harm from inflation it is especially harsh on agricultural producers because it involves not only the inflationary rise in their living expenses, but also an inflationary rise in the cost of production that is built right into their operation, and they have no way to mark up their own prices and pass the higher costs along.

That is my comment.

Thank you, Mr. Chairman.

Mr. PURCELL. Mr. Zwach, you were checking the parity level?

Mr. ZWACH. I think, from what I could gather, the most recent parity is now 76 percent. It was 76 in June; it dropped back to 74, and, I understand, tomatoes and lettuce and the other ingredients,

eggs, fruit have basically brought it back, but there has been no improvement in the feed grain area, very little in wheat, none in corn. Corn has gone down. Beef is down again for the fifth month straight, but there is some improvement in the parity figure which is an overall average. But we have got to move in that direction, Mr. Chairman. That is the right direction. It has got to go that way.

Mr. PURCELL. Lest you witnesses wonder, Mr. Zwach is our authority on parity, and, as best I can get it, he is for the farmer getting as near that as would be possible. That has been the general impression.

Mr. ZWACH. Right, but I do not have the November figure as yet.

Mr. PURCELL. Mr. Sebelius?

Mr. SEBELIUS. I have no questions.

Mr. PURCELL. Again, Mr. Jarvis, thank you, and Mr. Johnson. We appreciate your contribution that was made this morning.

Mr. JARVIS. Thank you very much.

Mr. JOHNSON. Thank you.

Mr. PURCELL. Our next witness is Mr. Joseph M. Creed, general counsel of American Bakers Association and general counsel for the Biscuit & Cracker Manufacturers' Association.

Let me say this, as Mr. Creed takes his seat.

This gentleman represents those who have been most affected by the certificate. I have not read his statement, but he will not be for the certificate plan. But let me say that he and his organizations have been gentlemen throughout this long and involved controversy, and he, and other people, particularly Mr. Creed though, have presented representation and conduct that I think is commendable. I think all of us should take a lesson from this gentleman's attitude and his way of forcefully presenting his viewpoint, but never in a way that is mean or vindictive, or anything of that kind.

Now, if in your statement today, Joe, you have anything different, I am going to withdraw everything I have said.

We will be glad to hear from you at this time.

Mr. CREED. Thank you, Mr. Chairman, for those kind words. I certainly hope that in our presentation, both to this committee and to the Members of Congress, that we have tried to make our points with respect to the issues and avoid any personalities on the whole subject. It is controversial. We are aware of that and, as in many issues that confront us, we are on one side of the fence and, I imagine, most of the members of this committee are on the other side. But we feel that we have to take our position.

STATEMENT OF JOSEPH M. CREED, GENERAL COUNSEL, AMERICAN BAKERS ASSOCIATION, AND GENERAL COUNSEL, BISCUIT & CRACKER MANUFACTURERS' ASSOCIATION

Mr. CREED. Mr. Chairman and members of the subcommittee, my name is Joseph M. Creed, general counsel of the American Bakers Association and general counsel of the Biscuit & Cracker Manufacturers' Association, and may I, again, express my thanks to the Chairman and to the subcommittee for the opportunity to appear before it today on behalf of those associations.

I appreciate very much the opportunity to record with your subcommittee the views of our industry with respect to the wheat certifi-

cate plan, which would be continued beyond its present statutory termination date of 1970 if any one of the pending draft bills is enacted. The Baking Industry is opposed to a continuation of the wheat-certification plan as contemplated by this legislation.

We have opposed this plan from its inception and have previously requested the Congress not to extend it beyond its present terminal date. Our fundamental objection can be stated very simply. The legislation imposes a substantial tax of 75 cents a bushel on the consumers of wheat and wheat products to finance the plan. We consider this tax inequitable because it singles out this major commodity for such treatment, and it penalizes the very people who make the market for wheat.

We are not objecting to the Government's establishing a desired level of return to wheatgrowers for their capital investment and labor. Our objection goes to the technique used to achieve it.

Under this plan, the cost of financing the Government policy is borne primarily by the consumers of bakery products who are the largest users of wheat flour and who provide the economic market for wheat. Thus, it is also reverse economics. This tax on consumers exceeds $350 million annually. Since the enactment of this plan by Congress in 1964, consumers of wheat products have paid more than $1.5 billion in processing taxes which were distributed to wheatgrowers. It is not necessary to point out to this subcommittee that this is a regressive tax and falls most heavily on those least able to pay, because cereal and flour products, particularly bread, are more predominantly among the staples of the diet of low-income consumers. This, we submit, is a harsh system of taxation and contrary to the traditional approach of our Government in financing such programs from the general revenues of the Treasury. The only other agricultural commodity so penalized is sugar, and the tax is just as objectionable there as it is for wheat.

Even as this committee is holding hearings on this proposed legislation, the White House Conference on Food and Nutrition has been convened in this city by President Nixon to discuss more effective ways of meeting the dietary needs of the public with particular emphasis on the problems of the underprivileged. The important role of cereal products unquestionably will be considered, and hopefully the Conference will encourage greater consumption of such products. The tax on consumption levied by the wheat certificate plan obviously works at cross-purposes and expanded use of wheat as food.

Within the last month, the baking and milling industries filed with the Food and Drug Administration a petition seeking to increase threefold the level of iron to be contained in enriched flour and bread. This was done at the request of the Nation's foremost nutritionists and scientists who have pointed out the need for more iron in the general diet, and who recognize the important role of bread and bread-type rolls in achieving that objective. The baking and milling industries are cooperating in that program and will bear the added cost.

It would be ironic, indeed, should Congress extend this tax program on wheat at a time when nutritionists are urging that wheat products play an even greater role as carriers of essential vitamins and minerals in the Nation's food supply. One might appropriately ask: Must we have a health tax on our basic food?

Our industry recognizes the desirability of an adequate income for the farm community, including wheatgrowers. At the same time, we believe that the Congress should devise some other, and more practical, approach to assure the level for the wheatgrowers which this subcommittee wishes them to achieve.

We would also observe that, despite the greater things promised when this program was initiated, it has proved to be something less than economically successful since we continue to be burdened with rising wheat surpluses, and the wheat farmer is still complaining that his return is inadequate. Thus, in addition to the inequity in the tax, the program is an economic failure. It has solved nothing. This subcommittee and the Congress should view a continuation of the wheat certification plan as an albatross of despair around the neck of the wheatgrowers and reject it.

The fact that the proposals before you would limit the tax to 75 cents per bushel is little solace to the people who pay it. It still totals some $350 million each year. It is also recommended by the proponents of the tax that it be made permanent. Theoretically, if this were done, Congress would still be able to terminate it in the future; but, as a practical matter, if there were no termination date, it would be exceedingly difficult to force a congressional review.

In conclusion, Mr. Chairman, we recognize and appreciate the earnest desire of the subcommittee and the full committee to meet the pressing farm problem. We realize that the committee's efforts seek a solution. Nonetheless, as manufacturers of bakery products which are sold daily to consumers, we feel that we have an obligation from the standpoint of our members who manufacture these products, and the consumers who buy them, to express to this subcommittee our objection to the continued imposition of this burdensome processing tax on wheat through the mechanism of the wheat certificate plan.

We are most hopeful that this subcommittee will reconsider this approach and develop a program more suitable to the times in which we live—one that is more susceptible of meeting the needs of today's farmers, consumers, and businesses.

We thank you again, Mr. Chairman and members of the subcommittee, for affording us this opportunity to present our views.

Mr. PURCELL. Thank you, sir.

Mr. Zwach, do you have questions?

Mr. ZWACH. Yes. I would like to ask the gentleman what programs he is suggesting?

He says "We have other programs to do the job." Are you asking for just the dropping of all farm programs and certificate programs, or do you have something alternative?

Mr. CREED. No, Mr. Zwach, we are not necessarily asking for a dropping of all farm programs. We recognize that some type of program inevitably has to be continued, at least in the foreseeable future. The only thing that we are asking is that instead of financing—and we are confining our remarks to the wheat certificate program—that instead of financing the certificate by this processing tax on wheat and the flour, the Congress devise another source of revenue, another approach, and that may mean eliminating the wheat certificate, it may mean taking the whole amount from the Treasury, as is done with everything over $2, between $2 and parity.

Mr. ZWACH. You pay less for the wheat that goes into your products now than you did for a number of years past; is that not correct?

Mr. CREED. First of all, sir, we buy flour, not wheat.

Mr. ZWACH. Or flour. You pay less for the flour?

Mr. CREED. But the total price, including the support, plus the 75-cent certificate, I do not think that the figures will show that the miller pays less today for the wheat that he buys than he did years ago.

Mr. ZWACH. Yes, sir, I am sure it does in a number of years, but last night, Mr. Creed, after the session it was late, and I took Mrs. Zwach shopping. You know, you go home over Thanksgiving and your bread spoils, and we stopped in the Giant Food Store, and I bought a loaf of bread, a pound of bread, 41 cents. Now, how much of that went to the producer, of that 41-cent 1-pound loaf? I can remember not long ago I was buying it for 20 and 21 cents. But how much of that 41 cents is cost of wheat and the certificate? Would it be 2 cents?

Mr. CREED. Mr. Zwach, before——

Mr. ZWACH. Would it be 2 cents?

Mr. CREED. Before I get into the breakdown of the figures, that seems——

Mr. ZWACH. Would it be about 2 cents?

Just answer that question. This is your business. How much of that 41 cents went to the producer of wheat?

Mr. CREED. Before I answer the question, Mr. Zwach, let me just observe that the price for the bread that you cited seems to be amazingly high for a retail loaf of bread.

Mr. ZWACH. It seemed that way to me, but I would have to say that the counter was pretty empty, and this was left there, and it is unsliced, an unsliced loaf of bread, just an ordinary loaf of bread, at 41 cents. That was all that was on the Giant bread counter, and that is what we paid.

Mr. CREED. Let me just make this further remark: I think the average retail price in the city of Washington is 25 or 26 cents a pound, within that range. This 41 cents, I do not know where it came from, but——

Mr. ZWACH. It came from the Giant Food Store.

Mr. CREED. But, to answer the question you raise, the amount that goes back to the producer from any loaf of bread is naturally a small amount of the whole cost, because you must remember that from the time that wheat leaves the farmer's field it has a long journey to go. It goes to the storage bin, sir; it is transported to the flour mills; it passes through transportation, milling; there is labor in converting it into an end product.

Mr. ZWACH. All of the added costs have gone in the middle area. The poor producer gets less today than he ever did for his wheat.

Now, that is the truth, is it not?

Mr. CREED. I do not know whether he gets less today than he ever did.

Mr. ZWACH. Well, maybe not less than he ever did, but very seldom has he gotten less?

Mr. CREED. Well, again, Mr. Zwach, we do not want to quarrel with the desire of the committee to raise the level of income for the producer. Our quarrel is with the technique that is used in getting that, and I refer specifically to the wheat certificate plan that imposes a tax on

those of us who, by consuming the wheat, make the market for the growers' product.

Mr. ZWACH. You, sir, are trying to say that the reason bread is high is because of the wheat certificate.

Now, I am refuting that. The reason bread is high is not the price of the wheat plus the certificate; the reason bread is high is because you folks have added all along the line all of the costs which the poor producer on the land has not been able to do, and you say this money that has gone into certificates has gone down the drain. That is not true. That has gone to the producers of wheat; it, perhaps, has kept them in business, kept them operating and sustained them to some extent; perhaps it is the best investment America has ever made.

Could not that be true?

Mr. CREED. Well, Mr. Zwach, you are putting words in my mouth. I was not blaming the price of bread on the certificate plan. I was pointing out that the certificate is a tax on the use of wheat by the consumer, which we consider inequitable. We recognize there are many other products—as you do—in the manufacture of a loaf of bread as there is necessarily in any manufactured product where many ingredients are combined to make a product that is sold to an ultimate consumer. And all of these factors enter into the final cost. It is no one item that can be blamed, if you will, for the final price that the consumer pays.

Mr. ZWACH. But there is just no question but that bread has gone up, and up, and up, and up, and flour has gone up, and up, and up, and up, and wheat has gone down, and down, and down, and down.

Now, there is just no question about that.

When you come here to cry for the poor consumer, I think you had better look at your own industry and see what they are doing with regard to raising costs rather than to blame the producers of the grains with regard to costs at the retail levels of your products.

That is all, Mr. Chairman.

Mr. CREED. Mr. Zwach, if I may, I would observe further that the very fact that these programs have continued over the years might suggest to some people that they, in and of themselves, could be the cause of the income to the wheatgrower decreasing during the years of these programs. They certainly, if everything you have said is true, have not improved his lot, and yet the Congress insists on having the various programs.

Mr. ZWACH. There is certainly some merit in what you say, and we do not know how much of a factor it was. But, as a farmer, I would have hated to have been operating in the last 20 years without a farm program. Let us just say it that way. The alternative, I am afraid, would be much, much worse, and I think the same is true of wheat. I am not a wheat producer. I produce other types of products. But the alternative is what scares our people tremendously. Take it off? That is easy to do, but this is what scares them tremendously. They think they would be much worse off without a program.

Mr. PURCELL. Mr. Montgomery?

Mr. MONTGOMERY. Mr. Chairman, I had the pleasure of meeting Mr. Creed here in Washington in an association meeting only recently. I would like to thank him for testifying before our committee today and, you might say, bringing the other side of the story to this committee.

The only question I would have, Mr. Chairman, that I would like

to direct toward Mr. Zwach, would be to say that I buy about three loaves of bread a year, and I would like to find out where this Giant store is so that I will not make a mistake when I go to buy my three loaves of bread.

Mr. ZWACH. It is out Wisconsin Avenue.

Mr. MONTGOMERY. That is all, Mr. Chairman.

Mr. PURCELL. Mr. Kleppe?

Mr. KLEPPE. No questions, Mr. Chairman.

Mr. PURCELL. Mr. Rarick?

Mr. RARICK. Mr. Creed, there seems to be a constant war carried on between the consumers and the producers, and following every battle, it is always the producers that come out on the short end. Now, we are talking about the rise in the cost of bread, and it becomes easy to blame the bakery people.

What would you assess as the greatest item of cost involved which has increased the price of bread?

Mr. CREED. Well, I do not think there is any question but what our labor costs are perhaps the largest item of cost, and that is not only the direct labor in the manufacture and distribution of our product but the labor costs that go into all the other elements in the manufacture; namely, increased costs in transportation and at the milling end—right down the line to the baker himself. This is your biggest overall item of costs.

Mr. RARICK. In other words, labor; what you are saying is that the bakers are organized labor, your truckdrivers are organized labor?

Mr. CREED. Most of your production and distribution labor in the industry are unionized, that is correct?

Mr. RARICK. The farmers are not organized; could this be why their prices have not increased correspondingly?

Mr. CREED. Well, I do not know whether that is the problem. I do not believe the farmers are organized.

Mr. RARICK. Can you give us some idea, if the farmer was to realize a profit, expressed at 100 percent parity, what a loaf of bread could cost today?

Mr. CREED. I have no idea, sir.

Mr. RARICK. You have no figures showing that, if the farmer received parity on the wheat, the effect on a loaf of bread?

Mr. ZWACH. Mr. Chairman, would the gentleman yield?

Mr. RARICK. I yield.

Mr. ZWACH. I would think that parity for wheat would not raise a loaf of bread more than 1 cent, if it was all absorbed in the wheat, it could not raise it much, because the wheat is only 2 or 3 cents of the cost of the loaf of bread, a very small fraction of the price.

Mr. RARICK. Has your investment on equipment increased to where it has increased the price of bread appreciably?

Mr. CREED. It has increased. I suppose the rate of increase is no different from any other business that has to continuously plow back capital to keep its plant in modern condition. Every bakery has to add new equipment, replace old equipment all of the time.

Mr. RARICK. Have the equipment costs also increased?

Mr. CREED. They have gone up. I cannot think of anything, frankly, that has not gone up.

Mr. RARICK. The only item you can say with certainty that has not gone up seems to be the price of wheat to the farmers.

I thank you, Mr. Creed.

As in many instances, in the consumer-producer fight, the consumers themselves have played a leading role in the ever-increasing price of foodstuffs. Yet the farmer who gets the blame doesn't even receive his full share of the spiral.

Mr. CREED. Well, sir, if I may repeat: The point that we want to make is that if the Congress feels the farmer, and particularly with reference to the wheat farmer, should have a certain level of income or return, then, either appropriate it out of the general revenues or use a plan which does not put a specific tax on the consumer of that wheat when it is in some end product.

Mr. RARICK. Mr. Creed, the laborers and the bakers and the truck-drivers, they are all consumers and they continue to receive more and more earnings. They do not receive their money directly out of the general revenues.

Mr. CREED. Well, here again, this is arrived at by the process of collective bargaining. It is not the taxing power of the Government that is thrown into the fray to say that this is what it is; you have no question or opportunity to bargain over what it is. The Government is setting the tax at 75 cents a bushel, and whether you like it, or whether you do not, you get it.

Mr. RARICK. But Mr. Zwach says that for 2 cents more on a loaf of bread, the farmer could receive parity.

Mr. ZWACH. Less than 2 cents.

Mr. RARICK. If a consumer is to pay 41 cents a loaf, 2 cents more, 43 cents a loaf will make little difference.

Mr. CREED. All I can say, then, Mr. Rarick, is to stay away from that store where Mr. Zwach went.

Mr. PURCELL. Mr. Kleppe?

Mr. KLEPPE. No questions, Mr. Chairman.

Mr. PURCELL. Dr. Melcher?

Mr. MELCHER. Mr. Creed, I appreciate your testimony in regard to adding iron to flour.

Do you have figures—you said that the industry will bear the added cost. Do you have figures of what that added cost will be?

Mr. CREED. The estimates that have been given would indicate that the additional iron—additional; you see, we already have iron in bread under the enrichment provisions of the standards of identity, and the added iron costs more than roughly a cent per hundredweight of flour. That is an approximate cost. Now, this, in and of itself in terms of impact on a loaf of bread, you can carry to a third or fourth decimal point.

Mr. MELCHER. This cost would not be a significant amount then?

Mr. CREED. It should not be.

Mr. MELCHER. Now, about the $350 million, or the 75 cents per bushel share of the domestic certificate value that the industry pays—what does the $350 million represent in percentage of the sales of the products involved?

Mr. CREED. The annual dollar volume of all bakery products, according to the census of 1967, was approximately $6 billion.

Mr. MELCHER. Is this at wholesale or retail level?

Mr. CREED. This is at wholesale.

Mr. MELCHER. And this is at the level of your industry?

Mr. CREED. That is correct.

Mr. MELCHER. So, the $350 million then represents, not 10 percent, but 5 percent or 6 percent?

Mr. CREED. About 6 percent.

Mr. MELCHER. Six percent.

Mr. CREED. Of the total dollar value of shipments of bakery products.

Mr. MELCHER. Well, now, we all recognize that the cost of wheat is not at parity. There is no argument that the wheat is not selling at parity right now.

Mr. CREED. It is not. That is not the price; parity is not the price for wheat today, no.

Mr. MELCHER. Well, of course, our goal for the producers is that wheat does sell at parity. Now, I presume from your testimony that the industry agrees to that.

Mr. CREED. Our position, as far as the level at which we should sell, is that it should be whatever the Congress wants to determine in any program it sets up.

Mr. MELCHER. I think you missed my point, Mr. Creed.

What we would like is, rather than to have to subsidize farm production, to have wheat and the other agricultural products sell in the market on the basis of parity, a fair return to the producer without the subsidy.

Mr. CREED. In a free market, in other words.

Mr. MELCHER. Yes.

Mr. CREED. If that were so, we would have absolutely no complaint to make.

That is the operation of a free market, the free enterprise system, and if that is the way it is, then, so be it.

Mr. MELCHER. Well, you would agree to that goal, would you not?

Mr. CREED. I see nothing objectionable in that goal.

Now, whether parity is a good economic price, I am not prepared to say.

Mr. MELCHER. If it was at parity, would not that raise your costs?

We would forget about the $350 million you put into the certificate program. You would not pay that, but would it not raise the cost of the product of wheat sold at parity?

Mr. CREED. It probably would.

Mr. MELCHER. And would it not then mean that the consumer would pay even more?

Mr. CREED. Yes, the consumer would pay more.

Mr. MELCHER. So, as it stands right now, even though you are passing on the $350 million you pay as part of the certificates, which is 6 percent of your gross sales—even though you are passing that on to the consumer, if the wheat sold at parity—which is our goal and which would only be fair—consumers would still have to pay more. Your product would still cost more than it does now for the consumer?

Mr. CREED. That is entirely conceivable, Mr. Melcher. And here I think you could enter the philosophy of the system. If the price level arrives at parity through the operation of free market system, I do not think anyone in our economy can raise objection to that. It is when the

Government injects itself in, and interferes with, the operation of a free market system that it puts a tax on the product and says:

It does not achieve that on its own, therefore, we are going to tax the user of the product to make sure that the producer of it gets what we think he should get, regardless of what the free market action might be."

Mr. MELCHER. Well, the point I am trying to make, Mr. Creed—and I think we have made it— is that even though you find the $350 million tax abhorrent and object to it on the basis that it is putting an added burden on the consumer, if we, this committee, and the Nation, including your industry, could meet at the common goal of assuring parity to the wheat producer, the consumer would have to pay still more?

Mr. CREED. I think you are right.

Mr. MELCHER. Thank you.

Thank you, Mr. Chairman.

Mr. SEBELIUS. Mr. Chairman?

Mr. PURCELL. Mr. Sebelius.

Mr. SEBELIUS. Mr. Creed, I share my colleague's concern about what the farmer receives as far as a loaf of bread is concerned. If he could price his own product, like you can price your product, he would not be in this position. And I appreciate the fact that the tax that is levied is regressive. I think it is definitely so, and I know that you would not be bothered if you were paying it in the marketplace, as against the tax. But we have not come up with a better substitute, and we do need to get something to the farmer in this field.

I just want to address these remarks to you, and compliment the American Bakers Association for their activity in the "Day of Bread" last October. I had a little "Day of Bread" here of my own amongst my colleagues. I sent them each a small loaf of bread that I got from one of the local fine bakeries. I also sent them some recipes for good wheat products and a letter explaining why we needed this product and needed to promote wheat, more specifically Kansas Hard Red Winter wheat. I feel that the American Bakers Association took a right step, and I would hope that in the future, you would continue to do all you can to advertise the wheat products and get wheat back into greater use. I commend you for adding more iron, and I hope that, in our desire to end malnutrition in the United States, the American bankers can help out by trying to get more nutrients into that loaf and get that loaf into the hands of the people who need it.

Mr. CREED. Well, Mr. Sebelius, if there is one objective that the American Bakers Association has, it is to increase the consumption of bakery products, and we certainly want to do everything we can to achieve that, and we hope that in the process of doing it that the wheat farmers, the wheatgrowers, will prosper and prosper well.

Mr. SEBELIUS. Thank you.

Thank you, Mr. Chairman.

Mr. PURCELL. Well, Joe, I think my colleagues have pretty well taken care of you, so I will not bother to harass you very much more.

I would just say, in concluding here, that I think we all realize that this is a very, very difficult problem that we face. We do hear statements made similar to the one you made, about the product that we spend our time talking about being those involved in Government programs. But, to me, this only means recognition of the products that were in difficulty as far as marketing at a reasonable price, and this

was recognized many years ago, but no one has come up with the absolute pat answer.

But to take that philosophy on other things, we would say that just because medicine has not cured some diseases that we should quit doctoring those diseases, and I think that we would all agree that without the advancement that medicine has made we would be worse off than we are now as far as health is concerned.

So, we have not stopped doctoring just because we have not found the answers; and this may be a naive or very simple way of explaining it, but to me this is about the same reasoning.

So, I would like, then, to just reemphasize what Mr. Sebelius said, that your organization and your members work very diligently with other members of other segments of the wheat economy in promoting the "Day of Bread" activity. I know that you all are involved in further cooperative work between other segments of the wheat economy again, the wheat users. I hope that this can really develop to be a way of promoting and coordinating the efforts to develop more consumption of bakery products. There is no use in you and I emphasizing it, because we both know, but for the record's sake, I think it is correct to say that we are the only advanced country in the world that is going backward in the consumption of bread per capita. This is deplorable, I think that those of us involved in this, both in the industry and politics, seem to have taken the attitude, because some city doctor said many years ago that if you eat too much bread you are going to get fat and you might die sooner, that we have just sort of accepted that and we have not effectively come up with an idea that shows that the use of bread, which is as basic as anything can be, is healthy, that it is one of the basic—I guess along with meat—foods that we have, and we have not done a good job.

I am not blaming you at all. I am blaming all of us. Working together, we must present to the American public and to the world good reasons to use more wheat and to use our other grains, because it is healthy. I think sometimes we need to hire us a testifying doctor. I used to practice law, and it was not adverse to find a doctor to testify to something affirmative instead of always negative, and if we can get us a testifying doctor to say "My wheat will not make you fat," maybe we can make some progress. That is my lecture to you today, and I appreciate your listening.

Mr. CREED. Thank you, Mr. Chairman. I concur with everything that you have said, and certainly we have a mission to get the benefits of cereal products across to the public. The nutritionists are finally speaking out on it in greater numbers, and, perhaps, as time goes on, it can be spread further among the general public.

Mr. PURCELL. All right, sir, let us keep working together, and, hopefully, you will not make any more progress in doing away with the wheat certificates, overall, than you did this morning, and we will continue to work together on the rest of it.

Mr. CREED. Thank you, again, Mr. Chairman.

Mr. PURCELL. Thank you, sir.

Now, our remaining witness for this morning is Mr. Robert M. Frederick, who is the legislative representative of the National Grange.

We are glad to have you at this time, Mr. Frederick.

STATEMENT OF ROBERT M. FREDERICK, LEGISLATIVE REPRESENTATIVE OF THE NATIONAL GRANGE

Mr. FREDERICK. Thank you, Mr. Chairman.

I am Robert M. Frederick, legislative representative of the National Grange, a rural community family organization, with headquarters at 1616 H Street, NW., Washington, D.C.

Now, the remaining portion from page 1 on through to the bottom of page 6, I believe, is a repetition of the very same policy statement adopted at our 103d annual convention and was put in the record on the feed-grain portion. Therefore, I will not take time to read it this morning.[1]

I am at the last paragraph on page 6 of my prepared statement.

The National Grange believes continuation of the basic provisions of the Food and Agriculture Act of 1965 is the first step in securing effective domestic farm programs for the seventies. We must not be forced to return again and again to pass legislation already approved by Congress. Our main purpose is to improve the basic act, improvements that cannot wait because improvement in farm income cannot wait; therefore, we are proposing them this year.

We specifically recommend for wheat the following—And this is the portion of the coalition farm bill which you, sir, introduced with other members of this committee, the full Committee on House Agriculture.

We specifically recommend for wheat the following:

1. Provide authority for export certificates between 65 and 90 percent of parity.

2. Limit amount "projected yield" can be adjusted as result of natural disaster.

3. Provide that one-half of wheat certificate value can be paid at time of signup.

4. Loan rate to be $1.25 at harvest time and not at home of loan maturity.

I do not believe that I need to explain those four points. I think they were adequately explained by the Farmers Union representatives here earlier this morning.

At this time, I would like to say for the record, if it is not already clear, that the National Grange is a member of the 24-member farm coalition group and has worked a good many years to bring such unity to agriculture and will continue to lend our support to this type of an effort in gaining fruitful farm legislation.

Returning now to the prepared statement: In addition to these proposals for wheat, the National Grange recommends that the following programs be a part of new farm legislation. This is, also, a part of the coalition farm bill. They are not specifically related to wheat but would have an effect on the eventual effectiveness of the wheat program, as they relate to the total farm program; the establishing of a consumer reserve and supplemental land retirement programs. All of these features were more fully explained when we testified before the full committee on farm legislation back in July. They are as follows:

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[1] See Mr. Scott's statement, pp. 1167 to 1172.

Reserves: Establishment of consumer protection reserves of wheat, feed grains, soybeans and cotton. Consumers must be assured of stable supplies, despite crop failures at home and abroad. Reserves will make supply-management more workable by removing the threat of shortage. Production can be planned more accurately to fit market needs if we have a buffer reserve fully isolated from the market. Here, again, this was fully explained, I think, in detail, as far as cost goes, by the representatives of the Farmers Union earlier this morning.

Cropland adjustments: We commend the Secretary for rejecting a massive cropland retirement program as a substitute for existing commodity programs, as we agree that programs must be tailored to fit individual commodities. Cropland adjustment programs should be supplemental and work in combination with commodity programs.

We recomend the removal of the limit of $245 million on amount of funds that can be appropriated for the cropland adjustment programs.

In our efforts to improve farm income and therefore economic conditions in rural America, we dare not be misled by proposals and counterproposals that promise increased farm income, while at the same time a reduction in total cost of farm programs to the Federal Treasury. This would mean total reliance upon the marketplace for farm prices, therefore farm income, an economic situation that is unrealistic as long as the American farmer is called upon to supply an abundance of food and fiber, in excess of that needed to correctly match supply to demand. The amount produced over and above that needed to match supply to demand is a sufficient amount to destroy the marketplaces as the sole source of fair and reasonable prices for the producer; therefore, it is the opinion of the Grange that present farm programs, that supply a proper mix of public and private funds, must be continued if we are to have a viable family farm structure in American agriculture.

This, then, represents the National Grange's official position on future wheat programs, as it was overwhelmingly endorsed by the delegate body at its 103d annual session just concluded on November 18, 1969.

I fully realize that it does not recommend nor does it condemn the set-aside wheat program, as set forth in the summary of draft legislation submitted by the USDA on October 25, 1969. But such a strong position in favor of the continuation of the Food and Agricultural Act of 1965 can only be interpreted as a complete rejection of the set-aside wheat program, by the membership of the National Grange.

The Agriculture Committee of the National Grange did consider what little information they had concerning the new wheat program before recommending to the delegate body that the Grange support the coalition farm bill. The information the committee had was supplied to us by a member of the House Agriculture Committee and we have not had the privilege or the opportunity of being briefed on the set-aside wheat program by any members of the Department of Agriculture, although requests have been made to the Department both by letter and by phone.

In light of the limited information available to us, it is rather difficult, if not impossible, to pass judgment on farm program proposals that have not been sufficiently and clearly explained by the

Department and which have not reached a stage of development where one can judge the overall effect on such proposals on net farm income.

In all fairness to the Secretary of Agriculture and to the administration, it was the judgment of the National Grange's Committee on Agriculture that they were not in a position to pass final judgment on the "set-aside" program for wheat.

In general the reasons for rejecting the "set-aside," other than lack of sufficient information, can be summarized as follows:

1. Too much is left to the discretion of the administration. The National Grange knows and has a great deal of respect for the present Secretary of Agriculture, Clifford Hardin, but we don't know who will be the next Secretary of Agriculture. He may be someone totally in opposition to any farm programs, and therefore we would like to see as much of the program as possible spelled out in the legislative language. Furthermore, I'm not so sure that the Secretary of Agriculture, whoever he may be, would want to have this much authority over farm programs and their administrative decisions.

2. The National Grange is opposed to establishing price support loans and payments at 80 and 95 percent of a moving average of the last 3 years' market price. This, plus the fact that certificate payments would be established by the basis of "general criteria"—again at the discretion of the Secretary—would mean the abandonment of parity as the criterion for establishing domestic certificate value. As we stated earlier—from our policy statement—parity prices have served as guidelines for measuring fair and equitable prices for agricultural commodities relative to the prices of things farmers buy. The inflation that grips the national economy hits at the heart of the cost-price squeeze which is ruining our farmers. The only tenuous attachment the price side has is through the parity concept. The ability of farmers to secure credit would be adversely affected if the parity price index were to be discarded.

3. We do not feel that the "freedom to plant" feature of the proposal of the Department, while it may be attractive to some areas, is incentive enough to induce program participation, if in the long run, the set-aside program will not increase farm income. We have been told that this feature will allow farmers to grow the crop for which their farm is best suited and the crop they can grow with the cheapest inputs, thereby increasing their net farm income. We would like to point out that under the present programs, the farmer has the opportunity for free substitution between wheat and feed grains. For their own reasons, most farmers have not used this privilege or alternative in the present program to any large extent; therefore, we see no reason to expect any great change in their cropping history under the "freedom to plant" provisions of the set-aside proposal.

The "freedom to plant" is taking a step away from sound production controls. The marketplace—given sufficient time—can bring supply in line with demand, but at a considerable cost to the farmer from year to year as he adjusts or tries to adjust, and many are forced out of business during this period of ups and downs of the market. Independent decisions being made by so many individual producers cannot reflect market changes very rapidly. Farm problems cannot be solved simply by changing farm structure or production patterns—it's far

more complicated than that. Present programs provide the tools for effective, annual production control and will have our continued support.

4. Based on their knowledge of the proposal, it was the judgment of the National Grange Agriculture Committee that considered the set-aside wheat program that it would lead to a lowering of income to the wheat farmer, something that they can ill afford. They based their decision on the following criteria:

(*a*) Reduction in the value of the domestic certificate and pegging the processor portion at 75 cents per bushel. I might add here as most of you know, it has been the long-range philosophy that all of the certificate should come from the marketplace and not the Federal Treasury, and, although this is not in our present farm policy statement it still remains firm Grange policy that the entire market—domestic market certificate should come from the marketplace and not a portion coming from the Federal Treasury which the proposed legislation is taking out. We agreed to the taking out of the Federal Treasury, but we would ask that it be assessed in the marketplace.

(*b*) Certificate payments would be announced in advance, but would be scaled back at the end of the season if market prices rose above the "target level." This certainly is legislation that would limit the ability of the farmer to increase his income.

(*c*) A reduction in the loan rate from $1.25 per bushel to $1.15 per bushel. A cut in income of 10 cents per bushel and if it is to be administered like the present program, that is, $1.15 at loan maturity, it would establish a cash market price at time of harvest of $1.05 per bushel.

(*d*) Export certificate program would be discontinued. The discontinuance of the export certificate program would have far-reaching effects. The National Grange supports, and will continue to support, the U.S. participation in the international grains arrangement. The elimination of the export certificate provision would not be in the interest of the wheat farmer or the exporter, as it is the mechanism designed to bring U.S. export wheat prices in line with world export wheat price.

(*e*) Setting loan level at a figure intended to encourage exports without Federal subsidy, in our judgment, will lower farm income, without a corresponding increase in farm exports. Present wheat disappearance by exports, for cash, has increased from 1967 to 1968 by 10 million bushels. The big decrease has been in the area of exports under Government programs, which have decreased during the same period 189.1 million bushels, that is, from 471.2 million in 1967 to 242.1 million bushels in 1968. The breakdown for 1969 is not yet available as to exports for cash sales versus exports under Government programs. But we would hazard a guess that this trend continues. What we are saying is that increased exports for cash will not necessarily follow lower farm loan rates.

In studying the figures supplied with the set-aside wheat program, you have to use the optimistic column if you are going to improve farm income and with what little we know about the source of the figures or their meaning, the chart is useless in helping us to determine the net effect of the set-aside wheat program on wheat farmers and their real income.

It is for these reasons that we are unable at this time, knowing what little we know about the main set-aside proposals, to give National Grange support to such proposals or alternatives to farm programs.

In addition, it is apparent from some studies made in the field that the set-aside program, for wheat as well as for feed grains, will add to our already surplus wheat and will increase the production of corn and other feed grains substantially.

We have not made any reference to the limitation of payment feature of the set-aside proposals, either in this statement or in the statement last week when we testified on the feed grains provisions of the set-aside program.

The delegate body of the 103d annual session of the National Grange passed the following resolution pertaining to limitation of payments:

> Farm program payment limitations: Supply management programs in agriculture must include producers of all acreage or unit levels to be effective. Payments under present programs to a few large producers has resulted in unfavorable publicity and creation of an unfavorable image of farm programs, through misunderstanding of the objectives and purpose of supply management farm programs.
>
> We must recognize the increasing pressure for limitation of payments that may arise in considering the new farm program legislation. We therefore authorize and instruct the national master and executive committee to carefully review all proposals for payment limitations; their effect in the consideration and passage of farm program legislation; and the effect on proper administration and implementation of farm programs and take such action as will be in the best interests of agriculture as a whole.
>
> We urge that no payment limitations be imposed unless workable supply control measures be simultaneously developed and we further urge that any payment limitation that might be imposed be such that the constitutionality of the cotton and wheat certificate programs will not be jeopardized.

Please allow me to add that agricultural support and adjustment programs have been long recognized as a means of strengthening our national economy and of assuring consumers of an adequate supply of food and fiber to meet all essential needs plus an additional reserve supply to protect against shortages which might otherwise arise from short crops or other unforeseeable conditions. Without such a program the additional reserve supply which is essential to protect the consuming public against food and fiber shortages would unfairly depress the price of agricultural products and destroy the productive capability of American agriculture and severely injure our national economy.

In the middle 1950's producer payments were adopted and used in varying degrees as a method of implementing the production adjustment program. The carrying out of price supports in part through the use of payments had as its objective and effect the lowering of the price of the commodities in the marketplace to a point substantially below parity or the fair market value which would have otherwise resulted from a loan or purchase-type program. This lowering of the price through payments had the effect of making our agricultural products more competitive in the export market and to a large degree eliminated export subsidies; but, of even greater significance, such payments served to reduce the price of agricultural commodities in the marketplace to the benefit of consumers. Thus the payments to farmers currently being made under the existing price support and adjustment programs clearly cannot fairly be categorized or analogized to gifts or welfare-type payments. They are, in fact, payments for the purpose

of offsetting the price reductions which farmers are taking for their products in the marketplace. If, therefore, we are to obtain and maintain the production needed and an agricultural plant capable of supplying such level of production to constantly assure consumers of an adequate supply to meet their needs and reserves to protect against short supplies, we must maintain an adjustment-support program through loans, payments, or other operations which will assure producers cost of production and fair returns for their products. Any attempt, therefore, to arbitrarily limit payments or price support, except in relationship to the quantity produced under the production adjustment program, would endanger the production capability of American agriculture to meet consumer requirements and would rapidly impair our national economy by destroying the balance between agriculture and other segments of our economy. If we have learned anything in the past, we have learned that the industrial and agricultural segments of our economy are interdependent and that one cannot prosper without the other.

I am sorry that we cannot be more constructive in our support or criticism of the "set-aside" wheat program, but the National Grange has not been invited to the council tables in the Department of Agriculture. Most, if not all, of the commodity groups have, on more than one occasion. We are glad they have had this opportunity to learn firsthand the explanation of the new proposals for wheat, feed grains and cotton. We have not been so privileged; therefore, our statement lacks the depth which we would like it to have and we cannot condemn too harshly that which we do not clearly understand.

We wish to compliment the efforts of the Secretary and the Committee on Agriculture for their long hours of work on new farm legislation and, as we told the Secretary, we hope the ultimate farm legislative package coming from this committee will be such that it can have the support of the National Grange.

We appreciate, Mr. Chairman, this second opportunity to present our views on wheat, and again express our thanks to you for your continued leadership in this area.

Thank you.

Mr. PURCELL. Thank you very much, Mr. Frederick.

Mr. Foley, do you have questions?

Mr. FOLEY. I do not have any questions, Mr. Chairman.

I would like to compliment Mr. Frederick on his statement. I think it is, again, a very useful statement. I am concerned with the statement made that the National Grange had not been invited to consult with the Department of Agriculture. It is my recollection that when the Secretary appeared before the committee on September 9, the Secretary assured the committee that as these program structures were developed by the Department that they would be made available to the relevant farm organizations and that they would be included in the consultations and discussions of the Department. I see no reason why this courtesy and cooperation should not have been extended to the National Grange, and I am sorry to hear that it has not.

Mr. FREDERICK. Well, it has not, Mr. Foley. The information we received, we received from one of the members of the committee and we had it duplicated several times and passed it out to our agricultural men at our annual session.

Prior to my trip to the IFAB, I wrote, on behalf of the Farm Coalition, to the Department, asking for a comparison of economics of the coalition farm bill with the present farm program and the new set-aside and new alternatives as outlined by the Secretary in his appearance on September 24. I imagine this letter was sent out the last of September. Prior to leaving for the Orient—because I thought this would be information I would like to have in discussing feed grains and wheat in the Grange commodity of the IFAB, I called the Department and asked if the answer to my letter was ready. They had some difficulty in finding the letter, which is not to condemn anyone—this happens many times—but I was told at that time that the answer to my letter was in the process of being drafted. I have not received it as of this date, so I cannot report to the coalition group a comparison of our program as compared with the set-aside proposal.

When we were at our annual session at Daytona Beach, a representative of ASCS called the Department and had three or four different people on the line before we could find out whether or not the Treasury report of the wheat certificate program was to be eliminated. There seemed to be a reluctance on the part of the people we talked to, to come up and admit that this was true. We called and asked for additional information from the Agricultural Committee and was sent a questionnaire which we were told was confidential, was not to be reported, which was a questionnaire being sent out to the ASCS committee men on a series of questions and answers on the set-aside proposals which was not information upon which we felt we could base a just decision upon.

Other than that, I have no other remarks to make in response to Congressman Foley. We have not had the privilege, and I think our Agricultural Committee kind of felt that the information we got from the member of the House Agriculture Committee was pretty much in confidence and that it was not to be circulated, and they kind of felt that they were not even supposed to have it, kind of like we were sneaking out behind the barn smoking when they were even looking at it, because it did not come from the Department.

Mr. FOLEY. Thank you.

Mr. PURCELL. Mr. Mayne?

Mr. MAYNE. Mr. Frederick, you certainly do not mean to infer that some member of this committee has improperly released information to you that was confidential and should not have been released to you; do you?

Mr. FREDERICK. This I do not know. All I can say is that is the only place we got it; we did not receive it from the Department of Agriculture.

Mr. MAYNE. Well, I think the clear thrust of the last sentence you spoke in answer to Mr. Foley was that you had misgivings about the propriety of your source of information.

Mr. FREDERICK. I said this was the feeling of the members of the Grange that served on the Agriculture Committee, that since it had not been made public that perhaps they did not have a public access or should not have public access to the information that we had in our hands and, therefore, they were reluctant to make it public.

Mr. MAYNE. Well, just let me assure you that as far as I am concerned, from my knowledge of this committee on both sides, there is

not any member of the committee that would be leaking information to you that he was not entirely entitled to give to you, and I think you can rely on that.

Mr. FREDERICK. Well, I am glad, and I am sure this is so.

Mr. MAYNE. Now, how many groups are there in the coalition?

Mr. FREDERICK. I think, at last count, 24 or 25.

Mr. MAYNE. Well, Mr. Frederick, I think—and I might be mistaken on this, because I was not here at the first part of today's session, but I have been at the other sessions of the subcommittee—I do not recall a similar complaint from any of the other 20-some members of the coalition. So, it would appear that the Grange is the only one that feels it has been left out.

Mr. FREDERICK. No; I did not say that, sir. I said that the commodity groups had the privilege of being called into the Department for consultation. To my knowledge, none of the general farm organizations that are in the coalition have been invited, and I think that if you will go back and review the Farmers Union testimony, the NFO's testimony, which are general farm organizations that are members of the coalition, they have stated, as I have stated, that we do not think we have sufficient information and that what information we do have has not been explained so that we can make a just decision, honorably or dishonorably, so far as the set-aside program is concerned.

Mr. MAYNE. Well, I would agree with you that they felt that they did not have as much information as they would like to, but I do not believe that any of those other groups went as strong as you have in condemning the Department or accusing it of excluding you from any consultation. I think the Grange is, indeed, unique in that respect on this record.

Mr. FREDERICK. Well, the only thing I can say, sir, is the letter which has been sent or which was sent on behalf of the coalition has remained unanswered. In addition, I can say to the request by telephone from the annual convention asking for additional information and, in fact, for a representative from Washington to come down and address the committee they were unable to do so because of heavy schedules of people in ASCS who were traveling somewhere abroad, and some were not able to be there to explain it. I do not think that we are meaning to condemn the Department of Agriculture. Perhaps, it has just been a method that the whole program has been presented.

Mr. MAYNE. Those are the only questions I have.

No, excuse me. I do have one other area that I would like to explore with you.

I take it that your testimony is to the effect that your organization is against any limitation of payments?

Mr. FREDERICK. Basically, that is what I believe the adopted resolution stated which I quoted from. We will study it when it comes up and see its total effect upon farm programs and agricultural economy as well as the national economy, and then make our decision whether we would be for or against it. Presently, as we fought the limitation of payments on the House floor in the appropriations bill and as it comes before us now, we would be basically opposed to it until we saw the true effect of such a basic limitation. We feel that the minute you say you are for a limitation of payments, whether it is a top cut off the board at 20,000 or whether we say if they are going to be imposed, we would like to have them on sliding scale, you are admitting the limita-

tion of payments perhaps in the past has been wrong, that they are welfare payments and perhaps they should not be receiving them and the National Grange is not going to be taking this position.

Mr. MAYNE. Well, it is all very well to go down swinging, as a matter of principle, Mr. Frederick, but the votes in the House of Representatives indicate that a very clear majority of the members are committed to a limitation of payments, and I would like to suggest to you that it would be more constructive to point out what ways of imposing a limitation you think would be least damaging, most effective, rather than to just say, in essence, that your position is that you are against the limitation. There are a lot of people who are against the limitation, but on the basis of the voting pattern it looks like there is going to be a limitation.

Mr. FREDERICK. Yes, sir. And if you admit that you favor limitation of payments, you are relegating the farmer to a welfare status, and they are going to go right down to the basic welfare payments of $3,000, or whatever it happens to be, for a family of four or up to a family of 12. We do not feel that in fact they are welfare payments and should be looked upon as such.

In the concluding statement that I made, starting on page 14, fully we hope, that will be driven home to the members, the urban Congressmen that look upon it this way, and I see no difference between this and a union wage scale, which is allowed to be arbitrated to reach that. I have seen no effort in Congress to limit this; I have seen no effort in Congress to limit the amount of minimum wage, nor to eliminate the minimum wage law, and I would think that this should be adopted as a national policy in food and fiber, that farm income is going to be maintained at a fair level and that it is going to be in the marketplace for the consumer. Twenty-five percent it has been estimated, 25 percent, of farm prices now come from farm payments.

Mr. MAYNE. Do you have any suggestion at all as to what would be the best or least objectionable way to limit payments?

Mr. FREDERICK. No, sir; I do not.

Mr. MAYNE. All right; thank you.

That concludes my questions.

Mr. PURCELL. Dr. Melcher?

Mr. MELCHER. I have no questions.

I do have one comment. I think it is to the advantage of this subcommittee and to the full committee that the various suggestions of the Department be made available to the Grange and general farm organizations. I would hope that in the future that whatever is brought out by the Department can be made available and consultation can be had with the Grange and general farm organizations.

I think they are worthwhile and we certainly need their suggestions.

Thank you, Mr. Chairman.

Mr. FREDERICK. May I comment, Mr. Chairman?

Mr. PURCELL. Yes.

Mr. FREDERICK. In this same regard, tomorrow, on the floor, there will be a vote on the dairy section of title I, the dairy section of the farm bill. It was public knowledge on September 24, when the Secretary appeared, that they had proposals that they were going to send forth to this committee—not this committee but the full Committee on Agriculture of the House—on new provisions for a class I base.

Now, we would like to see what these recommendations are, to see whether they are in line with our support. We have not been afforded this opportunity, nor do I think any other farm organizations have seen the recommendations regarding the class I base milk plan. If we are going to have a consensus farm bill, all I am saying is: Let us in on the know so that we can make either a criticism or support. We have not seen this, as far as the recommendation of the Department on class 1 milk plan, either.

Mr. PURCELL. Mr. Kleppe?

Mr. KLEPPE. Thank you, Mr. Chairman.

Mr. Frederick, I think you have set forth your position on the various titles of the coalition farm bill very clearly. I have no specific questions on the statement you have given us.

You were in the room earlier today when Mr. Javits and Reuben Johnson were testifying for the Farmers Union?

Mr. FREDERICK. Yes, sir.

Mr. KLEPPE. And you heard the answers they gave to my questions on the proposed costs. Do you generally agree with those, Bob, or do you have any changes that you feel are in order?

Mr. FREDERICK. No, Congressman Kleppe, I think those estimates were right. One thing that they did not bring home, which I think should be brought home, is that the effect on farm income of the coalition bill would be to increase farm income from $1.3 to $1.4 billion, and this is if it was funded as it properly should be funded, according to our coalition bill. This would be that much increase on the income side and perhaps all of this would be income and net income.

Mr. KLEPPE. Have you got a specific break, for that difference?

Mr. FREDERICK. No; just a rough estimate of what the increase in farm income would be.

Mr. KLEPPE. In general terms, however, you do primarily agree with the figures that he gave me on the differences, from the standpoint of cost to the Treasury?

Mr. FREDERICK. Yes; and this was worked out not only by the coalition but worked out with the economists in the Department of Agriculture.

Mr. KLEPPE. Have these same figures been agreed upon generally by all members of the coalition?

Mr. FREDERICK. Yes, sir. I just stated, Mr. Congressman, that these were figures that we did not come up with; these were figures that were worked out with the economists in the Department of Agriculture.

Mr. KLEPPE. I did not understand it in that way this morning when he gave them to me, and I am glad to have this additional information.

Thank you, Mr. Chairman.

Mr. PURCELL. Mr. Sebelius?

Mr. SEBELIUS. I have no questions.

Mr. PURCELL. All right.

If there are no other questions, then, we appreciate your being here very much.

The subcommittee will stand in recess until 10 o'clock in the morning when we continue the hearings on the wheat section of the farm bill.

(Whereupon, at 11:40 a.m., a recess was taken until 10 a.m., Wednesday, December 3, 1969.)

WHEAT

WEDNESDAY, DECEMBER 3, 1969

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON LIVESTOCK AND GRAINS
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10:10 a.m., in room 1301, Longworth House Office Building, Hon. Graham Purcell (chairman of the subcommittee) presiding.

Present: Representatives Purcell, Foley, Jones of North Carolina, Montgomery, Lowenstein, Rarick, Melcher, May, Zwach, Price of Texas, and Sebelius.

Also present: Christine S. Gallagher, chief clerk; John A. Knebel, assistant counsel; L. T. Easley, staff consultant; Fred Ward, assistant staff consultant; and Martha Hannah, subcommittee clerk.

Mr. PURCELL. The subcommittee will please come to order. As is so often the case, we have other subcommittees meeting and other important matters involving several of our colleagues going on.

We will be joined later by some others of the members.

Our first witness this morning is Mr. Bob Zimmerman of the State of Washington. He is a former president of the Washington Association of Wheat Growers. We will ask our colleague and distinguished member from Washington, Mrs. May, to make whatever introduction she would like to.

Mrs. MAY. Very briefly, Mr. Chairman.

I would like to introduce to this committee Mr. and Mrs. Bob Zimmerman. Bob is one of the most efficient wheatgrowers we have in the State of Washington, and that is not a personal or a subjective finding, he was chosen as such by his peers and recognized as such by them.

By the way, we would like to have Mrs. Zimmerman sit with him at the witness table because she is a very efficient statistician. I have known the Zimmermans for some years, and they are outstanding representatives of an efficient wheat district in the United States. We are glad to welcome you both.

STATEMENT OF MR. AND MRS. BOB ZIMMERMAN, ALMIRA, WASH. (FORMER PRESIDENT, WASHINGTON ASSOCIATION OF WHEAT GROWERS)

Mr. ZIMMERMAN. Thank you, Mr. Chairman.

Thank you very much, Congresswoman Catherine May. I certainly appreciate the introduction.

Honorable Chairman Graham Purcell and distinguished members of the Subcommittee on Livestock and Grains, of course, as you have

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mentioned, I would like to introduce my wife, who is my partner. She is a bookkeeper, she is my statistician, she is my economist, and sometimes she is even my truckdriver.

I do feel that I represent a commercial wheat farm family in a low-rainfall area, the State of Washington, and I have farmed since 1947.

Now, the testimony that I intend to give today, I have gone through, and with your permission, I would like to ask you to bear with me; I have gone through it and rearranged it so that I can go through it faster, because I have not too much time to spend on some things. So I will go through this and if there is something that I would wish that you should turn to, I shall tell you.

I have included in your folders several copies of studies that we intend to use as examples of what we intend to show you.

I appreciate this opportunity to appear before you today. I have been an operator of what I considered a commercial family wheat farm in the low-rainfall area of the State of Washington since 1947. It is also important that I introduce to you my wife, who has been my partner, bookkeeper, sometime truckdriver and mother of our four children. During the past 20 years I have served on the community and county ASCS committees, have been active in numerous county and State agricultural committees and am a past president of the Washington Association of Wheat Growers.

As a citizen with a background in agriculture, I have been tremendously concerned about the future of our agricultural system in view of the drastic change in direction advocated by the "Food and Fiber for the Future" study and its close relationship with the new farm proposals. I believe that this was a bipartisan study which is the most comprehensive and far reaching ever done on agriculture. During my presentation I intend to make you aware of the possibilities that this study was set up as a springboard for these new farm proposal or that it is being used as a basis for new farm legislation.

I think you should also be aware that the staff economic analysis and the studies conducted for background information given to the Commission as a basis for their recommendations contained information which was false, biased, and slanted. The following is one example of a study done in my area which was used in the conclusion to make the commission believe that the "time is now" to drastically change our commodity programs by legislation to eliminate the parity concept and impose limitations on income vastly deviating from past successful methods of producing cheap food.

A few weeks ago we were asked by an editor of one of the leading farm magazines, "The Farm Journal," to look over and advise on the accuracy of a new study done on the production costs of wheat. We were told that this study was extremely important because the USDA intends to use them in their supply-management program to determine what price the farmer should receive for his wheat. This latest study is entitled "Cost of Production Budgets for Dryland Crops in Eastern Washington," Circular 501, and was authored by Norman K. Whittlesey and R. E. Oehlschlaeger, Washington State University, February 1969.

An earlier study by Dr. Whittlesey, Bulletin No. 674, August, 1966 under the same project number, No. 1386, was prepared upon request of the Economic Research Service shortly after his arrival at Wash-

ington State University from employment by the USDA/ERS. The area encompassed by this study is the highest yielding dryland wheat area in the United States, if not the world. Some of the figures in this study were used in the staff economic analysis of the food and fiber for the future report on page 192 as follows:

A Washington State University report illustrated this in a study of the effects of wheat prices on three different sized farms with 271, 638, and 1,293 acres respectively. With wheat at 87 cents a bushel, the small farm would make $309; the medium-sized farm $754; and the large farm $2,932 profit. If the price of wheat was raised to $1.77, the small farm could make a profit of $3,075; the medium-sized farm could make $17,062; and the large farm $43,084. This testifies to the advantages of scale in agriculture. Of course, it also illustrates the folly of trying to help the small farmer through commodity prices. Most of the money will inevitably go to the larger farmer.

In front of the ag bureau luncheon of the Spokane Chamber of Commerce, Dr. Whittlesey said his study No. 674 of 1966 was "taken out of context" and admitted that there could not have been a study done anywhere else in the United States that would have given those results as it required an average yield of 70 bushels or more per acre on dry land.

With this study as a basis for their deliberations, the Food and Fiber Commission concluded on page 5:

"Raising farm prices and incomes enough to substantially improve conditions of life for the families living on small farms with inadequate capitalization would create fantastic riches for the efficient commercial farmers."

The public, the Congress, the Food and Fiber Commission, and the President, whose executive order established it, would have every reason to feel that figures given to them were correct and could be substantiated. President Johnson, "to make sure that our bountiful land is used to the best of our ability to promote the welfare of consumers, farmers, and the entire economy," stated, "I am placing on the Commission Americans of broad experience and great talent. I am asking this Commission to make a penetrating and long-range appraisal of our agricultural and related foreign trade policies . . . These men will construct the most thorough study ever conducted of the effects of our agricultural policies on the performance of our economy and on our foreign relations."

The area used for Dr. Whittlesey's study No. 674 includes parts of Spokane and Whitman Counties in Washington and several counties in Idaho which make up the highest yielding dryland wheat area in the United States. On page 9 of this study it states that yields in this area under different practices range from 60 to 75 bushels per acre compared to a national average of 25 to 30 bushels. In the conclusion on page 23, it is stated that "In the long run considering all production cost except return to operator's labor and management, wheat can be produced at $1.48, $1, and $0.85 per bushel on small, medium, and large farms, respectively." It was not specifically stated in the study that land values in this area run from $450 to over $600 per acre compared to a national average of $150. When used in the food and fiber report these land values were not mentioned nor were the facts that these were hypothetical farms assuming no Government restric-

tion on wheat acres, all farms were owner operated, all production methods were representative of the most efficient operators, that unlimited capital is available at 6.5 percent interest, and 10 other assumptions.

For something so important as this food and fiber study, the public, Congress, the Commission, and the President have a right to expect that the figures given to them are accurate and, unless otherwise specifically stated, are representative and could be applied to all wheat-producing farms in the United States.

In his newer study, circular No. 501 which is a cost study, the area used in his earlier study, (No. 674, August 1966) corresponds to his area 1. In this study (circular No. 501, February 1969) Dr. Whittlesey states that wheat can be produced from 74 cents to $2.25 a bushel. In order to produce wheat at 74 cents he has to use this expensive land area and give it a value of $100, a yield of 90 bushels, labor at $1 per hour and interest at 3 percent. (Researching yield data, the average yield is nearer 60 to 65 bushels.)

Realizing the possible importance of this later study to support the premise that wheat can be grown at feed grain prices, we undertook an anlaysis of the study. All our observations have been carefully checked with both producers and qualified economists and corrected yields have been substantiated by statistical data.

The question of why some individuals would go to such elaborate lengths to have Dr. Whittlesey come to the highest yielding area in the country to conduct these studies in a deliberate attempt to show that the efficient farmer is making a profit and can raise wheat at feed grain prices has not been answered. However, these individuals are in important positions in agriculture.

It is imperative at this time when we are considering new farm legislation that Congress and the President have the true picture of American agriculture and base their decisions for farm programs on true and honest facts.

The following quotes are from "Cost of Production for Dryland Crops in Eastern Washington," circular No. 501, by N. K. Whittlesey and R. E. Oehlschlaeger—Project 1386.

SUMMARY AND INTRODUCTION

A range of costs per unit of production is shown for each crop as a result of alternative land costs, labor costs and crop yields. A summary table has the estimated average costs of producing each regional crop."

As will be shown later, this range in land costs ranges from a low price which has not been seen since the depression era to a high of the current average selling costs. Thus, the summary table which shows the average of the three prices is not average, but lower than average. (Area No. 1 shows $100, $300, and $475 as land prices, where $475 is average, $450, low; and $625, high for an average of $520, not 300).

The yields, however, in several areas are high. (Area 1 ranges from 65 to 90 with an average yield of 75. Actually, yields run from 50 to 75 in good years, with the 65 bushel as average.) More information on yields later.

Thus, the summary table by using higher than average yields and lower than average land price does not represent the average costs of

production in each area. See figure No. 1 for a revised summary table using average yields, real land values and current interest rates.

PROCEDURE

Farm size: Since calculation on machinery costs were assumed to apply to "farms large enough to have nearly exhausted the economies of machinery use to be obtained by increasing farm size" then enlarging farm size would not lower machinery costs.

FARM PROGRAMS

"It is assumed that farm programs have no influence on the costs of producing individual crops."

Since 1968, the year used in this study, we have had reductions in allotments for wheat and in the 1970 crop year these diverted or "black" acres will be 23 percent of the base in the summer fallow area. This will definitely increase the costs of production since no income will be forthcoming from these acres while they must still be farmed. (See table No. 2.)

WEED CONTROL

In most areas perennial or noxious weeds are controlled with chemicals much more expensive than 2–4D amine.

INTEREST ON OPERATING CAPITAL

Many farmers borrow operating capital which includes not only fertilizer, seed and pesticides, but labor, fuel and diesel, machinery repairs, taxes, insurance, supplies, and family living expenses. The current rate of interest is 9 percent and over.

MACHINERY

Since machinery was not listed, it was not possible to know whether machinery adequate for the job was used or not. The Nebraska tractor test data including drawbar pull and fuel consumption would not be meaningful for the hilly topography of most of the wheat areas. Seven and three-tenths cents per mile is very low for transportation (Hertz is Spokane charges 14 cents per mile for trucks).

The value of machinery was assumed to average 55 percent of its new price. However, due to inflation in machinery prices, machinery purchased in the last 4 years could be worth nearly as much as new price and the "opportunity cost" of capital invested should be raised from 7 to 9 percent.

LABOR

In estimating labor requirements, it was assumed that 10 hours of labor were required to operate a machine 9 hours. The extra hour was used in travel to and from field, servicing, adjusting, and repairing machines. Even the newest farm implements hit rocks, vibrate apart, break down, and plug up. Therefore, there are not too many days where this ideal situation takes place. Also, seasonal labor is not always available so that it is sometimes necessary to have a man year round to have help when needed.

Since the equipment listed on table 1 lists a 2-ton and a 1½-ton truck, and since two trucks would be needed to harvest a 65-plus bushel crop, it seems that 250 bushels would be too much of a load in the hilly Palouse area for the 1½-ton truck.

Since $2.50 was the average rate for hired labor, then $1 should not have been used at all. Newest wage rates given to construction workers average more than $11 per hour. Because farmers must not only be welders, machinery operators, plumbers, mechanics and, of course, top managers, it would seem that the sheetmetal workers' wages of up to $11.72 an hour for the first 35 hours and $23.44 an hour for overtime could be used. Since farmers put in 60 hours and more a week, this would amount to $409.20 for 35 hours plus overtime of $586 or a total of $995.20 per week or an average of $16.41 per hour. However, since farm operators are not unionized as yet, we might add a figure of $7.50 to cover labor and management. (Figure No. 2.)

LAND

Land values have not "increased remarkably fast in recent years." Land prices have not even kept up with the inflated value of the dollar. Land in the dryland wheat areas of eastern Washington which sold for around $125 per acre in 1939, now sells for around $225 while the 1939 dollar is now worth around 36 cents. While $100 invested in the stock market 20 years ago would now be worth $600.[1]

Commercial lending institutions base land values on the most recent sales in the area taking out any unusually high or low figures. Since the highest value in the study is the current estimated market value, only that price should be used in any meaningful study.

Someone who purchased at a lesser price should feel fortunate, however, he should realize that the current market price is what he could get if he sold out, and compare the returns he receives on his investment with this amount in stocks or even savings. (The usual return to landowner seems to run from 2 to 3 percent in the wheat areas according to Dr. Whittlesey.)

Current interest rates on farm real estate loans by commercial lending agencies is 9 or 9½ percent. There are some contracts of 6 percent made before the rise in interest rates, however, the 3 percent should not even be listed since the study is supposed to determine real cost of production.

CROP YIELD:

The study states: "Each crop budget shows assumed regional average yield for that crop. In calculating production costs, two additional yields, one higher and one lower are used to represent the expected range of yields in each region."

When questioned about his source of yield data, Dr. Whittlesey stated that he based his yields on information given him by local farmers and county agents. It is customary in cost studies done by agricultural economists for various universities to obtain the average yields from the State ASCS office and the Statistical Reporting Service. You would certainly expect that this would be the case. Using figures from the Statistical Reporting Service and consulting with the State ASCS

[1] Better Homes and Gardens. October 1969, p. 8.

office, it was found that in areas 1 and 2, where an average of 75 and 70 bushels was used, that out of 2,500 farms, there were only 261 with proven averages of 70 bushels or better. A yield of 65 in area 1 and 60 in area 2 would be more average. (In 1968 two of the largest counties used in areas 1 and 2—Spokane and Whitman Counties—averaged 47.3 and 47.9 bushels respectively.)

In area 9, an average yield of 27 bushels was used. The ASCS office reported no dryland proven yields in this area of 27 and the yield in 1968 was 16 bushels per acre. For this area 27 should have been the high average and 18 the average yield. As for area 10, the average was nearer 55 bushels than the 65 bushels used.

The study adds: "The cost per bushel obviously depends greatly on whether one divides the total costs by 30 or 50 bushels." This is certainly true. Using more accurate yield data greatly increased the production cost per bushel. It would appear that the use of yields which were much higher than average enabled the authors to artificially lower production costs. (The average yield for the State of Washington for the years 1964–68 was 39.6 bushels. In 1957 before the release of the new high-yielding wheats, the State average was 38.3, so there has been no dramatic increase in yields.)

Even after adjusting the yields to a more realistic figure, these averages show only good years. For instance, Washington State had averages of 38 bushels and then the rust epidemic of 1961 dropped the average to 28. In 1968, Benton County abandoned more than 30,000 acres and averaged 13.5 bushels per seeded acre. The 1969 crop year brought much winter damage and subsequent reseeding in the spring which resulted in very reduced yields in areas 5 and 6 and parts of area 4. These areas had many farms with averages of 10 to 20 bushels. Foot rot in wheat after wheat can reduce averages tremendously. Hail, hot weather, freezing, and disease can dramatically reduce yields despite the best farming practice. Spring wheat and peas are especially risky. This drop in yield greatly increases the cost of production per bushel.

RESULTS

A table in the study "shows a broad range of possible wheat production costs from 74 cents per bushel to $2.25 per bushel."

This is not a valid conclusion as the lowest cost uses 90-bushel yield (too high), land cost of $100 an acre (unheard of in this area) and 3 percent interest (extinct as the Dodo bird). The high cost of $2.25 per bushel used 65 as the low yield when the counties' averages were 74-plus bushels, so 65 certainly was not low.

The study continues: "We assume that the middle of the three yields is the current average yield * * * the middle land value shown for each region is below the current selling price of land, but is probably a generous estimate of average investment in land."

As has been pointed out, the middle yields in areas 1, 2, 9, and 10 are not average, but high and certainly current selling prices is the average for the area especially since actual selling price was used with the lowest and highest taken out. (See table 1 for revised averages.)

After all these adjustments and variations, the authors add the following footnote: "The authors recognize that even this procedure probably overestimates real production costs because it ignores the rather substantial appreciation of land values." This statement in-

validates all conclusions as being too high. Since a high percentage of farm operators in Washington are tenants on a ⅓–⅔ or ⅖–⅗ basis, land appreciation should have no bearing on real production costs. This footnote indicates how the authors have slanted this study.

Table 2 summarizes: "The most representative costs of producing a crop in each region." As has been pointed out in every case, land costs below selling price, interest below current rates and inflated yields make this table invalid. (See revised tables.) The author stated that the low land price, interest rate and wage rate was included so that each farmer might locate his costs. However, the real result was to permit a lower average cost of production in every area. This is certainly of no benefit to the farmer who wants to really know how he stands. If his yield exceeds the average or if his land investment is less his arithmetic is certainly adequate to adjust the figures himself. But USDA economists who are not farmers would conclude that the current average cost of production is lower than the actual costs. If a farmer, whose yield exceeds the average in his area, must do a little figuring to find his costs this has no effect on the price of wheat. However, if a Congressman or Senator is given "doctored" figures which show an unrealistically low production cost and subsequently higher net farm profits, the price of wheat could very well be affected. Certainly the earlier study done by this author (under the same project number) showing unrealistic returns which was used in the economic study of the Food and Fiber Commission—did more to lower wheat prices and was more damaging than any study ever done. With revised yields, current interest rates, current land prices and $2.50 labor this same farm showed a cost per bushel of $2.16, and at a price of $1.77 per bushel would go in the hole 39 cents per bushel for a net loss in wheat of $12,555. Quite different than the $43,000 plus profit Dr. Whittlesey showed in the first study (Bulletin No. 674). The study was used in the food and fiber report to prove that it would do no good to try to help the farmer by raising commodity prices because it would make the large farm operators "fantastically rich" (1,200 acres). This study has also been used as propaganda by the proponents of payment limitations. It was also used to show that parity price must be revised as a measure of farm prosperity. The revised tables which follow show that partity is still valid and is in fact necessary in the high risk farming operation.

The following tables use Dr. Whittlesey's figures for each area using his costs with labor at $2.50, current land values and current interest rates as shown in his Circular No. 501, tables 3a through 41a. It should be noted however, that the current interest rate (9 percent) applies only to returns on land investment and interest on machinery and operating capital are still 7 percent as he computed them.

To compute cost of production using a revised labor figure to give a return for management, which was missing from his report, the added cost of $5 per hour (the difference between $7.50 and $2.50) spent per acre was added to Dr. Whittlesey's total cost per acre and then divided by average yield to get cost per bushel. This management cost is, of course, only figured on the actual hours taken to produce wheat.

The figures for table 3 were obtained by using Dr. Whittlesey's current costs and adjusting for loss of income incurred in the 1970 program. The reduced yield was figured on average yield produced on permitted wheat acres divided by permitted acres plus diverted acres.

Yield and gross income is reduced by 21 percent. The reduction could occur because of adverse weather or disease problems also and shows the effect on costs per bushel in each area of below average crop yields.

The cost of production with an average yield under the 1970 program ranged from $2.39 to $3.86 with an average of the areas of $2.90. Partity price as of November 1, 1969, is $2.77. It certainly doesn't seem outmoded.

TABLE 1.—CURRENT COST OF PRODUCING WHEAT AFTER FALLOW FOR EACH AREA

[Current labor cost $2.50, current estimated market price, current interest rate of 9 percent]

	Region										
	1	2	3	4	5	6	7	8	9	10	Average
Area yield, bushel	65	60	42	40	35	26	32	26	18	55	39.9
Cost per bushel	$2.16	$2.06	$2.23	$2.12	$2.15	$2.75	$2.14	$2.36	$3.00	$2.04	$2.30

TABLE 2

[Labor charge for management and labor $7.50 using current land and interest charges.]

	Region										
	1	2	3	4	5	6	7	8	9	10	Average
Cost per bushel	$2.33	$2.25	$2.43	$2.30	$2.36	$2.99	$2.35	$2.61	$3.29	$2.24	$2.52

TABLE 3

[1970 Farm Program 16 percent diverted, 23 percent for wheat on feed grain acres. Areas 1, 2, and 10, using 16 percent diversion and Areas 3, 4, 5, 6, 7, 8, and 9 using 23 percent diversion because of wheat on feed grain acres [1]]

	Region										
	1	2	3	4	5	6	7	8	9	10	Average
Cost per bushel	$2.55	$2.47	$2.92	$2.74	$2.69	$3.58	$2.74	$3.06	$3.86	$2.39	$2.90
Reduced yield, bushel	55	50	32	31	28	20	25	20	14	47	32.2

[1] Estimate figured on actual farm. Program is so complicated that diversion must be figured on individual farms.

I would like to point out to you a few of the recommendations and assumptions printed in the "Food and Fiber for the Future" in 1967 which would coincide with the new farm proposals:

FOOD AND FIBER

The Commission recommends that price supports be set at modestly below the average of world market prices. Price supports should be set 5 to 10 percent below a moving average of world prices. The report continues: a long-term downward trend in the market demand and price of a commodity suggests that resources used to produce that commodity should be shifted to some other commodity or out of agriculture production. It is in the national interest as well as the interest of farmers not to interfere with such market signals.

Summary of draft legislation (new farm proposals): Loans would be established at 80 to 95 percent of a moving average of market prices.

FOOD AND FIBER

The majority of the Commission recommends that the Department of Agriculture study the possibility of varying payments partly on the basis of level of individual farm income to accomplish the purposes of voluntary supply adjustment programs at minimum cost and without undue subsidy to large businesses. The parity price concept be supplanted as a device for measuring and evaluating changes in net farm income. The Commission further recommends that a new concept of parity income for farmers be developed and put into use, taking into consideration changes of productivity. This concept should be predicated on the idea of comparing the return to labor, capital, and management used in farm production with the return on such resources used in other parts of the economy.

NEW FARM PROPOSAL

The Secretary shall provide for the issuance of marketing certificates whose value shall be in such amount as the Secretary determines fair and reasonable taking into consideration farm income, a farm price target, and so forth. Thus, the value of certificates has been "divorced" from parity and left up to the Secretary's determination.

FOOD AND FIBER

The Commission recommends that payments be made so as not to increase additional production, and also that setting bases once and for all would counteract this tendency.

NEW FARM PROPOSAL

Yields per farm would be established as of 1967, 1968, and 1969. Provision is made for adjusting yields for abnormal factors during these particular years, but the yields used as the basis for payments are frozen at levels determined for the indicated years.

FOOD AND FIBER

The Commission recommends that the United States gradually reduce and eliminate the use of export certificates and substitute other methods for meeting the income needs of U.S. farmers.

NEW FARM PROPOSAL

Under the new program the export certificate program would be discontinued. There is no provision for a substitute for meeting the income needs of farmers.

FOOD AND FIBER

The Commission says that consideration should be given to the limitation of payments for the largest farm businesses. In a footnote, three members of the Commission, including the two representatives of organized labor, urged a "cut-off" now, with a maximum dollar limit put on Government payments to any farm enterprise. A variable payment graduated downward as total production increased would be a reasonable alternative.

NEW FARM PROPOSAL

The new legislation offers four different options for payment limitation including a flat "cut-off", a very gently graduated, a more steeply graduated, and a proposal "originating in the Department which would apply the limitation only to the part representing income supplement."

The last option was not spelled out, but the term income supplement is used in the "Food and Fiber" report on pages 95 and 96. The whole concept of income supplement is spelled out very articulately, and every Congressman should read it. An interesting sentence in this section describing this concept follows: "Income protection in agriculture as in other sectors of our society, should be extended to the individual rather than property. Toward this end, the concept of 'temporary income supplements' is proposed." Karl Marx also believed that income should go to labor rather than land.

In conclusion since time does not permit fuller discussion, I would like to state some of the common assumptions often used against farm programs and the farming industry which I believe are untrue and which, if given the opportunity to do so, I believe I can substantiate as untrue:

1. High commodity support prices cause surplusses to accumulate.
2. Parity is no longer a true measure of the economic condition of our agricultural system.
3. Wheat yields with the development of new high yielding varieties with better equipment and know-how will continue as they have in the last 100 years. I believe the ERS computer as programed are about 10 to 15 years behind since in many areas we have reached a plateau of wheat yields and any rise will only evolve as a few remaining farmers adopt the new production practices or as more land is brought under irrigation or because of the taking out of production of vast low-producing areas. Thus, farmers unit costs will not be lowered by increase in yield, but costs of inputs will rise due to inflation.
4. Figures used by the Department to show the appreciation of farmland values in the United States are based on all land used for real estate acquisition, irrigation development, recreational uses, et cetera, and do not coincide with the appreciation of the average 30 bushel wheat land in the United States which has barely kept up with the deflated value of the dollar.
5. I do not believe a farm program can be developed which will discourage the American farmers from trying to obtain maximum wheat yields where possible unless they are subjected to a program that they know would limit their effort to become solvent by price limitations, in come adjustment programs, freezing of yields and other methods to stabilize their income regardless of supply and demand or unless they are subjected to programs where they could never obtain ownership of their land.
6. I do not believe you can develop a farm program which would stop or reverse the appreciation of farmland values if that land is producing raw commodity whether it is from oil exploitation, real estate development, timber, or mining unless that land is under a communistic system of government. Our Government expects extra compensation from federally owned land which has become valuable

because of mineral discoveries. Some economists maintain that appreciation of land values has been one of the most important equity benefits to the producer who continues to hold his land.[2]

7. I do not believe the authors of the new farm programs are as concerned about surpluses of wheat as they are about a constant, adequate supply of low priced wheat for future needs.

8. I do not believe there is a surplus of manpower and land in agriculture.

1. I do believe we have the most efficient system of agriculture in the world with fewer producers and cheaper food (16.5 percent of disposable income goes for food and even adding all the subsidies for agriculture only totals 17 percent).

2. I believe that the subsidy program is a bargain for the taxpayers when agriculture, which is the largest industry in the United States, receives only .5 percent of the subsidies paid by the Government. (Propaganda put out makes the consumer believe that agriculture is the most subsidized of all).

3. I believe that if the proposed program were enacted and implemented that:

(*a*) Many in low yielding wheat areas where size alone cuts the cost of production would be forced by limits on payments into involuntary land retirement programs without payment.

(*b*) Since payments and prices would be frozen within a target area which would probably be below the cost of production, many efficient farmers would be forced out of business.

(*c*) If young efficient farmers realize what is planned for their future they would take their capital and know-how out of agriculture.

4. I believe that Congress and the President will have to work together on a bipartisan basis if they want to retain control of farm policy. According to Neustadt, "While the President and Congress fight over who is to control them, the great executive agencies tend to escape control by both." [3]

5. I believe that the "synthetic" studies done by the ERS do not show the real costs of production. They should be done on equal studies on real farms. (As for example, Bulletin EM 2960, August 1968, done by the extension Service in Grant County, Wash.) These studies are so accurate they are used by farmers and processors to determine price. I further believe that cost studies used for this purpose by any government agency, whether originating from the ERS or the universities, should list any financial contributors to the study. The economists doing the study should also make public any prior fees or monetary considerations of any nature which could slant the studies to the benefit of either party.

6. I believe that if the wheat producing industry was in as good shape as the studies by the ERS show that insurance companies and other traditional financiers of agriculture would continue to do so. A study done by Iowa State University suggests that the total value of capital employed in agriculture will increase by 35 to 40 percent by 1980.[4] Why then would Mr. Janke, Governor of Farm Credit Administration in Washington, D.C., predict a rise in farm debt from

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[2] Cochrane, Willard W., "The City Man's Guide to the Farm Problem," University of Minnesota Press, Minneapolis 1965, p. 66.
[3] "Food and Fiber in the Nation's Politics, 1967," p. 17.
[4] "Food and Fiber Report, 1967," p. 140.

$50 billion to $150 billion by 1980? He also said that Federal farm agencies will have to increase their share because other private lenders will make more elsewhere. I was told by an exbank official that insurance companies who loaned farmers heavily on land were "burned" by the last farm depression when farmers could not repay loans, and were reluctant to invest in an uncertain future.

7. And finally, the food and fiber report states:

> The overall goal of agricultural policy, as of all national policy, is to make the greatest possible contribution to national welfare. We seek a long-range policy for agriculture which will assure the Nation an abundant supply of food and fiber to meet domestic and foreign demand. We seek to achieve this production with the most efficient use of resources—in the belief that this is the best way to provide the highest standard of living for all of our citizens. We believe departures from most efficient use must be evaluated in terms of their probable cost and social benefits.

With that goal in mind, I believe that in order to keep a healthy agricultural industry we should lower support rates and make up the difference with increased domestic and export certificates without freezing yields or limiting payments and with a blend price equal to parity—period. Then by 1980 or after, Congress will be assured of having the finest farmers to produce the amount of food they may need for this Nation and the world.

Thank you very much.

Mr. PURCELL. Thank you very much, Mr. Zimmerman.

Mr. Montgomery, do you have any questions?

Mr. MONTGOMERY. Mr. Chairman, thank you.

I would like to commend the gentleman for his detailed and informative report to this committee. I was digging around in my portfolio here and I came across this group of papers. Can you explain it to me? (Indicating.)

Mr. ZIMMERMAN. The reason I inserted this is because in Mr. Jaenke's statement he said that in order to finance agriculture that they would have to either institute new Government lending agencies or they would have to rely more—he did not say this, excuse me—but he did say they would have to depend more on the present farm agencies that we have.

In the food and fiber report they said the National Farmers Home Administration would have to carry a heavier load as far as financing agriculture on the larger farms.

Now, I have a man that works for me on my farm, and this man is a very poor credit risk. He has never been able to pay his bills. But he was able to go down and borrow $8,000 from the Farmers Home Administration to buy some cows. You will see on the second page it says he has an operating loan, which he assumed was an operating loan. So that they also loaned him enough money to buy a wagon to put behind the combine to cut the straw. So we dumped a lot of straw for him, free of charge, and so he had to use my truck and he had to rent a tractor from a neighbor to pick up the straw.

When he came back I said that I felt it was only fair that he pay for the gas. He said sure, and he said "But I can't pay it out of my check."

He said, "I will write you a check on this operating loan." Which is the way it works, if the farmer has to write a check, they send it 60 miles down to their agency, the check is countersigned and then

sent back. So this is what happened, and they said they would not pay that $60 gas fee because it was not in his agreement.

Now, he said, "Well, now, I have these cows and I do not have enough hay." He said, "I have to buy some hay for the cows; where am I going to get money to buy the hay."

He said, "I am sorry, but it is not in your operating loan and we cannot loan you money to buy the hay."

So he said, "Well, what am I supposed to do?"

He said, "You will have to find some money some other place."

Now, in order to get a loan from this company, this Farmers Home Administration, you have to be turned down by other sources of credit. So this man cannot get financing anywhere. I mean, he is at the point he cannot.

So one of my neighbors said, "Well, it looks to me like the Government is going to end up with a lot of dead cows." Of course, he can sell them. He also asked them if he could get a check to pay a veterinarian to come out and check on the cows. They said, "No, it is not in the operating loan." That cow died.

My point is that if we get into a system where we have this kind of a system to finance our efficient farmers, I would never survive. I have to be able to make decisions to finance my operation by the hour. I could not take the delay necessary to revise a program or some kind of a system in order to get long-range credit to operate efficiently. It just would not be possible. And not any of the other efficient farmers in my area that borrow from private sources could do it.

This is why I included it. The Farmers Home Administration has a lot of good qualities, they have done a lot of good things, they have started a lot of farmers, helped a lot of farmers, and I am not trying to discredit this agency. The only point I am making is it would be very difficult for an efficient operator to operate under this kind of a system. Absolutely impossible. That is why I had it included in there.

Mr. MONTGOMERY. Thank you very much.

No other questions, Mr. Chairman.

Mr. PURCELL. Mrs. May.

Mrs. MAY. I have been over some of this testimony with Mr. Zimmerman before, and I think that probably the greatest contribution he has made here is to raise what, as we study his testimony and his background facts, could be very valid questions. Any program we work on in this committee, and the Administration works on, must have good sound reliable statistics on which to reach their conclusions.

I cannot say at this point, Mr. Zimmerman, as I told you yesterday, how heavily the Administration, and those that are working with us in fashioning our new approach to the farm program, are depending on figures from the latest ERS report or the Food and Fiber Commission. We will find that out and should find that out, though it may be that they, themselves, are already aware that there are discrepancies.

You have raised a number of relevant questions here, and in that way have made a good contribution. I might ask you this question: You, of course, have confined your studies and analyses of the Food and Fiber Commission's report and other bulletins to the part of the country that you know well.

Mr. ZIMMERMAN. Yes, ma'am.

Mrs. MAY. Have you had any indication that the same discrepancies of figures might exist in other parts of the country where they have done similar studies on wheat producing land?

Mr. ZIMMERMAN. Honestly, I will have to answer "No."

Mrs. MAY. What you are saying then is if these figures can be discredited, or questions raised about them on restudy by either economists that you have talked to, or yourself, then it is quite possible that there are other areas in error throughout the country?

Mr. ZIMMERMAN. There is a bulletin that was put out by Washington State Experiment Station and it said that while this one study was being done, this study is part of a much larger one conducted cooperatively throughout the Western Great Plains States. In order for similar results to be comparable from all States and lend themselves to a comparison, this analysis was conducted by the Kansas City based prize grade of wheat and feed grains, and for this reason—and so on and so forth. This was related to Dr. Whittlesey's studies. So that is the only thing, it is possible that the other studies could be wrong.

But I have not examined the other studies and so I could not tell you whether they are incorrect, or not.

Mrs. MAY. Thank you very much.

That is all, Mr. Chairman.

Mr. PURCELL. Mr. Foley.

Mr. FOLEY. Mr. Chairman, I just want to belatedly welcome Mr. and Mrs. Zimmerman to the committee. I was unable to be here earlier because of another committee responsibility but I have, of course, read Mr. Zimmerman's testimony, in advance, and I share Mrs. May's feeling that it raises some very important questions for the future consideration of this committee.

I think that in all of the economic studies that we review we must be careful that the statistics accurately reflect operating realities and we must have the testimony of efficient farmers like Mr. and Mrs. Zimmerman, who I can assure the committee are among the most efficient farmers in our entire region. I am very happy to at least have had the opportunity to present these views to the committee.

Mr. PURCELL. Mr. Zwach.

Mr. ZWACH. Mr. Chairman, I want to commend Mr. and Mrs. Zimmerman for the presentation. And, Mr. Chairman, I think they portray and indicate that producers, themselves, are beginning to spend more of their time in the area of price and distribution, and not their entire time and effort in the area of production.

I am just happy to see a producer, himself, spending evening hours and perhaps in my area it would be rainy days, and Sundays, working in these other very significant areas, if producers are going to survive, they must spend more of their time and effort and money in these other areas.

I just want to commend them. That is all, Mr. Chairman.

Mr. PURCELL. Mr. Jones.

Mr. JONES. No questions, Mr. Chairman. Thank you.

Mr. PURCELL. Mr. Sebelius.

Mr. SEBELIUS. I would like to commend Mr. and Mrs. Zimmerman for their efforts here. I know a lot of time was involved in what they

have prepared and brought to us. I especially am impressed with their final paragraph.

I have no questions, Mr. Chairman.

Mr. PURCELL. Dr. Melcher.

Mr. MELCHER. Thank you, Mr. Chairman.

Mr. Zimmerman, on page 13, on the 1970 crop year, you project a cost in your area of $2.92 per bushel. Is that correct?

Mr. ZIMMERMAN. Yes.

Mr. MELCHER. What will make up the difference between that projected cost and the amount that you really anticipate getting for 1970 crops? You are projecting a loss for yourself, are you not?

Mr. ZIMMERMAN. That is absolutely right.

Mr. MELCHER. It will take up that loss, will it be increased debt, or increased value of your land? Do you own your own land?

Mr. ZIMMERMAN. We farm approximately 4,000 acres and we have, I think, six landlords. We have about 3,600 acres, crop acres that we farm. We are in a very low rainfall area but we have produced a very high yield for that area.

But the question you ask me, during the 22 years I have farmed, I have been able to build up a little equity in some land and machinery, and the first thing that happens when I go down to the banker, and I tell him I have to have so much to finance my operation and if I cannot pay him back that year, then he wants a chattel mortgage on my machinery, that I own. Then in the next year he wants a mortgage on my land, and after that, if it does not look like I can make it, he says that I should quit farming and go into some other business. This is what is happening.

Now, it happens just "bing," just either 2 or 3 years. You cannot definitely finance any business.

Mr. MELCHER. For the 1970 crop, the next crop year, you are projecting higher cost and to make up that difference, you are projecting a greater debt for yourself?

Mr. ZIMMERMAN. That is true.

Mr. MELCHER. And you mentioned that you had been farming for 22 years. Do I assume that you are around 40 years of age?

Mr. ZIMMERMAN. I was born in 1925—44.

Mr. MELCHER. You are 44. I note that the average age of farmers and ranchers throughout the Nation now is 53 years of age, and this brings me to this point, that your projection for the immediate future leaves very little opportunity for young men to get into agriculture, then.

Mr. ZIMMERMAN. Well, it is very difficult because of the financing situation. Of course, the high interest rate, and the only thing that they can take over is a family farm. This is a good point.

I have got a friend who is 19 years old. He is very intelligent and he runs the combines and does all of the field work with me, and he likes to farm. One day I said to him, I said, "Patrick, if I should die, would you take over this farm and run it?"

He said, "Are you kidding?" He said, "I can make money, way better money other places." He said, "You have to worry about the weather, you have to worry about the Government." He said, "I wouldn't consider it."

Mr. MELCHER. I think that is regrettable.

Mr. ZIMMERMAN. I think it is regrettable, too.

Mr. MELCHER. You do ask for a lower loan rate; is that your recommendation?

May I ask you what your loan rate is in your area?

Mrs. ZIMMERMAN. $1.16.

Mr. MELCHER. Ours is Montana averages about $1.07 or $1.08.

Many of our producers feel that the loan rate tends to set the market. Do you feel that the lower loan rates will work to that effect, in other words, to lower the price?

Mr. ZIMMERMAN. There is no question about it. It will lower the price of wheat. It always lowers the price of wheat unless, of course, there is a shortage of wheat. And then, like when I was president of the Wheat Growers in 1967, it was a very interesting situation, because we had the lowest level of wheat, white wheat in the Pacific Northwest at that particular time. I had to give a talk at Spokane, and the wheat was about $1.30, and at that time it was the lowest it had been and our supplies were at the lowest.

So the price started climbing, but just as soon as the Department announced the 15 percent increase, the price dropped right back down again.

There are all kinds of factors that affect the price of wheat, but a lower loan rate does have a tendency unless there is a shortage of supply and it is not controlled.

Mr. MELCHER. Mr. Chairman, there is one thing I would like to point out about the testimony of Mr. and Mrs. Zimmerman. This is a farm wife from a farm family that is helping their family and their area, who is testifying before us. I think this is a point we should take note of. I know that farm and ranch wives perform a very valuable function as hired hands truly, in the operation, and they do drive the trucks.

Would you tell us, for the record, Mrs. Zimmerman, what size truck you drive?

Mrs. ZIMMERMAN. Well, actually, since my daughter has gotten old enough, I have gone back to the kitchen. But it is a 2-ton truck. She is a college girl and that is the way she earns her way through college. She drives it.

Mr. MELCHER. How much does it haul? How many tons?

Mrs. ZIMMERMAN. How many tons?

Mr. ZIMMERMAN. That truck hauls 300 bushels and that is a lot of truck for a girl to drive.

Mr. MELCHER. That is a 2-ton truck with a 90-pound driver.

Mr. ZIMMERMAN. That is right.

Mr. MELCHER. Thank you. I think that is very fine testimony. I think it is a great tribute to the farm and ranch wives of America to have one of them speaking up for themselves and for agriculture before this committee.

Thank you, Mr. Chairman.

Mr. PURCELL. Thank you very much, Mr. and Mrs. Zimmerman. We appreciate your testimony. We could spend a long time with you. There are questions that have been brought up in your testimony, and I think you have done a good job, but in the interest of time we must move along.

Mrs. MAY. Mr. Chairman, I would like to make just one comment, come to think of it. We arranged for Mr. and Mrs. Zimmerman to

speak to the Department. I have not talked to them since then, but as I understand, you were able to present to the Department of Agriculture yesterday the conclusions of this study and raise the question on the validity of figures in both the ERS report and the Food and Fiber Commission; am I correct, Bob?

Mr. ZIMMERMAN. Yes, you are.

Mrs. MAY. Thank you.

Mr. ZIMMERMAN. Thank you for the opportunity of appearing.

Mr. PURCELL. Thank you.

At this time, I think we are particularly honored in welcoming Dr. John Schnittker back before us. Dr. Schnittker was the former Under Secretary of Agriculture. He returned to the academic world. I hope his freedom has not let him forget those things we taught him here so well. Of course, sometimes he is a little independent in his thinking.

So we welcome you very much being here, Dr. Schnittker, and will be glad to hear your statement at this time.

STATEMENT OF DR. JOHN A. SCHNITTKER, DEPARTMENT OF ECONOMICS, KANSAS STATE UNIVERSITY, MANHATTAN, KANS.—(FORMER UNDER SECRETARY OF AGRICULTURE)

Dr. SCHNITTKER. Thank you, Mr. Chairman. I do appreciate the invitation to appear before the subcommittee.

I speak only for myself today, not for any institution or association. I hope I can contribute to constructive long-range programs to strengthen agriculture in the United States, and to a pattern of Federal spending which distinguishes between higher and lower priority by public programs.

My prepared statement will add only a little to what you have already heard. I will proceed by first giving some general views, and then by commenting on the administration drafts and farm organization proposals advanced so far. I hope I can help the Committee on Agriculture steer a steady course among the wide-ranging and conflicting recommendations you have before you.

The principal objectives of agricultural price and income support and production adjustment policies and programs are to stabilize the agricultural economy, to benefit those who produce and market agricultural products, and to help insure an adequate and reasonably priced food supply. In the early years of modern farm policy, there was an element of truth to the rhetoric which said that farm programs were needed to help or even to save the small family farmer. This meant most farmers in the 1930's. It is different today. The United States counts 3 million farms in the census but only 1 million of them are serious producers and major beneficiaries of farm programs.

This is increasingly obvious, but still not fully acceptable politically. Conventional farm programs can seldom help persons on small farms get the better life they want.

Commodity-oriented agricultural policy must be designed principally for full-time farmers. But we also need people-oriented programs. Only if we understand the need for both can we design and finance future farm policies in harmony with national priorities.

We must look at Federal farm policies in long-term perspective if we are to understand their place in the economy. The present debate over price stabilization, production control, and income support programs is only one step in a long transition from an agriculture of 7 million farms in an economy dominated by depression, to an increasingly concentrated agriculture in an economy characterized by growth and stability.

This debate is also one step in the transition from policies which priced our major agricultural commodities out of world markets and built record surplus stocks by 1961.

Agricultural legislation underwent major revision in the 1960's. New provisions were designed principally to liquidate existing surpluses, and to break away from the unworkable minimum acreage allotments and rigid price support formulas carried over from 1938–60. The key features of the Agricultural Act of 1965 were a system of direct payments coupled with price support formulas linking feed grains, wheat, and cotton to world markets, and effective acreage control programs. Direct payments replaced so-called high price supports, and voluntary acreage diversion programs replaced—in some cases supplemented—the old system of acreage allotments. These principles from the 1965 act should serve as building blocks for future commodity stabilization programs, and I am pleased to find that all three major alternative approaches presented to the full committee would preserve some of them.

My general views on farm policy changes from 1970 were given in detail at a conference at Iowa State University in May of this year, and in an article in the August 1969 Atlantic Monthly.

With the chairman's permission, I will submit these articles for the record, and summarize briefly.

Mr. PURCELL. You have in mind putting all of these articles in the record, to be made a part of the official record?

Mr. SCHNITTKER. If it is appropriate, sir.

Mr. PURCELL. Would it be satisfactory if you just filed those articles with the committee and made reference in the record to the fact that they are here?

In that way we will have access to them but not, frankly, pay for printing of them in the record that way.

Dr. SCHNITTKER. That will be fine with me.

Mr. PURCELL. All right, thank you.

Dr. SCHNITTKER. The feed grain program in the 1965 act is an excellent piece of legislation. It is flexible both in respect to price support and payment levels. It gives the Secretary of Agriculture broad discretion to administer the program. It has succeeded beyond all expectations.

Feed grain payments under this act were set at levels which encouraged just enough farmers to participate to reduce the stored surplus and later to gear annual crops to current needs.

This is the right kind of payment formula. At present price support levels, the existing framework would permit continued surplus-free stabilization in the 1970's with annual Federal expenditures ranging upward from the current $1.5 to $1.75 billion levels, to well over $2 billion per year later on if yields rise faster than use, as expected.

However, if program costs are to be stabilized or reduced, price supports would have to be reduced by the Secretary of Agriculture.

Amendments are needed, however. For example, the 1959–60 base for feed grain acreages and conserving acreages on individual farms is out of date, and should be changed.

I continue to believe that the 1965 wheat program was a constructive change from the previous approach. Wheat is now priced as a feed grain; wheat and feed grain acreages are interchangeable on the farm; the amount of wheat produced beyond domestic food needs is supported at world prices; the Secretary of Agriculture has broad discretion in administering the program.

All these features should be continued, except insofar as they can be improved to add to farmer income, increase flexibility on the farm and equity among producers, or to lead to expanded markets.

The certificates or payment formula in the wheat program provides total payments to producers roughly 50 percent greater than required to hold acreage and production in check over the long run.

This payment formula was adopted in 1965 together with the so-called Ellender amendment for cotton. The latter provides total cotton payments one-half to two-thirds greater than would be required to hold surpluses in check. Both these formulas should be carefully examined by the Congress in the interest of equity among farmers and the allocation of Federal money to other programs.

I am not sure I should comment directly on other commodities before this subcommittee. Yet all these programs are related so I want to add a word on cotton.

Of the programs for major commodities, the cotton program is most in need of amendment from the standpoint of equity among commodity producers, flexibility on the farm, and total costs.

The payment level is excessive if not exorbitant, and should be reduced sharply; cotton payments should be computed only on a domestic allotment; acreage allotments are rigid, in contrast to the producer flexibility available on feed grain and wheat farms, and should be phased out.

My views on payment limits are well known. The details appear in the two papers that I have submitted to the committee.

I strongly urge this subcommitte to act to limit farm program payments to $5,000 per program or $10,000 per farm.

At this point I would like to call to the attention of the committee, but not necessarily for the record, the November 6 study by the Legislative Reference Service of the Library of Congress, recently issued with the newest information on payments limitation effects and a summary of all of the payment limitation proposals that have been put before the country and the Congress so far.

ADMINISTRATION DRAFT PROPOSALS

I have no way of knowing what the administration will propose to the Congress, or what it will fight for. The skeleton presented so far builds on the 1965 act, and includes some sensible changes.

The program would not have a terminal date.

Distinctions between wheat and feed grains, already minimized by the "substitution clause," and by price support formulas linking all the grains together, would be further reduced. The cotton program would utilize features, like payments on domestically used cotton only,

and greater producer flexibility, already proved in the feed grains and wheat programs.

Payment and acreage formulas would give the Secretary broad discretion.

Price supports would be based on recent market prices, and not on parity.

Wheat, feed grains, and soybeans are closely related, both on the farm and in the market. If price support levels for the three groups of products are kept in balance, somewhat greater flexibility of land use may be achieved through the proposed set-aside, without serious risk of surpluses.

The cotton program should be similar to the grain programs in this respect. Cotton has some hard problems, like competition with man-made fibers. But cotton does not require special arrangements. I view with some concern the suggestion that cotton should be treated apart from the grains.

I know that it is difficult for Congress to give the executive branch broad discretion in commodity programs. I would not be surprised if members of this subcommittee consider the administration's drafts too discretionary. Adequate executive discretion can make programs effective; rigid acreage and price support formulas are inappropriate for today's agricultural economy.

Price support levels should be set near current and expected market prices. This can be done with a formula based on parity if the Secretary has adequate discretion. It can also be done with a formula based on recent domestic and/or world prices.

I am for parity as a concept; parity is equity. For a price support formula, however, I prefer the other approach, which was supported by the previous administration, and has actually been in use for some years for cotton, feed grains, and wheat.

We are planning for the past instead of the future if we insist on price supports at parity. We mislead ourselves when we say that we base price supports on parity, and then set actual support levels at 44 or 55 percent of parity. I urge the Congress to move toward the concept of parity income as spelled out in the 1967 report to the Congress, and to phase out parity prices as a standard for price supports.

FARM ORGANIZATION PROPOSALS

My opening remarks and the references to the administration's draft bills have also given you my general views on two proposals made by farm organizations.

One bill features a 5-year formula for a transition to long-term land retirement. It will not work, in my opinion. First, the struggle waged 20 years ago over formulas for reducing price supports convinced me that rigid formulas do not work.

Second, long-term land retirement is a useful and efficient supplement but not a replacement for annual programs. I favor a long-term program, and had something to do with developing the cropland adjustment program.

Long-term contracts should be expanded and annual diversion programs reduced in size over time. But long-term contracts alone are

not enough. Authority for annual diversion or for a set-aside should be continued for a time.

The other comprehensive bill before the committee has many good features arising principally out of the 1965 act. These will be apparent from my previous remarks. It includes, however, a number of provisions not referred to above which lack merit as long-range agricultural legislation and would be wasteful of public funds.

These provisions would set a minimum loan rate and minimum total price support for grains, establish an export payment for wheat, and inaugurate a minimum price support level and an acreage diversion program for oilseeds.

There is no justification for raising feed grain price support levels, and good reason not to do so. At present prices, we must remove 25 percent of our acreage from production each year, at an annual cost approaching $2 billion in order to avoid a surplus. With higher prices guaranteed, more land would be set aside, at much higher costs. No one should seriously consider increasing the incentive to expand grain production in such circumstances.

For wheat, the concept of an export certificate is contradictory to the excellent guiding principle of the wheat used for food, and to produce wheat for export and feed at competitive world and feed grain prices. Enactment of a payment to farmers on export wheat would be a serious setback.

It would also be a mistake to establish an acreage diversion program for soybeans. Soybean production responds indirectly to the feed grain program and to relative prices of corn and soybeans. Soybean utilization responds directly to price changes. Nothing more is needed, except careful executive action each year in setting the soybean price support level in relation to grains and to world oilseed prices and conditions.

The extra annual cost of perhaps $500 million for feed grains, up to $400 million for wheat export payments, and $600 million for soybean payments, is unconscionable when one considers the distribution of farm program benefits and the clear need for greater funding of many programs.

These are my views, Mr. Chairman, on the central issues before this subcommittee, and on some related questions. I know there are aspects of various bills before you which I have not mentioned, notably for references on some of the bills to rice, to the commodity reserve, and to milk, but I have left those out because they were not the primary business before this subcommittee.

Thank you.

Mr. PURCELL. Thank you very much, Dr. Schnittker.

Mr. Foley, do you have questions at this time?

Mr. FOLEY. I will reserve them at this time.

Mr. PURCELL. Mrs. May.

Mrs. MAY. Not at this time.

Mr. PURCELL. Thank you. You have made it so complicated they are still studying it.

Mr. Jones, do you have questions?

Mr. JONES. No questions.

Mr. PURCELL. Mr. Zwach?

Mr. ZWACH. No questions.

Mr. PURCELL. Mr. Sebelius?

Mr. SEBELIUS. No questions.

Mr. PURCELL. Dr. Melcher will always accommodate us.

Mr. MELCHER. Dr. Schnittker, you mentioned $400 million for wheat export payments. Am I to assume you are projecting a figure then of between 600 and 700 million bushels exported?

Dr. SCHNITTKER. Approximately that, although in the bill there is a reference to payments on 40 percent of the production on the acreage allotment. I took a billion and a half bushel crop, 40 percent of that is 600 million bushels. So that would be the amount on which payments would be computed but not necessarily the total amount of exports. It would be possible if exports would be on that to have some on which there were no payments.

Mr. MELCHER. Then, you mention in your testimony the interrelationship of feed grains and soybeans and yet you project, assuming you did have a soybean diversion program of 600 million additional cost, a $500 million additional cost for feed grains. Is that correct?

Dr. SCHNITTKER. Yes. Assuming that the diversion program were placed in effect for soybeans.

Mr. MELCHER. Yes; assuming that it were. But in your testimony you mentioned the interrelationship of the two. Do you think there would be such an increase in both programs?

Dr. SCHNITTKER. It is possible, I think that the feed grain program is implicitly carrying some of the costs of holding soybean acreage in line at the present time. This could be some substitution between the increased cost for feed grains and for soybeans.

Mr. MELCHER. In other words, the combined total of $600 and $500 million, $1.1 billion may be a little high?

Dr. SCHNITTKER. I agree it could be a little high.

Mr. MELCHER. Thank you.

Thank you, Mr. Chairman.

Mr. PURCELL. Mr. Sebelius.

Mr. SEBELIUS. Mr. Chairman. I would just like to commend Dr. Schnittker for his able presentation here, and his evaluation of what we have now and what has been proposed both by the administration and the coalition.

I would just state that the doctor has stayed very active in the field, even though he has returned to the academic realm. I had the pleasure of observing him participating in the World Symposium on Food and Hunger in Manhattan a week ago last Sunday, and he is working hard with the problems we deal with here on another level at the university.

Good to have you, Doctor.

Mr. FOLEY. Mr. Chairman, I would certainly like to join in congratulating Dr. Schnittker on his testimony, although I do not want to underwrite everything he said.

I do think he has always provided a most useful and informative base of information for consideration by the subcommittee.

Of the many things you raised, Dr. Schnittker, I want to dwell for a moment on one, and that is your remark concerning payment limitations. I see in your testimony that you suggest a payment limitation of $5,000 per program or $10,000 per farm.

I assume you mean that to apply across the board, regardless of commodity involved; is that correct?

Dr. SCHNITTKER. Yes, I do mean that. I think in the article in the Atlantic Monthly in August of this year, which some of you may have seen, I suggested that strategically wool and sugar might be left behind at first, but that is apart from the principle. I believe that payment limitations ought to be across the board, including wheat, feed grains, cotton, wool, and sugar, and any other commodities that we happen to have payments, which I have forgotten about.

Mr. FOLEY. Would you indicate to the committee what you think the effects of payments limitations of that character would have in the wheat and seed grain program, in particular?

Dr. SCHNITTKER. Yes. In wheat and feed grains payments of this level would affect the very, very small percentage of the farmers. I do not have the numbers before me, but it is down in the area of 2 or 3 percent. A payments limitation at about $5,000 per program would be in effect approximately $10,000 per farm on many, many wheat and feed grain farms, since many of them have approximately equal acreages of the two kinds of grain.

There would be almost no effect on production adjustment in these areas. So few of the farmers and a relatively small fraction of the acreage would be affected so that there is, to my opinion, absolutely no risk of a serious surplus development as a result of payment limitations.

I feel the same thing is true of the cotton, but for different reasons.

As to the effect on farmers, those large farmers who would be directly affected by payment limitations, I think the effect in the longer run of 2 or 3 or 4 years would be, of course, to reduce the income stream and eventually to stabilize, possibly even decrease, asset values in the first year. I think that would be washed out after several years, and production could proceed very profitably, and I would even expect land values over time to continue to rise because of the increasing from both urban and agricultural uses for land.

Mr. FOLEY. In the interim period, would you expect larger landowners, assuming the continuation of something like the present program, to refuse to cooperate on acreage limitations and plant largely increased acreage to whatever commodity is involved?

Dr. SCHNITTKER. I would not expect that. First of all, for the grains, only a little acreage would be affected, and if the cost situation is as tough on many farms as it is sometimes represented to be, one would not expect the farmers to plant any increased acreage. I think there would be some small increases in acreage, however, and this may have to be offset by slightly larger diversions on other farms.

If I may say a word on cotton, I think the cost situation in cotton is a very serious matter, and I believe that cotton producers, even those affected by payment limitation would not produce very much beyond their allotments. They would have better alternative ways of using their land.

Mr. FOLEY. If there would be increased acreage planted on the larger farms, and you say that required more stringent acreage limitations on the more moderate and smaller farms, would not the net result be a loss of income on those smaller and moderate farm operations?

Dr. SCHNITTKER. No, not under the voluntary program system where any acreage diversion is compensated for by payments. The payments under the feed grain program, for example, had been always computed

to give the farmer approximately the amount that he would have earned as net income, had he produced corn or sorghum or barley on that acreage. So if farmers, the great mass of farmers not affected by the payment limitations were asked to divert 2 percent more or 1 percent more, because a few of the larger farmers planted increased acreages, but would be compensated for by increased payments to them.

Mr. FOLEY. But would not the reduction in payments to the larger producers be partially washed out by increased costs to avert the acreage on the smaller farm?

Dr. SCHNITTKER. I think a very small part of it would be, but it is a little difficult to discuss payment limitations before a subcommittee for commodities which would be scarcely affected. Payment limitations under the present commodity programs are almost entirely applicable to cotton, to sugar, and, to a small extent, to wool. All wheat is also in the picture and feed grains are scarcely in it at all. Feed grain production is simply not concentrated on large farms. But, Mr. Congressman, there would be some tendency for the great mass of farmers, 97 or 98 percent of the farmers not affected by the limitation, to possibly have to divert a slightly larger acreage in some years, and they would get presumably slightly larger payments and this would use up some but only a small part of the savings resulting from the payment limitations on large farms.

This would be particularly evident in the cotton program where, by my own computations and by the Secretary of Agriculture's computations, two-thirds of the present payments in cotton are pure income supplement not required to secure adequtae acreage diversion.

Mr. FOLEY. So in your judgment these suggested payment limitations would have little or no effect on feed grains, a moderate effect in wheat and a substantial effect in the cotton and sugar programs, and particularly in cotton?

Dr. SCHNITTKER. Yes, but not a substantial effect in shifting the location of production of cotton, or in leading to a surplus in the production of cotton, but a substantial impact upon those large growers who would be affected by the payment limitation in terms of their immediate current income stream, and the land values, their asset values, for the short run.

Mr. FOLEY. Thank you.

Mr. PURCELL. Mr. Lowenstein.

Mr. LOWENSTEIN. We are fortunate to have Dr Schnittker here with us today and I want to join in expressing my gratitude to him for his statement. I am sorry I did not hear it in full, but I have had a chance to read through it and it shows the depth of information and commitment to high purpose that we have come to expect from him. I am curious about the specific figure you chose as a payment limitation and the program to which it applies. Are there particular reasons that led you to decide on a limitation of $5,000 to those programs you mentioned?

Dr. SCHNITTKER. Well, I have not been able to pick out any rule or principle for arriving at a figure for payment limitations. I think we spend too much money in some of these commodity programs, money which flows to very large, highly capitalized and generally high-income farmers. I think we should save a substantial amount of that money. So that is a kind of a rule.

Second, I do not believe that payment limitations should apply to most farms. If I thought they should, perhaps we should go down to $1,000, but even payment limitations at $1,000 per farm, which is approximately $5,000 per commodity program, would affect only about 1.3 percent of the farmers.

This is on page 2 of the new Library of Congress study, a tabulation showing that from 98.7 percent of the farmers would be exempt from payment limitations and a $10,000 per farm level.

I am impressed, Mr. Lowenstein, with the fact that a survey about a year ago indicated some 85 percent of the farmers favor payment limitation; a recent progressive farmer surveying the South indicated, I believe, that 78 percent of the southern or cotton farmers favored payment limitations. I am convinced that 95 percent of the American people favor a payment limitation that bites in, that is effective, in saving money in the Federal Treasury, money which could be better spent for other purposes. So I am for it.

Mr. LOWENSTEIN. That is a very helpful explanation. Those of us who feel there should be some limitation are struggling to figure out what would be the fairest way to arrive at limitations, and we are especially indebted to you for your thoughtful proposals and comments. Thank you.

Mr. PURCELL. Dr. Schnittker, my caution a while ago on the possibility you might have forgotten what we taught you, I think, has proven maybe you have not forgotten. I am trying hard to be funny; nobody appreciates it.

Dr. SCHNITTKER. Mr. Chairman——

Mr. PURCELL. Now, wait a minute, please. I would like to go into this matter further, right now.

Now, then, if in the feed grain and wheat area this limitation of payment affects so few people and has a little effect on the production side of it, in your judgment, what is so bad about continuing it then, if it does not have any more influence than that?

Dr. SCHNITTKER. Mr. Chairman, I think to put it in your terms, what is so bad about continuing unlimited payments, it is simply a matter of transferring an additional $250 million or an additional $500 million to very large farmers, farmers who typically have good incomes and who have good asset portfolios. I think that money could be better spent on some other Federal programs.

Mr. PURCELL. Well, I suppose we could all pick out things we are not in on, that we would rather fiddle with, but is there not some degree of equity and business fairness in paying these people for what, under the program, we require them to do and treat everyone alike?

Dr. SCHNITTKER. Everyone has his own concept of equity and fairness, and sometimes people's concepts do converge and overlap.

I do not see any equity at all, Mr. Chairman, in a $4 million payment to a highly capitalized——

Mr. PURCELL. Wait a minute. I am talking about wheat and feed grain and you are not going to find any wheat farmer that has gotten any $4 million.

Dr. SCHNITTKER. Perhaps a million, or half a million, or even $250,000, Mr. Chairman.

Mr. PURCELL. There may be. I do not know what the figures show. There may be one somewhere.

Dr. SCHNITTKER. This, Mr. Chairman, is simply an income stream beyond the amount needed to prevent that farmer contributing to surpluses, and which adds eventually to his assets value. I think we have some obligation in this country to provide stabilization for regular, full-time family farmers. I do not think we have any obligation to support the land values of the Campbell Wheat Farming Corp., to cite a wheat growing farm in Montana, or the Garst corn interests in Iowa, or the Hoffman wheat farm in Colorado or Kansas, or the Boswell cotton interests in California, just to name some of the outstanding examples.

Mr. PURCELL. I thought you might name examples like that, but outside of those, which are purely incidental to a program that provides a kind of stability, provides to a degree an income that is not yet even what any other type investor would get from a like investment. It seems to me that although I certainly have no desire for these corporate-type farms you are mentioning to receive huge payments, and I wish there was some way we could keep all of the big ones from having to occur, I do have some desire to present equity to everybody. My definition of equity is rather simple, that is, treat everybody alike. And if they participate in an allotment to compensate them in the same way. Maybe this is a naive attitude and maybe my example is naive. But it seems to me that, while realizing these programs are voluntary, if they require the contribution of the use of the land—and I am sorry we have to live in the negative and get accused of letting people be hungry when we are not using all of our land but surely anyone who knows anything about our food situation knows there is an abundance of food at the cheapest that any country has it now, so I do not think that is a fair comparison.

But, getting back to the point, it seems to me just as simple as when a freeway goes through Kansas from Manhattan on west, that those landowners through whose land this thing goes are going to be paid in about the same ratio. If it is a city lot, it may be very valuable and would get paid big sums, but if it is a 10-acre patch of land and not very good, that land will be paid for at the value of that land.

But then if it goes through a large landowner's holdings, he is going to and should get paid about the same rate per acre as the small farmer next to him would get. The Government is getting more from the big landowner.

Now, is this just not a good comparison of these two situations?

Dr. SCHNITTKER. Well, I think there are some holes in the analogy, Mr. Chairman. The road could not be built any other way. In the case of the——

Mr. PURCELL. I do not think the wheat people would work in any other way, either.

Dr. SCHNITTKER. No, sir; I disagree with that.

Mr. PURCELL. I know you do, but I just want the other viewpoint to be reflected.

Dr. SCHNITTKER. If we can have a payment limitation which affects only 1.3 percent of the farmers, or one-half of 1 percent, if you want to say $10,000 instead of $5,000 per program, and not affect the operation of the wheat program in any significant and adverse way, and save $250 million or $500 million to be spent on programs which the American people and Congress consider higher priority that, to me, would be a great gain.

Mr. PURCELL. Well, the place I really argue with you about is that although I know it affects a very few farmers, and you could win an election on letting the other guy get relief, it seems to me that it does affect the percentage of payment this amount of money would represent. So I just cannot see how it would not affect the participation in the program.

And again, to me, it is an unfortunate necessity that those who are the bigger producers must be in the program, and if they are not paid in the same way other people are, I do not see why they are going to stay in. If they do not, they do not have anything to do but grow wheat from fence to fence, and they are going to, I think, throw the production off. I am not worrying about their welfare, I am worrying about the welfare of the general wheat producer, and I just think we have to treat them alike.

Dr. SCHNITTKER. Mr. Chairman, one of the payment limitation proposals that has been made would give the farmer affected by the payment limitation the opportunity to plant a greater acreage, an acreage that would be increased somewhat in proportion to the reduction in payment. This was spelled out, I think, in one case, in the administration draft, and also in the amendment presented by Senator Goodell in the Senate debate earlier this year.

I think this could be an equitable way to approach payment limitations, and again, I repeat, so little acreage in feed grains and wheat would be affected so that I would argue that the danger of increased surplus or the risk of sharply increased diversion burden on the other farms is minimized.

In cotton—I stop there, thank you.

Mr. PURCELL. Yes, you stay off cotton, that is their business.

Mr. FOLEY. Dr. Schnittker, it is not my intention to prolong the payment limitation discussion. I think whatever our feelings on this committee are about payment limitations philosophically, we all recognize there is very strong support for it in the Congress. This is evidenced by some recent votes which I think demonstrate pretty clearly that this is going to be an important issue to face when the bill reaches the floor, if not before.

I would like your comments on one area in particular. There are some large holdings in the United States that are participating in the program which are not owned by individual producers or by corporations, and are in effect public lands. The proceeds are pledged to public purposes. In my own State there are very large acreages of public lands which under our Constitution divert income to the benefit of the public schools.

In view of the fact that most of your support for payment limitations is based on feelings of social equity and the appropriate use of public funds, do you think there would be justification in exempting such public land domains from the restrictions of the payment limitation?

Dr. SCHNITTKER. I think it certainly ought to be considered, and not ruled out aritrarily at the start. As you recall, public lands has been always considered and in some cases have had certain exemptions or certain exceptional rulings under the various programs. I think this could be very well considered.

Mr. PURCELL. Dr. Schnittker, I apologize for usurping as much time as I am, but I am not through with you yet.

Do you remember when we were worrying about the 150-acre exemption in the area of Ohio/Indiana/Illinois, something like that?

Well, while we were philosophizing, I do not remember whether your philosophy including thinking those exemptions were wise or not. Do you remember what you thought about that?

Dr. SCHNITTKER. I favored terminating the exemption in 1962 or 1963, treating those producers and their acreage as acreage history, so that they received then a small acreage allotment as the price of terminating the exemption for the future.

Mr. PURCELL. I remember when I used to get to go to the Department to try to be on the inner circle and meet with those that had some authority in the executive, we called a bushel of wheat a bushel of wheat whether it came from 15-acre places or some other place. Do you remember that?

Dr. SCHNITTKER. Yes, sir.

Mr. PURCELL. And we were very interested in getting the 15-acre boys in a program.

My point in bringing this up, it just seems to me that if there is this much money that can be saved by having a drastic reduction in the limitation of payment, that if our reasoning was valid then in worrying about a bushel of wheat that came from a noncommercial wheat producing area, offsetting a bushel of wheat that came from a commercial wheat producing area, I just cannot see how the philosophy now of disregarding what would happen to these big producers and saying that this would be unimportant, how the two sets of reasonings can be parallel or you can reach a conclusion, the conclusion you do with the worry and work that we put in on trying to lessen the amount of wheat that came from these 15-acre use producers.

Dr. SCHNITTKER. Well, Mr. Chairman, any farmer, any person who can get ahold of a piece of land today can produce wheat. Without price support, if he does not have an allotment, he will not receive any payments, if he does not have any wheat acreage allotments. Not many people are doing it. In short, we have an open-ended wheat production program today, and farmers who do not have wheat acreage history or allotment are not adding grossly to the wheat surplus. So I would not expect farmers affected by the payment limitation to add seriously to the production of wheat, leading potentially to an increased surplus.

Mr. PURCELL. I will quit at this point. But the only point I make there is people are talking now in the business of producing wheat. The bigger producers come basically from areas where they are pretty much a one-crop area, they do not come primarily from areas that can be in other types of crops, and so I do not see that they have any alternative. But as I said before, to protect themselves by getting as many units out as they can, hoping that they can offset the loss in price payment by just multiplying their units.

I do not know whether it will work or not, but I do not think they have any alternative.

Well, I do not think there is any use of taking up more time. Let me say in connection with what Mr. Foley said, I realize from a press standpoint we must be working toward a practical thorough study, on this price limitation problem; and I do not want you or the record

or those who write these things down to think that I am so impractical that I do not see reality. But I do think there could be a better way than just saying arbitrarily $5,000 per commodity or $10,000 per farm.

So while we are still in good humor, let us quit.

Dr. SCHNITTKER. Thank you, Mr. Chairman.

Mr. PURCELL. Any other questions?

Thank you very much.

Our next witness is Eugene Moos, president, Washington Association of Wheat Growers.

We have pretty much usurped your time. If you move with dispatch you can be heard pretty well at this time.

STATEMENT OF EUGENE MOOS, PRESIDENT, WASHINGTON ASSOCIATION OF WHEAT GROWERS

Mr. Moos. Thank you very much.

Mr. Chairman and members of the subcommittee, my name is Gene Moos. I am a wheatgrower from the State of Washington.

I would like to present testimony on behalf of the Washington Association of Wheat Growers, the organization I serve as president. Although the Washington Association of Wheat Growers is a relatively small association, some 3,600 members, it is with a great deal of pride that I point out that Washington Association of Wheat Growers is recognized as one of the most active and well-informed State agricultural commodity organizations in the United States.

We wish to express our appreciation to the members of the Livestock and Grains Subcommittee for this opportunity to express our viewpoints concerning new farm program legislation.

Speaking quite generally, the wheat producers in my State recognize that the basis of our economic problem lies in trying to overcome the effects of cost inflation by overproducing the market requirements of today, thereby contributing to weak prices and inadequate income.

This ability to overproduce makes it impossible for wheat to survive economically by the return from the marketplace alone. As a result of this dilemma, Washington Association of Wheat Growers supports the continuation of farm programs that are designed to stabilize production while maintaining adequate income to insure a viable agricultural economy.

Washington Association of Wheat Growers is well aware of the public disenchantment with farm programs and farm program costs. We understand the ever-increasing budgetary needs rising out of the problems of our complex society.

We believe that any new farm legislation must meet both the needs of agriculture and that of the national interest. We believe for the Congress of the United States to support the cost of new farm legislation, then this legislation must not only meet the criteria of stabilizing production and adequate farm income, it must also do it in a more effective manner than has been the case with past programs. To accomplish this requires that agricultural interests and administration interests must work closely with the House Agriculture Committee in the preparation of such legislation.

It is in this context that we offer our recommendations, feeling that the first step forward is the consensus of opinion of those vitally interested in the future of agriculture. After this has been accomplished, we can then concern ourselves with the task of soliciting approval on the floor of Congress.

The present policy of the Washington Association of Wheat Growers is the same as the National Association of Wheat Growers. We strongly urge the extension of an improved version of the present supply-management program as embodied in H.R. 14014, the so-called coalition farm bill.

This legislation most nearly meets the needs of the wheat industry as we see it. However, leaders in Congress and Government tell us there is little likelihood of this piece of legislation, in its entirety, receiving serious consideration. Because of this uncertainty about the future of H.R. 14014, we wish to be on record registering our recommendations on some of the specific points being proposed in the various farm program alternatives.

The following are the Washington Association of Wheat Growers recommendations—

1. Price support loan levels: We oppose any effort to establish loan values on the basis of a percentage of the moving average of the last 3 years' domestic market prices. We understand the need for support loans to be established at a level providing easy entry into export markets as well as into residual feed markets. But if any adjustment is necessary—it must be at fixed levels subject to the approval of the commodities affected.

2. Wheat certificate values: We oppose any effort to establish certificate values on any other basis except as the difference between support loan levels and 100 percent of parity.

The present parity concept of determining wheat certificate values is the only tool left to the wheat industry to prevent its economic lifeblood being drained away by inflation.

3. Diversion of set-aside requirements: We support the principle that these should be adjusted annually to provide the proper supply of food and fiber. We urge that all agricultural commodities supported by any new farm legislation make an equal and fair contribution to total production control through diversion or set-aside.

4. Voluntary diversion: We support the policy of additional payments to encourage voluntary diversion of cropland.

5. Freezing ASCS projected yields to fix the amount of money required for wheat certificates: We support this principle but object to using the production years of 1967, 1968, and 1969, as the only basis for determining these yields. To offset the weather abnormalities in some areas in the last few years, Washington Association of Wheat Growers urges the consideration of the optional method of using the highest yield assigned a particular farm since 1964 as shown by the local county ASC records.

6. Conserving-base adjustments: Because of the lack of uniformity in conserving-base adjustments over the last few years, annual cropping areas have experienced an unnatural advantage over the summer fallow areas.

In effect, the annual cropping areas have not made the same contribution to overall production control as have the summer fallow wheat areas.

Mr. Chairman, with your permission, I would like to make a further statement in this record. The conserving-base problem is further aggravated in my State because of loss of wheat base incurred as a result of the misinterpretation of the Anfuso amendment. Some effort should be made to correct this loss of the wheat base.

Furthermore, the overriding factor of 80 percent in the State of Washington has reduced the crop base, and conversely, increased conserving-base requirements.

For there to be any kind of equity in future production control, some sort of an adjustment must be made.

7. Maintaining wheat and feed grain bases: We recommend that there be no cross-compliance requirements in any new farm legislation.

8. Payment limitations: We oppose any type of payment limitation since this can only dilute the effectiveness of production control programs.

We do recognize that payment limitation is a very emotional issue nationally and that Congress may insist that some form of payment limitation be a part of any new legislation. In that event, we would consider a plan where payments in excess of $20,000 would be limited on a graduated basis as being the least objectionable type of payment limitation. In any case where payment limitations affect a particular farm—the number of acres to be diverted or set aside should be correspondingly reduced.

And again, Mr. Chairman, with your permission, I would like to include the fact that the average Government payment for the summer fallow wheat farm in the Pacific Northwest in 1967 was $6,723.

9. Land retirement: Washington Association of Wheat Growers supports the need for some type of limited land retirement program. We urge that the cropland adjustment program be funded to accomplish some land retirement.

10. Program simplicity: Washington Association of Wheat Growers is very concerned over new farm program proposals involving many annual variables as well as producer options. Farm programs with this built-in complexity do much to discourage producer understanding and support.

11. Farm program costs: Washington Association of Wheat Growers believes that farm programs should not be measured in terms of dollars alone. They should also be measured by the opportunity for agriculture to provide ample supplies of food and fiber as agriculture's contribution toward both national stability and national security. Measured in these terms, farm program costs subsidize the national interest rather than the interest of a select few in agriculture and they should be considered in this light.

In summary, the Washington Association of Wheat Growers supports those principles in farm programs that insure effective production control while maintaining adequate farm income. Evaluating new farm legislation proposals on this basis, we make the following judgments:

1. Extension of present supply-management still seems to be the most attractive type of farm program to the wheat producers in my State. We support this extension despite the fact there are some deficiencies—both in terms of effective production control and adequate income to producers.

We would like to suggest that our present program could be improved by the inclusion of some of the features of the other farm program alternatives.

2. The administration's set-aside program has some good features. But on the short term, this plan seems to provide the opportunity for increased production. At the same time, the plan also seems to suggest lower farm income as a result of lower domestic prices combined with reduced Government support.

As the Washington Association of Wheat Growers now understands the specifics of the set-aside program, Washington Association of Wheat Grovers feels it would have little appeal to the commercial wheat grower.

3. Massive land retirement programs would take many years to assure adequate farm income to producers. Effective production control under this kind of program is dependent upon low returns to producers in order to phase out excess production.

Thank you.

Mr. PURCELL. Thank you, Mr. Moos.

Mr. Foley, do you have questions?

Mr. FOLEY. I would like to say, Mr. Chairman, Mr. Moos in addition to being president of the Washington Association of Wheat Growers is a constituent of mine and I can tell the subcommittee that he has not only been active as one of the most knowledgeable and concerned members of his organiaztion, but he is one of the most efficient producers in our area, as well. He speaks from very personal experience.

I would just like to ask one question, because I know the time is late. I wish we had more time to spend with Mr. Moos.

Mr. Moos, would you want to comment on the suggestions made by Dr. Schnittker that $5,000 per commodity and $10,000 per farm would not increase production substantially or adversely affect the farmer income on noneaffected farms?

Mr. Moos. Well, of course, I would have to disagree with his philosophy or his point in this regard, because as I pointed out in the testimony, the average Government payment for a summer fallow farm in the Pacific Northwest was $6,723, which means on the average, if every farm in the Pacific Northwest would then be affected by a $5,000 payment limitation—and, of course, being the average—this means there are farms that receive larger payments. And the point that was made earlier by the chairman, of the lack of alternatives, and particularly in the Pacific Northwest as far as cropping is concerned, would almost demand that those producers would suffer through payment limitations would go out of the program and plant fence to fence.

Mr. FOLEY. Thank you.

Mr. PURCELL. Mrs. May.

Mrs. MAY. I do not think we are unique, are we, Mr. Moos, necessarily, on what would happen in our area under a $5,000 payment limitation?

Mr. Moos, one question. I am not sure I understand one point you made on your WAWG recommendations. Starting at the bottom of page 2, concerning price support low levels, in which you do oppose any effort to establish any loan values on the basis of a percentage

of the moving average of the last 3 years domestic market prices, in other words, going from parity to this concept.

Then you say at the top of page 3:

> But if any adjustment is necessary it must be at fixed levels subject to the approval of the commodities affected.

Could you just enlarge on that, just a little?

Mr. Moos. Well, first of all, we do recognize that there is or could be some reasons possible for adjustment of support rates to insure easy and adequate entry into both export channels and into the feed usage. However, the objection from my State on the moving average lies in the fact that we are in a surplus condition as far as wheat supplies are concerned. And this type of a moving average under these conditions would seem to indicate that only the price would spiral downwards, but if the supply situation was in balance, perhaps then you could go on the basis of a moving average of the past 3 years' market prices.

But under the conditions of today, we feel that it would be very detrimental in terms of domestic prices and producer income.

Mrs. MAY. And the other, the specific question the chairman and I both have, what do you mean, "subject to the approval of the commodities affected"? Are you talking about a referendum? Is that what you are suggesting?

Mr. Moos. No; what we are talking about is with our understanding of the problem, that we are not unreasonable in terms of recognizing the need for certain adjustments they could possibly make.

Mrs. MAY. I see.

In this regard, in other words, you do not quarrel completely with Dr. Schnittker's statement on this—I am trying to find it in his statement—that when we stay with the present price support formula and parity formula we are planning for the past instead of the future. And he says we mislead ourselves when we say that we base price supports on parity and then set actual support levels at 44 or 55 percent of parity. And that, of course, has been going on.

In other words, your association realizes there has been a peculiar kind of situation here that might be improved.

Mr. Moos. Yes. Producers in my State look toward price support as an insurance of income to the producers in terms of overproduction or declining markets.

Mrs. MAY. If the suppy-demand situation were in balance, and the impact of inflation not so high, it might be possible then to depend more heavily on the recent 3 years' market prices, without disorienting your income so much.

Mr. Moos. Yes.

Mrs. MAY. Thank you. That is all.

Mr. PURCELL. Mr. Rarick.

Mr. RARICK. Thank you, Mr. Chairman. I enjoyed Mr. Moos' statement. I especially appropriate his comment that he does not support farm payment limitations.

In his statement he called farm payment limitations an emotional national issue. He might be interested in telling his farm friends that the emotional national issue has been generated by some of the news

media. Yet in this same Congress, so interested in limiting the payments to the farmers, a payment limitation on postal bills as far as subsidies to the magazines and big city newspapers was defeated. A double standard for the free press. No emotional issue was made to demand payment limitations to foreign countries receiving our foreign aid. I have heard no talk about limitations on tax-free status to foundations, or limitations on tax writeoffs for big companies and corporations.

Only the farmer whose food products supplies the strength and nutrition for all this brainpower is made the whipping boy.

There are many who agree with your statement, Mr. Moos, that to put a limitation on the farmer would only defeat the effectiveness of any program. Thank you, Mr. Chairman.

Mr. SEBELIUS. The time has run out, Mr. Chairman. I would like to thank Gene Moos, whom I met out in Washington, and the Zimmermans, for taking the time and energy to come back and present this story to us. I really appreciate it.

Mr. MELCHER. Mr. Chairman, are we going to get to the next witness today?

Mr. PURCELL. Well, it depends on how long you take.

Mr. MELCHER. I appreciate the answer, and I appreciate your testimony. I shall not take any time.

Mr. PURCELL. All right, we thank you very much. I think that you will find most of us in pretty good understanding and probably basic agreement with what you say. Thank you.

Mr. Moos. Thank you.

Mr. PURCELL. Very briefly, Mr. Stelzer, would you finally come forward, please?

If there are questions, and I know we are subject to anybody making a point of order at this time, Mr. Stelzer has been held available for us to ask him any remaining technical questions in regard to how the set-aside program would work, remembering our understanding that he is not here to discuss the philosophy of it.

STATEMENT OF ROLAND STELZER, ASSISTANT TO THE ADMINISTRATOR, ASCS, U.S. DEPARTMENT OF AGRICULTURE—Resumed

Mr. PURCELL. Do you have a question in that regard?

Mr. MELCHER. Yes, thank you, Mr. Chairman.

Mr. Stelzer, in the testimony that we have had from witnesses today and also Monday from Mr. Hofer and today from Mr. Moos, the point of a conserving base has come up. I notice there is quite a little variance between different States. Mr. Moos points out how it effects a hardship on summer fallow areas and Mr. Hofer has listed in his testimony on page 5, the conserving base percentages in Nebraska, Colorado, and Oregon. This aroused my interest on Monday, and I have found since then that there is a great deal of difference. Some States have their conserving base percentages as low as 8 percent, and I note here in Oregon it is as high as 58 percent.

This apparently is not at the discretion or the direction of the Department then; is that correct?

Mr. STELZER. The conserving base, as I am sure you know, was first established to represent the acreage used for conserving crops in the

base period 1959–60. And since that time it has been subject to some adjustment to bring it more up to date.

Mr. MELCHER. Does the Department have a study that indicates a variance between States?

Mr. STELZER. Yes, we do. I have here, Mr. Chairman, only one copy. We went out this spring and obtained from all of our States and counties the total acreage of conserving base acreages on farms that have a cotton base, feed grain base, and wheat allotment. These have been summarized and I have here a copy of the summary that shows this by States.

It shows Mr. Congressman, the conserving base established in 1966 on these farms, the conserving base established on these farms by States for 1969. The total cropland that goes with these farms, and the percentage the 1969 conserving base is of cropland.

This is by States. I would be very glad to let you have it. I do not see any objection to my giving it to you for the record.

Mr. PURCELL. Without objection, I will ask that it be put in the record at this point so we will have it there for study.

(The document follows:)

CONSERVING BASE AND CROPLAND RATIOS, 1966 AND 1969—FEED GRAIN AND WHEAT COTTON FARMS

State	Per 1,000 acres			Percent	
	Conserving bases, 1966	Conserving bases, 1969	Cropland, 1969	Portion 1969 conserving bases are of 1966 conserving bases	Portion 1969 conserving bases are of 1969 cropland on these farms
Maine	117.5	109.0	140.8	93	77
New Hampshire	61.3	58.6	68.6	96	85
Vermont	352.5	368.6	440.1	105	84
Massachusetts	100.5	93.6	126.2	93	74
Rhod Island	8.6	7.9	1.1	92	60
Connecticut	109.5	106.2	147.4	97	72
New York	2,995.0	2,668.9	5,564.2	89	48
New Jersey	272.5	250.4	726.5	92	34
Pennsylvania	3,196.5	2,934.3	6,345.3	92	46
Delaware	62.8	46.8	494.8	75	9
Maryland	663.0	603.4	1,791.2	91	34
Northeast	7,939.7	7,247.7	15,858.2	91	46
Michigan	3,286.4	1,951.5	10,129.7	59	19
Wisconsin	5,447.0	5,041.5	11,764.2	93	43
Minnesota	4,456.9	3,237.6	22,212.9	73	15
Lake States	13,190.3	10,230.6	44,106.8	78	23
Ohio	3,428.8	2,846.5	12,650.3	83	23
Indiana	2,950.9	1,802.6	14,415.1	61	13
Illinois	3,489.8	2,281.0	24,929.7	65	9
Iowa	4,865.1	3,085.8	26,949.7	63	11
Missouri	5,913.0	5,522.4	18,476.3	93.	30
Corn Belt	20,647.6	15,538.3	97,421.1	75	16
North Dakota	7,982.4	6,643.4	27,122.4	83	24
South Dakota	4,155.0	3,397.7	17,601.9	82	19
Nebraska	4,527.4	3,952.0	20,457.8	87	19
Kansas	7,486.4	6,446.3	29,857.5	86	22
Northern Plains	24,151.2	20,439.4	95,039.6	85	22
Virginia	1,745.0	1,472.2	3,694.7	84	40
West Virginia	456.0	449.5	670.5	99	67
North Carolina	1,784.5	1,094.9	7,103.8	61	15
Kentucky	7,129.9	6,683.5	10,094.0	93	66
Tennessee	4,121.6	3,627.0	8,532.4	88	43
Appalachian	15,237.0	13,327.1	30,095.4	87	44
South Carolina	1,246.9	659.9	4,731.7	53	14
Georgia	2,513.3	1,377.2	8,294.1	55	17
Florida	647.5	461.0	1,790.7	71	26
Alabama	1,561.3	1,084.8	6,335.2	69	17
Southeast	5,969.0	3,582.9	21,151.7	60	17
Mississippi	1,505.9	977.1	7,632.7	65	13
Arkansas	1,347.2	1,257.0	7,953.1	93	16
Louisiana	1,323.2	1,240.6	4,585.6	94	27
Delta States	4,176.3	3,474.7	20,171.4	83	17
Oklahoma	2,532.0	1,891.9	12,887.1	75	15
Texas	4,663.7	2,869.0	35,778.1	61	8
Southern Plains	7,195.7	4,760.9	48,665.2	66	10
Montana	7,673.5	7,163.6	14,723.8	93	49
Idaho	2,490.3	1,893.8	5,707.8	76	33
Wyoming	930.5	877.0	1,812.6	94	48
Colorado	4,592.3	3,725.8	10,678.3	81	35
New Mexico	488.0	177.3	2,280.1	36	8
Arizona	420.7	240.6	1,448.0	57	17
Utah	934.9	913.6	1,727.4	98	53
Nevada	158.3	153.9	272.2	97	57
Mountain	17,688.5	15,145.6	38,650.2	86	39
Washington	3,138.0	2,925.3	7,015.3	93	42
Oregon	1,637.4	1,570.8	3,906.3	96	40
California	2,065.2	2,009.2	8,203.1	97	24
Pacific	6,840.6	6,505.3	19,124.7	95	34
Total United States (48 States)	123,035.9	100,252.5	430,284.3	81	23

Mr. STELZER. In the case of Oregon, this figure for the State as a whole is 40 percent for 1969.

It is slightly different in the farm example that was used the other day by Mr. Hofer, but it is in line with it.

In the case of Nebraska, that figure is 19 percent. This shows some of the range from State to State.

Mr. MELCHER. Then, there is a point in the back of my mind, if it varies so much from one State to another, and we did enact a set-aside program, would this lead to a great increase in production in some areas due to the difference in the conserving base? After the set-aside acres were established and the smaller conserving base was added to that, then the remainder of the cropland would be available for the production of any crop that the operator chose. Would this lead to increase in production in some States?

Mr. STELZER. It only would to the extent that this conserving base is not fair and equitable. If it does not include all of the land that is currently in use for conserving purposes.

Mr. MELCHER. Well, under the circumstances, is this a danger, then?

Mr. STELZER. There is some of this danger. I think this is recognized, Mr. Congressman, and this is one of the reasons why we went out and got this basic data.

We have it county by county. This table is a State summary. We are planning to make a complete analysis to see what changes should be made in the conserving base acreage and in the instructions to the States and counties to attempt to make them fairer and more equitable.

Mr. MELCHER. How long would it take you to complete the study?

Mr. STELZER. I am not prepared to state at this time, but they are working on it.

Mr. MELCHER. I wonder if it could be made available to me and perhaps the committee?

Mr. STELZER. You mean the county-by-county data?

Mr. MELCHER. The conclusions you arrive at as to whether or not there would be increased production.

Mr. STELZER. I am sure, Mr. Chairman, you will keep in contact with the Department, and if any instructions do go out to the States and counties, you would be made aware of it. I will keep this in mind.

Mr. MELCHER. Mr. Stelzer, would the projected crop or the projected yield be made available to us as soon as possible? To guide us on whether or not we could anticipate a greater production in certain States as a result of the set-aside program?

Mr. STELZER. Projected yield; you are back to the projected yield, now?

Mr. MELCHER. Yes.

Mr. STELZER. I am not sure we are doing anything on the projected yield at this particular point.

Mr. MELCHER. Maybe I used the wrong term. My question simply is: Is there going to be a danger of overproduction, increased production because of the set-aside, and if your study shows that, will we be notified?

Mr. STELZER. It should be made a part of the overall study as to what may result under the set-aside program, that is correct. It should be a part of that.

Mr. MELCHER. Thank you.

Mr. PURCELL. Any other questions?

Mrs. MAY. Mr. Stelzer, you have had a chance to read the testimony of Mr. Glen Hofer, I believe?

Mr. STELZER. Yes, ma'am.

Mrs. MAY. There are just a few points that I would like to comment on. One suggestion their association has made is on processor certificates, referring to the language that is in the draft set-aside proposal we have before us. The wording is "processor certificates would be continued in effect at a cost of not to exceed 75 cents per bushel." Their recommendation is that that language be changed to say at a cost of not less than 75 cents per bushel.

Would you comment on what the attitude of the Department might be on that change? Or can you, at this time?

Mr. STELZER. I think I understand what the difference is. If at the present time the present legislation requires the processor to pay the difference between $2 a bushel and the loan rate. Currently, the loan rate is $1.25 per bushel which means a processing certificate of 75 cents a bushel. I think the intent of the Department's proposal was that in no case should the cost to the processor exceed this 75 cents. This should be kept at this level or less.

Now, under Mr. Hofer's proposal, if for example the loan rate were to go down to $1.20 a bushel, this could result in the processor's certificate going up to 80 cents a bushel, or more.

The only purpose was to maintain this at 75 cents or less, with the understanding, too, Miss Congresswoman, that under the set-aside, where you have loan rates varying with moving average, the intent is that the market price should continue to be up to $1.25 or higher, so that the total cost of wheat to a processor should be the market price which might be around $1.25 plus, plus not more than the 75-cent certificate so the overall cost would continue to be near the $2.00 level.

Mrs. MAY. I see.

Well, we have not the time to indicate some of the fears we have on other conditions that might result from this, but I would hope that they would listen to our analysis on this point, and some others, as to what the projected effect will have.

On another point that was made in Mr. Moos' testimony this morning, on freezing the projected yield, and to fix the amount of money required for wheat certificates, WAWG has made the suggestion, well, first, they have objected to the use of the production years 1967, 1968, and 1969, as the only basis for determining this yield. But again have suggested to offset abnormalities in some areas in the last few years, and there have been some significant impacts on other areas over the last few years, that the bill might include an optional method of determination, going back to 1964.

Do you have any thoughts right now as to what reaction to that suggestion might be?

Mr. STELZER. My reaction, without looking into it, would be that the 1964 projected payment yield we used in some areas were not fair and equitable as compared with other areas, and that there should be some major adjustments in such areas to bring them in line with other areas.

I think there are two or three States—I would have to check this out to be sure—where the yield used at that time was out of line and not

fair and equitable with other States, and it would not be right to continue perpetuating them.

Mrs. MAY. What you are saying is there might be some adjustment on this, but to include the year 1964 as an optional method of doing it would not be the way to accomplish this?

Mr. STELZER. As I recall, he said he wanted to use the yields that were established in 1964.

Mrs. MAY. Yes, this is true, I see.

Mr. STELZER. There is a difference.

Mrs. MAY. That is a bad year as far as you are concerned?

Mr. STELZER. For yields that we used for program purposes, yes.

Mrs. MAY. I see.

Thank you, that is all, Mr. Chairman. I had some other questions, but I will stop there.

Mr. PURCELL. Thank you very much, Mr. Stelzer.

(The following statement and letter were also received by the subcommittee:)

STATEMENT OF MILLERS' NATIONAL FEDERATION

This statement is submitted in behalf of the Millers' National Federation, the national association of the wheat flour milling industry.

It is a long-standing policy of the Millers' National Federation not to take a position on farm legislation except to the extent that it has a direct effect on the milling industry.

Our basic interest is in the development and maintenance of a healthy and profitable total wheat economy. This, of necessity, must include not only millers, but wheat producers, bakers, and all others who make up that economy. It should be beyond question that we want growers to receive a fair return for their wheat; our interest in their economic stability and well-being is obvious.

The Wheat Marketing Certificate Program implemented in 1964, requires wheat processors to pay to the Commodity Credit Corporation 75 cents for each bushel of wheat processed for domestic food consumption. This fixed levy is in addition to prevailing market prices. The funds thus collected are then commingled with other funds available to the Commodity Credit Corporation from the U.S. Treasury in making payments to wheat producers. It is this feature of the present program to which the Millers' National Federation objects.

Under the 1968 program, wheat processors contributed some $382 million to the $746 million total direct Federal payment to growers, leaving a net Federal cost of $364 million. By way of contrast, direct Federal payments to feed grain producers in that year were about $1.3 billion. The total cost of the cotton program was $783 million. All of these feed grain and cotton payments come direct from the Federal Treasury, while over half of the wheat price support program is being financed by processors and wheat product consumers.

During the past five years when market prices have had an opportunity to reflect competitive market values, the domestic *farm price of wheat* has averaged slightly above the average farm price of corn on a pound-for-pound basis. On the other hand, the *cost of wheat to the miller, including the certificate*, since the inception of the certificate program in 1964 has been between about 172 percent and 190 percent of the corn price on a pound-for-pound basis, although the differential has narrowed in recent months. This spread between wheat and corn is consistently greater than existed in the years prior to the certificate program, even though at that time also wheat was held at artifically high levels.

This price disadvantage is causing ingredient buyers to substitute, in varying amounts, corn and other grain products for wheat. Because of the problems inherent in changing product formulations this has been a gradual process, but one which will be equally difficult to reverse.

Wheat products compete, directly or indirectly, with most items of food available to the consumer. Particularly, they must compete with corn and other grain products in bread and rolls, breakfast foods, specialty bread, crackers, cookies, snack foods, and a host of other products.

One of the most unfortunate side-effects of this shift in consumption is its apparent effect on nutrition in the United States. Several prominent nutritionists

have referred publicly to the critical role played by the flour and bread enrichment programs in the near-elimination of dietary deficiency diseases from 1941 to recent years. Now they are beginning to note an increased incidence of iron deficiency anemia and other diseases they associate with the decline in consumption of enriched wheat products. The milling and baking industries are now taking steps to improve the nutritional value of each unit of wheat product. These advances will be lost, however, to the extent that enriched wheat products are rendered non-competitive because of artificially high wheat costs in relation to other food grains.

These factors inevitably lead us to the conclusion that if the Congress feels that wheat market prices provide producers with inadequate returns, any supplemental payments should be provided direct from the Federal Treasury in the same manner as other commodity programs are financed. We believe the singling out of wheat for this unique treatment will be self-defeating to the entire wheat industry in the long run.

We strongly urge the elimination of the wheat processor financing feature of the wheat program. However, we recommend that, if at this time this is not possible, the principle be extended to all grains in such a manner that competitive values will be accurately reflected for food use. In this way, users of other grains for food products would share in the cost of the price support programs for those grains, as wheat processors do now in the case of wheat. Admittedly, such an approach would continue an artificial system of establishing food values, but it could at least offer a degree of equity among competing grains.

Needless to say, we are strongly opposed to any provision of the bills before the House Committee on Agriculture which could lead to an increase in the certificate levy. The Administration's proposal would continue the certificate levy, but in such a way that it would not exceed the present 75 cents per bushel. H.R. 9009 and a number of identical bills provide for the phasing out of the certificate levy over a five-year period. We heartily endorse that particular provision in that it comes closest to satisfying Federation policy.

We urge that the levy on processors be eliminated at the earliest possible time.

AMERICAN SOYBEAN ASSOCIATION,
Hudson, Iowa, December 18, 1969.

Hon. MASTON O'NEAL,
Chairman, Oilseeds and Rice Subcommittee, House Committee on Agriculture, House of Representatives, Washington, D.C.

DEAR CONGRESSMAN O'NEAL: As your Subcommittee and the full Committee consider farm legislation for the 1970's, the effect of that action on soybean acreage and income to soybean producers deserves priority attention. Congressional or administrative action on feed grains, cotton, wheat and other crops directly affects soybean acreage and producer income.

In developing a farm program, or specific commodity programs, the provisions relating to feed grains, wheat, cotton and rice, especially, need to be developed in such a manner that they will not cause an increase in soybean acreage.

During the past 27 years, soybeans have absorbed over 30 million acres of land formerly planted to other crops most of which are now under acreage restriction. Soybeans have given farmers a profitable alternative crop. What American Agriculture would have done without this growing worldwide demand for soybeans no one can truly evaluate; but there is a limit to how much acreage soybeans can absorb.

Production of soybeans has increased approximately 5% annually the past five years. While total usage has gone up, it has not increased as fast as production.

Carryover stocks in 1966 amounted to a two-weeks supply. The carryover September, 1969 was nearly a four-months supply. The stocks in 1966 were not adequate but the rate of increase in carryover stocks is of major concern.

It's projected by Ray Ioanes, Administrator, Foreign Agricultural Service, USDA, that domestic usage and overseas demand will result in 96% of the 1969 crop being utilized. This would mean a carryover of approximately 350 to 360 million bushels September, 1970. This is an adequate carryover to meet all foreseeable needs worldwide. No farm policy decisions should be made regarding other crops, nor such action as payment limitations should be taken, that would stimulate soybean acreage.

Farmers should *not* be allowed to plow up a crop on which they receive a diversion or compensatory payment then plant that acreage to soybeans except in case of proven emergency such as a hurricane or extreme, wide-spread drought.

Fourteen states from Minnesota to Mississippi to the Carolinas produce more than 20 million bushels each. This means soybeans are now grown over such a wide area that poor growing weather in one area will not materially threaten total U.S. production. New producers are raising beans in new areas. They are gaining experience and know-how. Increased use of technology and increased yields per acre in recent years indicates this trend toward improved yields per acre will continue. All of this adds up to every assurance there will be a more than adequate supply of soybeans next year if the 1970 planted acreage remains the same as in 1969. The objective in farm program planning should be to hold 1970 soybean acreage to no more than in 1969. Present supplies are largely in Commodity Credit Corporation hands to act as an adequate "strategic reserve" or "buffer stock".

Growers weigh many factors in determining how many acres of soybeans to plant including crop rotation plans, cost of production, availability and cost of credit, government program incentives or restrictions on soybeans or other crops and anticipated prices.

On the matter of price, the support level is a factor but only one of many in this crop that is directly affected by competing crops and government policy conditions around the world. On the price support matter, our Association took the following position: "The American Soybean Association favors a realistic price support mechanism and recommends that the U.S. Department of Agriculture be cognizant of rising costs of production in setting the support level; therefore, for the 1970 U.S. soybean crop, the Association favors a price support no lower than the present support level but with that level applied to No. 2 soybeans."

The policy of this Assoication, of the administration and we believe the policy favored by a majority of growers is a "production for use" policy. Any additional acreage resulting in increased carryover and additional government storage costs would increase the threat of acreage controls. Controls would throw soybeans into the same trouble as other major crops. Farmers strongly favor one major crop remaining free of restrictions. They strenuously oppose acreage restrictions on soybeans. That's why it is important for your Committee and Congress to keep in mind the effect on soybean acreage when setting policy on other crops. There must be a proper relationship that will establish and maintain the present level of soybean acreage. An increase in soybean production would be expected to lower prices. Lower prices would cause a swing away from soybeans into other crops. Preventing wide swings in production and price is desirable. Holding the line on soybean acreage, the nation's No. 1 export crop and No. 2 cash crop, should do two things: Cause a realistic improvement in prices for farmers next year, and, assure adequate supplies which is in the best interest of farmers in the long run.

Yours truly,

CHET RANDOLPH,
Executive Vice President.

Mr. PURCELL. This concludes the hearings that we have scheduled. We will begin having executive sessions as soon as we can arrange the time, and we would like to notify you when we are doing that, Mr. Stelzer, as we may still need your technical advice when we are in executive session, you and other people technically oriented in the Department.

But the committee now recesses, subject to the call of the Chair and I will notify everyone as soon as we can work out time schedules for executive sessions on a wheat program.

We stand in recess.

(Thereupon, at 12:15 p.m. the hearing in the above matter was adjourned, subject to call of the Chair.)

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